Sunrise

# Shareholder Information Document

September 30, 2019

## IMPORTANT INFORMATION

This shareholder information document (the "**Shareholder Information Document**") is prepared by Sunrise Communications Group AG and its subsidiaries (the "**Company**") solely for informational purposes. By having access to the following information, you are agreeing to be bound by the following conditions.

This Shareholder Information Document and its contents may not be distributed or passed on to any other person or published or reproduced, in whole or in part, by any medium or in any form for any purpose.

This Shareholder Information Document contains forward-looking statements. Forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this Shareholder Information Document, including, without limitation, those regarding the results of operations, strategy, plans, objectives, goals and targets of the Company's and Liberty Global Europe Financing B.V. and its certain subsidiaries that are to be acquired by the Company ("**UPC Switzerland**"). The forward-looking statements in this Shareholder Information Document can be identified, in some instances, by the use of words such as "expects", "anticipates", "intends", "believes", and similar language or the negative thereof or similar expressions that are predictions of or indicate future events or future trends. By their nature, forward-looking statements involve known and unknown risks and uncertainties and other factors that may cause the Company and UPC Switzerland's actual results, performance or achievements or other statements in this Shareholder Information Document to be materially different from those expressed in, or implied by, such forward-looking statements. Past developments cannot be relied on as a guide to future developments. You should not place undue reliance on forward-looking statements, which speak of the date of this Shareholder Information Document. In addition, forward-looking statements are not intended to give any assurances as to future results and statements regarding past trends should not be taken as a representation that they will continue in the future. All forward-looking statements apply only as of the date hereof and we undertake no obligation to update this information. No statement in this Shareholder Information Document is intended as a profit forecast or a profit estimate.

The Company is under no obligation to update or keep current the information contained in this document. The Company makes no representation, warranty or undertaking, express or implied, on the fairness, accuracy, completeness or correctness of the information or the opinions contained herein. The information contained herein shall not be used to form the basis of, or be relied on, in connection with any contract, commitment, or action whatsoever, in particular, the information must not be used in making any investment decision.

Certain financial data included in this Shareholder Information Document consists of "non-IFRS financial measures". These non-IFRS financial measures, as defined by the Company or UPC Switzerland, may not be comparable to similarly-titled measures as presented by other companies, nor should they be considered as an alternative to the historical financial results or other indicators of performance based on IFRS.

The Company obtained certain industry and market data used in this Shareholder Information Document from publications and studies conducted by third parties and estimates prepared by the Company based on certain assumptions. While the Company believes that the industry and market data from external sources is accurate and correct, the Company has not independently verified such data or sought to verify that the information remains accurate as of the date of the Shareholder Information Document and the Company does not make any representation as to the accuracy of such information. Similarly, the Company believes that its internal estimates are reliable, but these estimates have not been verified by any independent sources. Accordingly, undue reliance should not be placed on any of the industry, market or competitive position data contained in the Shareholder Information Document.

Certain financial and statistical information contained in the Shareholder Information Document is subject to rounding adjustments. Accordingly, any discrepancies between the totals and the sums of the amounts listed are due to rounding. Certain financial information and operating data relating to the Company and UPC Switzerland contained in the Shareholder Information Document has not been audited and in some cases is based on management information and estimates, and is subject to change. No reliance may or should be placed by any person for any purposes whatsoever on the Shareholder Information Document, or on its completeness or accuracy. The information in the Shareholder Information Document is in summary draft form for discussion purposes only. The information contained in the Shareholder Information Document is provided as at the date of the Shareholder Information Document and is subject to verification, correction, completion and change without notice. In providing access to the Shareholder Information Document, neither the Company and/or any of its subsidiary undertakings or affiliates, or their respective directors, officers, employees, advisers or agents, undertakes any obligation to amend, correct or update the Shareholder Information Document or to provide the recipient with access to any additional information that may arise in connection with it. Nothing herein should be construed as financial, legal, tax, accounting, actuarial or other specialist advice.

This document does not constitute or form part of, and should not be construed as, an offer to sell or issue or the solicitation of an offer to buy or acquire securities of the Company in the United States or in any other jurisdiction. Securities may not be offered or sold in the United States absent registration or an exemption from registration under the U.S. Securities Act of 1933, as amended (the "Securities Act"). The Company has not registered and does not intend to register any securities under the Securities Act or the securities laws of any state or other jurisdiction of the United States. The Company does not intend to engage in any public offering of securities in the United States. No part of this document, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever. This document is not a prospectus within the meaning of Article 652a of the Swiss Code of Obligations, nor is it a listing prospectus as defined in the listing rules of the SIX Swiss Exchange AG or a prospectus under any other applicable laws.

Neither UPC Switzerland, nor Liberty Global plc, nor any of their respective affiliates shall have any duty or liability to any person in connection with this shareholder information document or the information contained herein.

## FORWARD-LOOKING STATEMENTS

This shareholder information document (the "**Shareholder Information Document**") includes forward-looking statements within the meaning of the securities laws of certain applicable jurisdictions. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this Shareholder Information Document, including, without limitation, those regarding our future financial position and results of operations, our strategy, plans, objectives, goals and targets, future developments in the markets in which the Group participates or is seeking to participate or anticipated regulatory changes in the markets in which we operate or intend to operate. In some cases, you can identify forward-looking statements by terminology such as "aim", "anticipate", "believe", "continue", "could", "estimate", "expect", "forecast", "guidance", "intend", "may", "plan", "potential", "predict", "projected", "should" or "will" or the negative of such terms or other comparable terminology.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. The Company cautions that forward-looking statements are not guarantees of future performance and are based on numerous assumptions and that our actual results of operations, including our financial condition and liquidity and the development of the industry in which we operate, may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements contained in this Shareholder Information Document. In addition, even if our results of operations, including our financial condition and liquidity and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this Shareholder Information Document, those results or developments may not be indicative of results or developments in subsequent periods. Important risks, uncertainties and other factors that could cause these differences include, but are not limited to:

- high levels of competition in the market which could result in potential price erosion;
- our ability to attract new customers and retain existing customers;
- our ability to limit customer churn in our customer base;
- our ability to maintain sufficient customer satisfaction levels;
- our ability to implement our strategy successfully;
- equipment and network systems failures;
- our dependence on third-party telecommunications providers for the provision of certain of our services;
- our dependence on third parties to distribute our products and our ability to establish, maintain and expand our direct and indirect distribution and customer care channels;
- extensive scrutiny by the U.S. government for potential sanctions breaches by our technology partner, Huawei;
- our ability to protect customer data;
- our ability to manage cyber security risks, continually upgrade our network (in response to, among other things, the increasing volume of data traffic), protect our equipment and network systems and avoid service disruptions or equipment and network systems failures;
- the capital-intensive nature of our business and its dependence on continuously maintaining and upgrading our network;
- our ability to access content and provide services for a competitive TV offering;
- our ability to implement efficiency measures that may be costly or difficult;
- our ability to respond to rapid technological changes and corresponding changes in consumer preferences on a timely basis;

- our dependence on resellers and mobile virtual network operators ("**MVNO**") as partners;
- our ability to maintain our licenses and permits and to obtain new licenses and permits for the key technologies underlying our service offerings and other licenses and permits necessary for the conduct of our business;
- our reliance on major business customers, leaving us vulnerable to various financial risks;
- our ability to comply with increasing data security requirements by financial institutions, certain other corporate customers and governmental entities;
- risk of fraudulent or otherwise improper behavior by our customers, distribution partners, suppliers, employees and others;
- continuing uncertainties and challenging conditions in the global economy;
- changes to economic conditions in Switzerland and its impact on consumer spending;
- changes in the regulatory framework in which we operate, changes in national, cantonal and local laws, regulations and taxes;
- the status and outcome of pending litigation, legal or regulatory actions, and the impact of any new litigation, legal or regulatory actions, to which we may become party;
- our ability to attract and retain key personnel;
- the impact of decreased mobile network usage, litigation or stricter regulation arising from actual or perceived health risks or other problems;
- our ability to maintain and enforce our intellectual property rights;
- our pension liabilities;
- risks relating to lease of certain parts of our network from third parties;
- risks related to the Acquisition of the UPC Group;
- risks related to our financial profile including the effects of our restrictive debt covenants on our ability to finance our future operations and capital needs and to pursue business opportunities and activities;
- financial risks related to tax compliance;
- risks associated with competition law compliance;
- risks associated with our shareholders; and
- other factors discussed or referred to in this Shareholder Information Document.

The Company urges you to read the sections of this Shareholder Information Document entitled "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations of Sunrise*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations of UPC Switzerland*" "*Industry Overview*", "*Business of Sunrise*" and "*Business of UPC Switzerland*" for a more complete discussion of the factors that could affect our future performance and the markets in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Shareholder Information Document may not occur. These forward-looking statements speak only as of the date on which the statements were made. The Company undertakes no obligation, and does not intend, to update or revise any forward-looking statement or risk factors, whether as a result of new information, future events or developments or otherwise.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### Historical Financial Information of Sunrise

This Shareholder Information Document presents the audited consolidated financial year-end and unaudited condensed consolidated interim financial statements of the Company and its consolidated subsidiaries. The Company is the ultimate holding company of Sunrise. Unless otherwise indicated, the financial information presented in this Shareholder Information Document is the historical consolidated financial information of the Company and its subsidiaries.

This Shareholder Information Document presents the following financial information in relation to the Company:

- the audited consolidated financial statements of Sunrise Communications Group AG and its subsidiaries together with the report of the statutory auditor for the financial year ended December 31, 2018, including comparative figures for the financial year ended December 31, 2017 (the "**2018 Sunrise Consolidated Financial Statements**");

- the audited consolidated financial statements of Sunrise Communications Group AG and its subsidiaries together with the report of the statutory auditor for the financial year ended December 31, 2017, including comparative figures for the financial year ended December 31, 2016 (the "**2017 Sunrise Consolidated Financial Statements**");

- the audited consolidated financial statements of Sunrise Communications Group AG and its subsidiaries together with the report of the statutory auditor for the financial year ended December 31, 2016, including comparative figures for the financial year ended December 31, 2015 (the "**2016 Sunrise Consolidated Financial Statements**", together with the 2018 Sunrise Consolidated Financial Statements and the 2017 Sunrise Consolidated Financial Statements, the "**Sunrise Audited Consolidated Financial Statements**"); and

- the unaudited condensed consolidated interim financial statements of Sunrise Communications Group AG and its subsidiaries together with the review report of the statutory auditor for the six-month period ended June 30, 2019, including comparative figures for the six-month period ended June 30, 2018 (the "**Sunrise Unaudited Condensed Consolidated Interim Financial Statements**" and, together with the Sunrise Audited Consolidated Financial Statements, the "**Sunrise Consolidated Financial Statements**").

The Sunrise Audited Consolidated Financial Statements and the Sunrise Unaudited Condensed Consolidated Interim Financial Statements contained in this Shareholder Information Document are prepared and presented in accordance with International Financial Reporting Standards ("**IFRS**") and International Accounting Standard 34 *Interim Financial Reporting* ("**IAS 34**"), respectively. The Sunrise Consolidated Financial Statements are presented in Swiss Francs (CHF), which is also Sunrise's functional currency. The Sunrise Audited Consolidated Financial Statements have been audited by Ernst & Young AG, Zurich.

### Historical Financial Information of UPC Switzerland

This Shareholder Information Document presents the audited combined carve-out financial year-end and unaudited condensed combined carve-out interim financial statements of UPC Schweiz GmbH ("**UPC Switzerland**") and its subsidiaries. Unless otherwise indicated, the financial information presented in this Shareholder Information Document in relation to UPC Switzerland is the historical combined financial information of UPC Switzerland and its subsidiaries.

This Shareholder Information Document presents the following financial information in relation to UPC Switzerland:

- the audited combined carve-out financial statements of UPC Switzerland and its subsidiaries together with the report of the statutory auditor for the financial years ended December 31, 2018, 2017 and 2016 (the "**UPC Audited Carve-out Financial Statements**"); and

- the unaudited condensed combined interim financial statements of UPC Switzerland together with the review report of the statutory auditor for the six-month period ended June 30, 2019, including comparative figures for the six-month period ended June 30, 2018 (the "**UPC Unaudited Carve-out Interim Financial Statements**" and, together with the UPC Audited Carve-out Financial Statements, the "**UPC Carve-out Financial Statements**").

Unless otherwise indicated, UPC Switzerland's financial information contained in this Shareholder Information Document is prepared and presented in accordance with U.S. GAAP. The UPC Audited Carve-out Financial Statements have been audited by KPMG AG.

The UPC Carve-out Financial Statements are presented in Swiss francs.

The UPC Carve-out Financial Statements include the historical financial information of UPC Switzerland and are presented on a combined carve-out basis to include the historical results of operations, financial position, and cash flows applicable to UPC Switzerland. See also "*Acquisition*". The UPC Carve-out Financial Statements may not necessarily be indicative of the historical results that would have been obtained if UPC Switzerland had been a separate company during the periods presented or of the results that may be obtained in the future. All intercompany balances and transactions within UPC Switzerland have been eliminated and transactions and balances between UPC Switzerland and the Liberty Group and its subsidiaries are reflected as related party transactions in the UPC Carve-out Financial Statements. Such transactions with the Liberty Group are no longer considered related party following the closing of the Acquisition (as defined herein). For further information on "carve-out" principles used to prepare the UPC Carve-out Financial Statements, please see note 1 to each of the UPC Audited Carve-out Financial Statements and the UPC Unaudited Carve-out Interim Financial Statements included elsewhere in this Shareholder Information Document.

**Pro Forma Financial Information**

As part of this Shareholder Information Document, we present unaudited *pro forma* combined financial information as of and for the six months ended June 30, 2019 and as of and for the financial year ended December 31, 2018. This financial information is presented to illustrate the effect of the Acquisition (as defined herein) on our consolidated statement of financial position and our consolidated income statement by giving effect to the Acquisition and the associated financings as if they occurred on January 1, 2018. Please see "*Summary Pro Forma and Other Adjusted Financial Information*" for additional information on such *pro forma* financial information and a description of the assumptions used in creating such *pro forma* financial information.

The adjustments made in order to present the unaudited *pro forma* combined financial information have been made based on available information and assumptions that our management believes are reasonable. The unaudited *pro forma* combined financial information is for informational purposes only and does not necessarily present what our results would have been had the Acquisition and the associated financings actually occurred on January 1, 2018, nor should it be used as the basis of projections of our results of operations or financial condition for any future period. The unaudited *pro forma* combined financial information has been prepared in accordance with the rules or regulations of the SIX and is in compliance therewith and not with any other comprehensive basis of preparation. Any reliance you place on this information should fully take this into consideration.

This Shareholder Information Document also includes the unaudited *pro forma* adjusted information as of and for the twelve-month period ended June 30, 2019 for the combined Group, which is described in more detail below under "*—Other Financial Measures*".

**Other Financial Measures**

This Shareholder Information Document contains non-GAAP measures, including gross profit, gross profit margin, historically reported EBITDA, EBITDA, EBITDA margin, Adjusted EBITDA, Adjusted EBITDA margin, change in net working capital, capital expenditures, operating free cash flow, equity free cash flow, Adjusted operating cashflow, net debt and non-GAAP measures excluding the impact of IFRS 16 that are not required by, or presented in accordance with, IFRS. We present non-GAAP measures because we believe that they are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-GAAP measures we present may not be comparable to similarly titled measures of other companies and have limitations as analytical tools and, accordingly, should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS. Non-GAAP measures and ratios, such as historically reported EBITDA, EBITDA, EBITDA margin, Adjusted

EBITDA, Adjusted EBITDA margin, capital expenditures, operating free cash flow, equity free cash flow, Adjusted operating cashflow, net debt and non-GAAP measures excluding the impact of IFRS 16 are not measurements of our performance or liquidity under IFRS or any other generally accepted accounting principles. In particular, you should not consider EBITDA as an alternative to (a) operating profit or profit for the period (as determined in accordance with IFRS) as a measure of our operating performance, (b) cash flows from operating, investing and financing activities as a measure of our ability to meet our cash needs or (c) any other measures of performance under generally accepted accounting principles. EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for an analysis of our results as reported under IFRS. Some of these limitations are:

- it does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- it does not reflect changes in, or cash requirements for, our working capital needs;
- it does not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments, on our debt; and
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often need to be replaced in the future and EBITDA does not reflect any cash requirements that would be required for such replacements.

This Shareholder Information Document also includes the unaudited *pro forma* adjusted information as of and for the twelve-month period ended June 30, 2019 for the combined Group. Financial information as of and for the twelve-month period ended June 30, 2019 was derived by aggregating the relevant results of the financial year ended December 31, 2018 and the six-month period ended June 30, 2019 and subtracting the relevant result of the six-month period ended June 30, 2018. Financial information as of and for the twelve months ended June 30, 2019 has been prepared for illustrative purposes only and is not necessarily representative of our results of operations for any future period or our financial condition at any future date. The unaudited condensed consolidated financial information for the twelve months ended June 30, 2019 presented herein is not required by or presented in accordance with IFRS, U.S. GAAP or any other generally accepted accounting principles.

**Other Data**

Certain numerical figures set out in this Shareholder Information Document, including financial data presented in millions or thousands, certain operating data, percentages describing market shares and penetration rates, have been subject to rounding adjustments and, as a result, the totals of the data in this Shareholder Information Document may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other data set forth in "*Management's Discussion and Analysis of Financial Condition and Results of Operations of Sunrise*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations of UPC* Switzerland" are calculated using the numerical data in the consolidated financial statements of Sunrise Communications Group AG and UPC Switzerland, respectively, or the tabular presentation of other data (subject to rounding) contained in this Shareholder Information Document, as applicable, and do not use the numerical data in the narrative description thereof.

**Currency Presentation**

In this Shareholder Information Document, all references to "**CHF**" are to Swiss francs, the lawful currency of Switzerland; all references to "**euro**," "**EUR**" and "**€**" are to the single currency of the participating member states of the European Union participating in the third stage of the economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended or supplemented from time to time; and all references to "**U.S. dollars**," "**USD**" and "**$**" are to the lawful currency of the United States of America.

## INDUSTRY, MARKET AND SUBSCRIPTION DATA

In this Shareholder Information Document, we rely on and refer to statistical and other information regarding our business and the markets in which we operate and compete. The market data and certain economic and industry data and forecasts used in this Shareholder Information Document were obtained from market research, governmental and other publicly available information, independent industry publications and reports prepared by industry consultants. Industry publications and other third-party surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. While we have endeavored to accurately extract and reproduce data from such sources, we have not independently verified such data and cannot guarantee the accuracy or completeness thereof.

Certain information contained herein, including certain market data, market analysis and forecasts has been produced and published by the Research Division of Analysys Mason Limited ("**Analysys Mason**"), independent of any client-specific work within Analysys Mason, and is based on publicly available information only. The opinions expressed in the Analysys Mason materials cited herein are those of the relevant Analysys Mason report authors only. Analysys Mason maintains that all reasonable care and skill have been used in the compilation of the publications and figures provided by Analysys Mason and cited in this document. However, Analysys Mason shall not be under any liability for loss or damage (including consequential loss) whatsoever or howsoever arising as a result of the use of Analysys Mason publications, figures, projections or market analysis in this document, by the Managers, their servants, agents, or any recipient of this document or any other third party. The Analysys Mason figures and projections cited in this report are provided for information purposes only and are not a complete analysis of every material fact with respect to any company, industry, security or investment. Analysys Mason figures and projections in this document are not to be relied upon in substitution for the exercise of independent judgment. Analysys Mason may have issued, and may in the future issue, other communications that are inconsistent with, and reach different conclusions from, the Analysys Mason materials cited in this document. Those communications reflect the different assumptions, views and analytical methods of the analysts who prepared them and Analysys Mason is under no obligation to ensure that such other communications are brought to the attention of any recipient of this document. The Analysys Mason material presented in this document may not be reproduced, distributed or published by any recipient for any purpose without the written permission of Analysys Mason.

This Shareholder Information Document also contains or refers to certain market data, projections and market analysis of the Swiss Federal Statistical Office, Eurostat, the Swiss Federal Communications Commission ("**ComCom**"), Global Mobile Suppliers' Association, TeleGeography, Ericsson Mobility Report, IDC, Deloitte, SUISSEDIGITAL, the Economist Intelligence Unit ("**EIU**") (© Reproduced with permission of the Economist Intelligence Unit), FactSet, KPMG, the BBC and the Organization of Economic Cooperation and Development ("**OECD**"). While we have endeavored to accurately extract and reproduce the market or other industry data from such external sources, including third-party or industry or general publications, we have not independently verified such data. Accordingly, we cannot assure you of the accuracy or completeness of, and take no responsibility for, such data. Furthermore, such data has not been verified by any independent sources and we cannot assure you that a third party using different methods to assemble, analyze or compute market data would obtain the same result. We do not intend, and do not assume any obligations, to update industry or market data set forth in this Shareholder Information Document. Finally, behavior, preferences and trends in the marketplace may be perceived differently and tend to change. As a result, investors and prospective investors should be aware that data in this Shareholder Information Document and estimates based on that data may not be reliable indicators of future results.

In addition, certain statements in this Shareholder Information Document regarding the Swiss economy, the Swiss telecommunications industry, our position in the industry, our market share and market shares of various industry participants are based on our internal estimates, our own review and analysis of market conditions and our review of industry publications, including information made available to the public by our competitors. We cannot assure you that any of the assumptions underlying these statements are accurate or correctly reflect our position in the industry and none of our internal surveys or such other information have been verified by any independent sources. Neither the Company nor any of the Managers make any representation or warranty as to the accuracy or completeness of this information. Information in this Shareholder Information Document relating to the operations, financial results and subscription base of Swisscom Schweiz AG. ("**Swisscom**"), Salt Mobile SA ("**Salt**") and other competitor companies has been obtained from information made available by such companies publicly or by independent research. Neither the Company nor any of the Managers has independently verified this information, and we cannot guarantee its accuracy. Additional information set forth in this Shareholder Information Document relating to the subscription base of the MVNOs is based on our internal estimates. Resellers are included in the mobile network operators (“**MNOs**”) publicly reported mobile customer data but not reported separately. Therefore, the shares of resellers contracted by Swisscom and Salt are based on our internal estimates.

The website URLs included in this Shareholder Information Document are for inactive textual reference only. The information on the referenced websites is not incorporated herein and does not form a part of this Shareholder Information Document.

The subscription data included in this Shareholder Information Document, ARPU, subscription numbers, our market share and churn rates are derived from our operating systems and management estimates, are not part of our financial statements or financial accounting records and have not been audited or reviewed by outside auditors, consultants or experts. Our use or computation of the terms ARPU and churn may not be comparable to the use or computation of similarly titled measures reported by other companies in the telecommunications industry. ARPU is a non-GAAP measure and should not be considered in isolation or as an alternative measure of performance in accordance with IFRS.

**Market Share**

We calculate the market share for our mobile business by taking the total number of subscription on our network (including prepaid customers based on the 12-month activity rule and excluding MVNOs). We calculate the market share of our mobile business competitors based on publicly available information. We determine the number of subscriptions in the market based on the number of active SIM cards reported by each MNO.

We calculate the market share for our landline retail voice business by taking the total number of subscriptions on our network, as defined in “—*Subscriptions*”, as a percentage of the total retail voice market based on Swisscom quarterly reports and Swisscable publications.

We calculate the market share for our landline internet & TV business by taking the total number of our subscriptions, as reported in “—*Subscriptions*”, as a percentage of the total number of access lines in the market, which we calculate as the sum of our landline internet & TV subscriptions plus the total number of landline internet & TV subscriptions reported by Swisscom and Swisscable.

**ARPU**

We believe that ARPU provides useful information concerning the appeal and usage patterns of our rate plans and service offerings and our performance in attracting and retaining high-value customers of mobile voice and data, landline voice & other services and landline internet & TV.

We define mobile ARPU as the total mobile revenue in the period divided by the average number of mobile subscriptions in the period. The average number of mobile subscriptions during a period is calculated by adding together the number of active mobile SIM cards at the beginning and end of each month during the period, dividing by two and then averaging the results from all months during the period. For purposes of calculating mobile ARPU, total mobile revenue consists of revenues generated from our monthly subscription fees, usage fees for services that are incremental to the services allocated with our monthly subscription fees and mobile termination rates (*i.e.*, fees paid to us by other operators for calls terminated on our mobile network), but does not include revenue from MVNO agreements, roaming inbound fees, late payment and legal interception fees and revenues from the sale of handsets and accessories.

We define landline retail voice ARPU as the total retail voice revenue in the period divided by the average number of retail voice subscriptions in the period. The average number of retail voice subscriptions in a period is calculated by adding together the number of retail voice subscriptions at the beginning and end of each month during the period, dividing by two and then averaging the results from all months during the period. For purposes of calculating retail voice ARPU, retail voice revenue includes revenue generated from monthly subscription fees, usage fees for services that are incremental to the services allocated with our monthly subscription fees and landline termination rates (*i.e.*, fees paid to us by other operators for calls terminated on our landline network).

We define landline internet & TV blended ARPU as the total landline internet & TV revenue in the period divided by the average number of landline internet & TV subscriptions in the period. The average number of landline internet & TV subscriptions in a period is calculated by adding together the number of landline internet & TV subscriptions at the beginning and end of each month during the period, dividing by two and then averaging the results from all months during the period. For purposes of calculating landline internet & TV ARPU, landline internet & TV revenue includes revenue generated from monthly subscription fees but does not include dial-up revenue, revenue from the sale of customer premises equipment, such as modems and non-standard revenue such as business segment data solutions and integration revenues.

**Subscriptions**

Post-paid mobile subscriptions are counted in our subscription base as long as they have an active contract. Within our post-paid subscription base we differentiate between primary subscriptions which are rate plans mainly used by customers as voice subscription and secondary post-paid subscriptions which are rate plans mainly used by customers as data subscription (*e.g.*, multi-SIM or data-SIM used for tablet mobile data usage). Prepaid mobile subscriptions are counted in our subscription base if they have had an activity event (such as a usage or refill) within the last 91 days.

In our retail voice business, we report subscriptions of customers using our landline voice services.

In our landline internet & TV business, we report broadband connectivity services ("**BBCS**") subscriptions with access rebilling, local loop unbundling ("**LLU**") and fiber subscriptions based on the number of active contracts.

Our subscription data includes the number of main products sold by our consumer and business customer units. An individual buying a "quadruple play" bundle, for example, will therefore be reported as a post-paid mobile subscription, a retail voice subscription, a landline internet subscription and an TV subscription. Generally, each connection counts as one subscription; however, this may vary depending on the circumstances and subscription numbers should not be equated with the actual number of individuals or businesses using our services. Our machine-to-machine ("**M2M**") contracts are not included in the total number of subscriptions.

**Churn**

"**Churn**" refers to the percentage of subscription deactivations during a given period of time. We deem mobile post-paid subscriptions to have churned when customers voluntarily terminate their mobile subscription with us (and either move to a different provider or choose not to have a mobile service) or if we terminate their subscriptions for a misuse of our services, fraud or default on payment. Post-paid mobile subscriptions are also deemed to have churned if the customers have switched their post-paid subscription to a prepaid subscription with us using their same mobile number (post-paid to prepaid conversion).

We calculate mobile churn by dividing the gross decrease in the number of mobile subscriptions for a period by the average number of subscriptions during that period. The average number of subscriptions for a period is calculated by adding together the number of subscriptions at the beginning and end of each month during the period, dividing by two and then averaging the results from all months during the period.

Churn activity affects various key performance indicators, including total subscriptions and ARPU levels. The definition of churn may vary between operators. A churn policy that is more expansive in its determination of when a subscription is deemed to have churned may result in a reduction of the number reported for total subscriptions, an increase in churn rate and potentially higher ARPUs. As a result, such data and any related comparisons of us to other operators included in this Shareholder Information Document may not accurately reflect our competitive position and the competitive positions of such other operators. We also occasionally refer to churn in the context of retail voice and landline internet & TV subscriptions.

**Trademarks**

We own or have the rights to use the "*Sunrise*" brand name and logo and other names of which "*Sunrise*" is a part (for example, "*Business Sunrise*" and "*Sunrise Freedom*"). The protection covers the relevant international classes, including the class, which we use in conjunction with the operation of our business. The "*Sunrise*" name rights include Swiss trademarks (both word marks and figurative marks, including applications and registrations), trademarks, service marks, trade names and domain names. Outside of Switzerland, the "*Sunrise*" name is also protected by way of a Community Trademark and an IR (U.S.) registration. In addition, we own or have the right to use non-core brand names and logos, such as "*yallo*", and "*Lebara*" in Switzerland. Each trademark, trade name or service mark of any other company appearing in this Shareholder Information Document is the property of its respective owner.

Liberty Global has registered UPC Switzerland's most important trademarks in Switzerland and, to the extent necessary, specific trademarks in other European jurisdictions. Its registration focus is on the registration of relevant brand names and logos, such as "upc cablecom" and "*MySports*". Liberty Global owns the rights to use the "UPC" brand name and logo and other names of which "UPC" is a part. Liberty Global and Sunrise have entered into an agreement for temporary licensing of these trademarks upon closing of the Acquisition. Under this agreement, Sunrise is under the obligation to re-brand UPC Switzerland within two years as of the closing of the Acquisition.

## DEFINITIONS

In addition to the terms defined below, this Shareholder Information Document contains a glossary of certain technical terms relating to the telecommunications industry and our business. See "*Glossary of Technical Terms*". As used in this Shareholder Information Document:

- "*Acquisition*" refers to the acquisition of all of the issued and outstanding capital stock of Liberty Global Europe Financing BV by the Company on the closing date under the Share Purchase Agreement.
- "*CAGR*" refers to compound annual growth rate.
- "*Company*" refers to Sunrise Communications Group AG.
- "*consumer customers*" refers to the residential segment described in the Sunrise Consolidated Financial Statements.
- "*Group*" refers to Sunrise and the UPC Group, collectively, after the Acquisition.
- "*Liberty Group*" refers to Liberty Global plc and its subsidiaries.
- "*LGEF*" refers to Liberty Global Europe Financing BV.
- "*Luxembourg*" refers to the Grand-Duchy of Luxembourg.
- "*Share Purchase Agreement*" refers to the share purchase agreement dated February 27, 2019, by and among the Company as buyer, Liberty Global CE Holding BV as seller, and Liberty Global plc as guarantor, regarding the sale and purchase of all shares in LGEF.
- "*Sunrise*", including terms, such as "*we*", "*us*" or "*our*", refers to the Company and its subsidiaries, except where the context indicates otherwise. With respect to any financial statements that are consolidated at an entity other than the Company, the term "*Sunrise*" refers to such entity and its consolidated subsidiaries.
- "*Sunrise Facilities*" refers to the loan facilities provided under the Sunrise Facilities Agreement.
- "*Sunrise Facilities Agreement*" refers to the senior facilities agreement, dated January 13, 2015, among Sunrise Communications AG, Sunrise Communications Group AG, Mobile Challenger Intermediate Group S.A., Sunrise Communications Holdings S.A., Sunrise Communications International S.A., Skylight S.à r.l., the financial institutions and others listed therein as amended and restated pursuant to an amendment and restatement deed dated February 9, 2015, an amendment and restatement deed dated December 23, 2016, an amendment and restatement deed dated June 15, 2018 and as further amended and restated pursuant to an amendment and restatement deed to be dated on or about the date of the closing of the Acquisition.
- "*Sunrise Notes*" refers to CHF 200,000,000 1.500% Senior Secured Notes due 2024 issued by Sunrise Communications AG on June 25, 2018.
- "*United States*" or "U.S." refers to the United States of America.
- "*UPC Facilities Agreement*" refers to the senior secured credit facilities agreement originally entered into on January 16, 2004, as amended and restated from time to time, including pursuant to a deed of amendment and restatement dated December 19, 2016, and further amended and restated on November 29, 2017, among UPC Broadband Holding B.V., UPC Financing Partnership, The Bank of Nova Scotia as facility agent, The Bank of Nova Scotia as security agent, and certain banks and financial institutions as lenders.
- "*UPC Group*" refers to LGEF and certain subsidiaries of LGEF that are to be acquired by Sunrise under the Share Purchase Agreement. The term "*UPC Group*" is used to describe all

the UPC entities that the Company will acquire under the Share Purchase Agreement including the financing entities that hold the shares of UPC Switzerland.

- "*UPC Notes*" refers to $535 million 5½% Senior Notes due 2028, €594 million 3 7⁄8% Senior Notes due 2029, €540.0 million principal amount of 4% senior secured notes due 2027, $1,140.0 million principal amount of 5 3⁄8% senior secured notes due 2025 and €600.0 million principal amount of 3 5⁄8% senior secured notes due 2029 issued by the entities in the UPC Group.
- "*UPC Switzerland*" refers to UPC Schweiz GmbH (Richtiplatz 5, 8304 Wallisellen, Switzerland; company registration number CHE-106.848.147) and its subsidiaries. The term "UPC Switzerland" is used to describe the carved out Swiss business of the UPC Group for which historical financial information is presented in this Shareholder Information Document.

**TABLE OF CONTENTS**

## SUMMARY

*The following summary is not intended to be complete and is to be read together with the more detailed information appearing elsewhere in this Shareholder Information Document. In particular, investors should consult the sections "Business of Sunrise", "Business of UPC Switzerland", "Management's Discussion and Analysis of Financial Condition and Results of Operations of Sunrise" and "Management's Discussion and Analysis of Financial Condition and Results of Operations of UPC Switzerland" and should carefully consider the information presented in the section entitled "Risk Factors" before making an investment decision. Please see "Glossary of Technical Terms" for more information on the technical terms used in this Shareholder Information Document.*

### Overview

We are the second-largest integrated telecommunications provider in Switzerland, based on revenue. We offer a broad range of services, including mobile voice and data, landline voice, landline internet and TV services to consumer and business customers across Switzerland, through our own mobile network and mainly wholesale access for landline services. We are the second-largest mobile telecommunications provider, and the third-largest provider of landline voice, internet and TV services in Switzerland.

Our customer base includes consumer, business and wholesale customers. We offer our consumer customers, who accounted for 72.0% of our revenue in the financial year ended December 31, 2018 and 72.1% for the six-month period ended June 30, 2019, mobile calling, landline voice, internet and TV services from a single source. Mobile voice and data services are provided on both a post-paid and prepaid basis. Our offering is tailored to meet our 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 whereby different products can be bundled together, *e.g.*, mobile and internet.

Our business customers can select from a comprehensive range of products and services, from mobile offers and landline voice, internet and data solutions, to systems integration and management of services. The specific needs of our customers are met with a portfolio of standardized products for small businesses, as well as customized, scalable and secure offers for large enterprises. Our wholesale operations provide mobile voice and data as well as internet services to other national and international carriers. We also offer voice hubbing services.

We categorize our products and services in three different groups, which are also our operating segments: mobile, landline voice and other (including hubbing) and landline internet and TV. For the financial year ended December 31, 2018, we generated total revenue of CHF 1,876.5 million and Adjusted EBITDA of CHF 601 million. During that period, our mobile, landline voice & other (including hubbing) and landline internet & TV businesses comprised 67.7%, 17.3% and 14.9% of our total revenue, respectively. We are headquartered in Zurich, Switzerland, and had 1,611 employees (full-time equivalents) as of December 31, 2018.

We believe that the Acquisition of the UPC Group will reinforce our position as the leading fully-integrated challenger in the Swiss telecommunications market. The Acquisition of the UPC Group is intended to create an even stronger, fully-integrated nationwide challenger across all elements of the 4P bundle, including mobile, landline voice, internet and TV. The combined Group will represent the second-largest telecommunications operator in Switzerland providing mobile calling, landline voice, internet and TV services. Following completion of the Acquisition of the UPC Group, we, together with UPC Switzerland, expect to have a combined customer base of approximately 3.0 million mobile customers (approximately 27% market share (including prepaid customers based on the 12-month activity rule and excluding MVNOs for Sunrise)), 1.2 million broadband internet customers (approximately 30% market share) and 1.3 million TV customers (approximately 31% market share). We believe that the scale of the combined Group will enable us to continue to drive innovation, invest in new services and pursue further growth by providing innovative and competitively priced service offerings. In the financial year ended December 31, 2018, UPC Switzerland generated revenues in the amount of CHF 1,296.1 million, an Adjusted EBITDA in the amount of CHF 629.4 million and an Adjusted Operating Free Cash Flow of CHF 384.6 million.

With the addition of UPC Switzerland's landline network, we will be able to offer a superior next-generation infrastructure that is unique in Switzerland. UPC Switzerland's advanced broadband cable network has access to 2.3 million Swiss homes, which equals approximately 60% of all Swiss households (excluding vacation homes). With the Acquisition of the UPC Group, we are able to acquire our own landline internet infrastructure, thus complementing our current internet offering via FTTH partnerships, Swisscom wholesale, local loop unbundling, and mobile broadband (4G/5G). In addition, there is a clear roadmap to increasing speeds on UPC Switzerland's cable network to 1 Gbps by way of the DOCSIS 3.1 upgrade, which was launched in September 2019. We expect the combined Group to be able to serve 90% of all Swiss households (excluding vacation homes) with internet speeds of 1 Gbps or higher by the end of 2021. We also expect that through further upgrades of this technology, speeds of up to 10 Gbps may be attained in the longer term, thus enabling us to further enhance our customer experience.

We estimate that the Acquisition of the UPC Group will generate significant value for our shareholders through cost and capital expenditure synergies as well as revenue synergies with an estimated net present value of approximately CHF 3.1 billion (after integration costs). These include cost and capital expenditures synergies with an estimated annual run-rate of approximately CHF 230 million to be achieved by 2023, which corresponds to an estimated net present value of approximately CHF 2.7 billion over time. With respect to revenue synergies, we estimate synergies at an annual run-rate of approximately CHF 50 million to be achieved by 2023, corresponding to an estimated net present value of approximately CHF 0.4 billion over time. Net present value is calculated as post-tax cash flows derived from the sum of revenue, cost and capital expenditures synergies less integration costs necessary to realize those synergies, assuming a tax rate of 19% and a weighted average of cost of capital of 6%. For a description of expected synergies and other effects of the Acquisition, see "*The Acquisition—Estimated Synergies and Other Effects of the Acquisition*".

For the financial year ended December 31, 2018, on a *pro forma* basis and assuming the Acquisition had been completed on January 1, 2018, the combined Group's revenues would have been CHF 3,172.6 million and EBITDA would have been CHF 1,243.8 million. For the six-months period ended June 30, 2019, on a *pro forma* basis and assuming the Acquisition had been completed on January 1, 2018, the combined Group's revenues would have been CHF 1,532.2 million and EBITDA would have been CHF 581.5 million. See "*Summary Financial and Operational Information—Pro Forma Combined Financial Information*".

**Our Strengths**

We believe that the following strengths will allow us to execute our growth strategy and to increase shareholder returns:

***Focus on the affluent, quality-driven and data-savvy Swiss market***

We focus on taking advantage of the affluent, quality-driven and data-savvy Swiss market which is supported by several attractive dynamics. Switzerland is one of the wealthiest countries in Europe with an estimated GDP per capita at purchasing power parity of approximately CHF 67,259 for 2018 which was significantly higher than the EU-15 average of approximately CHF 52,371 (source: EIU). The higher levels of Swiss GDP per capita translate into a comparatively high level of total telecommunication retail revenue per capita, at CHF 99.9 in 2018, which is more than twice the EU-15 average of CHF 45.9. Increased consumer spending has translated into higher absolute mobile ARPU levels for Swiss telecommunication providers when compared with the EU-15 average. The average Swiss mobile services ARPU was CHF 34.2 per month in 2018, and the EU-15 average (unweighted average and excluding Luxembourg) was CHF 17.5 per month in the same period, although both for the EU-15 average (unweighted average and excluding Luxembourg) and Switzerland ARPU as a percentage of salary was 0.5%. Switzerland's population has grown at a compound annual growth rate ("**CAGR**") of approximately 1.0% during the eight-year period from 2010 to 2018. This population growth, which creates opportunities for further growth in subscription numbers, has been driven largely by immigration, with the number of foreign residents having grown at a CAGR of 2.5% (2010 to 2018), compared with 0.6% for Swiss nationals, mainly as a result of Switzerland's attractiveness to young and highly-qualified immigrants.

Swiss economic growth has been stable in recent years, with real GDP growing by 1.3% in 2015, 1.6% in 2016 and 1.7% in 2017, before accelerating to 2.5% in 2018, though the EIU projects growth to return to between 1.5% and 1.8% in the subsequent five years. Similarly, unemployment has remained stable at low levels over the same period, with 3.2% in 2015, 3.3% in 2016 and 3.2% in 2017, before sharply improving to 2.6% in 2018. EIU projects the unemployment rate to stay near the range of 2.4% to 2.6% in the next five years. Switzerland's inflation rate hit a record low of negative 1.08% in 2015 and, after a period of deflation, consumer prices again increased in 2017 and inflation accelerated to 0.9% in 2018.

In addition to these favorable macroeconomic and demographic trends, Switzerland benefits from one of Europe's most attractive business environments. The interest rate levels are relatively low compared with other European countries (based on a comparison of the Swiss ten-year government bond yield to the EU-15 average as of May 2019), and according to EIU the Swiss interest rate will remain negative until at least 2021. Swiss corporate and personal tax rates are among the lowest in western European countries.

Switzerland's telecommunications market had a total value of CHF 12.8 billion in 2018 (service revenue), with CHF 5.1 billion, or 40%, derived from mobile services, CHF 6.0 billion, or 47%, derived from landline services and CHF 1.8 billion, or 13%, derived from TV services (source: Analysys Mason). Switzerland is one of Europe's most advanced telecommunications markets in terms of technology, enabling high connection speed and data consumption through 5G, LTE/4G, VDSL, coaxial cable and fiber coverage. According to ComCom, the penetration rate of mobile telephony in Switzerland was almost 132% at the end of 2018, which means that the number of mobile subscriptions is greater than the resident population, due to certain customers owning multiple SIM cards, non-resident customers and customers that are legal entities. Based on the technological infrastructure, Swiss consumers' preferences for high-quality services have driven and reinforced a strong trend towards convergence. The competitive environment in Switzerland is characterized by a primary focus on the high quality of service rather than price. Similarly, the overall Swiss telecommunications market enjoys a rational regulatory environment where the entry of a fourth MNO to the market is unlikely, there is supportive regulation of the landline business (LLU) and the regulator is independent from European Union policies and is generally perceived as supportive of businesses. For example, unlike the *ex-ante* regime in the European Union, the Swiss LLU regime follows an *ex-post* regulation approach, making it necessary for operators first to negotiate the conditions of access among themselves and only request an intervention by the regulator if such negotiations fail. See "*Regulation—Access Regime*". The capital-intensive nature of the telecommunications industry, the licensing requirements and the administrative restrictions for obtaining permits to build mobile sites in Switzerland have historically resulted in a lack of new market entrants.

***Superior next generation infrastructure***

Our mobile network has been ranked "*Outstanding*" for three consecutive years in the "*Connect*" mobile network test (source: Connect). We benefit from our own mobile network suitable for mobile broadband, with speeds of up to 900 Mbit/s, and we expect to gain further momentum for mobile broadband in connection with the ongoing 5G roll-out ("broadband over the air"). At the 5G spectrum auction that took place in January and February 2019, we acquired 100 MHz frequencies in the 3.5 GHz band, which enables us to build a high-speed 5G network in Switzerland. We also offer the largest alternative fixed network in Switzerland and benefit from a diversified fixed access model across various technologies. Our nationwide state-of-the-art fiber network backbone is secured partially through our own network and partially via partnership agreements with Swiss Fibre Net AG, EWZ, SIG and IWB and through our access agreement with Swisscom, giving us full access to Swisscom's last mile.

We believe that the Acquisition of the UPC Group presents a unique opportunity for us and the Swiss telecommunications market: Our world-class 4G mobile network, 5G spectrum and network and fiber partnerships will be combined with UPC Switzerland's advanced cable network and 18,000 km of fiber-optic in backbone and access to form what we believe will be the most technologically advanced and diverse digital infrastructure in Switzerland. As a result, the combined Group will be able to offer a superior next-generation infrastructure that is unique in Switzerland: high-speed broadband internet (in the gigabit range) across most Swiss households and companies, even in rural regions, with a broad footprint in Switzerland (with approximately 60% of households (excluding vacation homes) covered via UPC Switzerland's DOCSIS network, approximately 30% of households covered via fiber and approximately 90% of households covered via VDSL by our wholesale agreement with Swisscom). The combined Group will therefore be less dependent on Swisscom's last mile and other third-party partnerships and, we believe, will be well-positioned, including through its increased scale, to foster competition in the Swiss telecommunications market and provide a superior customer experience.

Following the Acquisition of the UPC Group, we will be the only nationwide Swiss operator with access to both FTTH and cable technology. There is a clear roadmap to increasing speeds on UPC Switzerland's cable network to 1 Gbps by way of the DOCSIS 3.1 upgrade, which was launched in September 2019. We expect the combined Group to be able to serve 90% of all Swiss households (excluding vacation homes) with internet speeds of 1 Gbps or higher by the end of 2021. We also expect that through further upgrades of this technology, speeds of up to 10 Gbps may be attained in the longer term, thus enabling us to further enhance customer experience. The combined Group will also benefit from 96.0% 4G geographic mobile coverage, providing a solid foundation for our ongoing 5G roll-out. We believe that these advancements and the overall increased scale of operations that the Acquisition of the UPC Group provides will be a significant competitive advantage going forward.

***Successful focus on quality and customer experience***

We focus on providing high-quality telecommunications services and have been constantly improving in this area, bearing in mind the quality-focused characteristic of the Swiss market. In the annual survey conducted by the business magazine, *Bilanz*, we were ranked first as a universal provider in 2018. In addition in the 2019 survey, we were ranked first in the category of "Best Universal provider for SME and large companies", and were ahead of Swisscom, Salt and UPC Switzerland in the mobile communications and TV categories. This result reflects the improvements we have made in the areas of network quality and customer interaction, and our ability to maintain high-quality standards over the years.

Our mobile and landline products have a broad distribution reach, comprising principally our high-quality retail outlet network, our other direct channels (online sales, direct mailings and inbound and outbound call centers) and our indirect channels (third-party distributors, including selected mass merchandisers, electronic chains and telephone retailers throughout Switzerland). As of June 30, 2019, we had 95 self-branded points-of-sale. Our shops were recognized as "best shops" in the *Connect* shop test, evaluating telecommunication services providers' shops in Germany, Austria and Switzerland, both in 2018 and 2019. Our retail outlets typically are in commercially attractive locations, spread throughout most of Switzerland and designed to match the appropriate size for the marketing of all our products. We use our stores for a variety of purposes, including selling Sunrise landline and mobile services for all our brands, including *Business Sunrise*. Through our direct channels, we maintain a high degree of control over the quality of our contacts with actual and potential customers and create opportunities for cross-selling and up-selling our products and services.

With a service team of over 1,000 agents covering the entire *Sunrise* product portfolio, we are committed to delivering an outstanding customer experience. In the last two years, we have increased our focus on service across the entire organization. Our first priority is to further improve our customer service performance with a pragmatic and customer-focused approach. As a key instrument in transforming our organization through continuous constructive closed-loop feedback, we track Net Promoter Score ("**NPS**") throughout our organization as a key metric to measure customer loyalty and advocacy. We have significantly improved our touchpoint NPS score (from 100% in 2013 to 167% at the end of June 2019). In addition, NPS helps to identify quality issues, provide solutions and structurally improve our operations. We have established NPS routines to improve skills based on customer feedback including weekly NPS check-ins and coaching, customer callbacks, and monthly experience sharing. For example, we believe that our thorough approach to implement these measures improved the touch point NPS for our call centers.

We believe that the Acquisition of the UPC Group will provide significant opportunities for implementing our customer-centric approach and culture into the business of UPC Switzerland, where we see considerable potential to improve on customer experience.

***Proven track record of innovation***

We believe that over the last few years we have consistently been at the forefront of innovation in our commercial strategy and have a proven track-record of customer-relevant product launches. Specifically, we were the first MNO to introduce mobile hardware de-coupling without fixed contract terms (*Sunrise Freedom*, launched in 2014). Recent innovations include the launches of *Sunrise One* in April 2017 (the first converged bundle product in the Swiss market with no limits to digital access, combining mobile, landline voice, internet and TV services in one convergent offer), *Sunrise TV neo* in May 2019 (making us the first telecommunications service provider in Switzerland to launch its own streaming service, which enables customers to stream more than 230 TV channels on smartphones, tablets, laptops and TV) as well as *Sunrise Work Smart* (offering a wide range of scalable solutions for efficient communication and collaboration within the organizations of our business customers). With each of these offerings, we introduced new concepts to the Swiss market with distinct advantages over the offerings by our competitors.

In addition, we recently announced our strategic partnership with Apple Music, enabling us to provide access to Apple Music at no charge for six months to all our existing and new post-paid customers. We are currently the only telecommunications service provider in Switzerland offering this service. We were also the first telecommunications provider in Switzerland to launch network protection for secure surfing both on the mobile network and via the Sunrise router with *Sunrise surf protect* and *Sunrise surf protect family*, which provides protection on an unlimited number of devices against phishing, ransomware, viruses and other threats.

We believe that the enlarged scale of the combined Group will enable us to continue our drive for innovation and investment in new services, and pursue growth by providing innovative and competitively priced offers.

***Effective multi-brand approach supported by convergent complementary product portfolio and strong distribution capabilities***

We believe we have developed a competitive advantage by appealing to existing and future customers through our proven multi-brand approach, a differentiated and innovative commercial strategy and strong distribution capabilities. With our multi-brand strategy, we target clearly defined market segments with relevant dedicated products and service offerings in order to optimize our market reach and achieve further growth:

- Our *Sunrise* brand is targeted at the mass market, which comprises the highest value customers.

- Our *yallo* and *Lebara* brands are focused on the budget and ethnic segments, respectively, by offering voice and data service with attractive international rates.

- Our *Business Sunrise* brand addresses the business segment and relies on a dual positioning that allows us to target both small enterprises and small and home offices as well as the enterprise segment, covering medium to large companies.

We believe we are the only telecommunications provider other than the incumbent covering all of these segments with our brands, which we believe gives us a significant competitive advantage over other providers in the Swiss market. We also target specific demographics within these segments to optimize our reach. For example, we recently launched a new *Sunrise Young* advertisement campaign aimed at customers under the age of 30 to strengthen the Sunrise position in the young segment. Our revenue from serving consumer, business and wholesale customers amounted to 72.1%, 16.7% and 9.0% of total revenue, respectively, for the six-month period ended June 30, 2019, excluding head office activities.

We believe that Swiss customers will benefit from the Acquisition through the integration of state-of-the-art communications, entertainment and business solutions. Our consumer customers will benefit from enhanced bundled offers including access to UPC Switzerland's industry-leading video platform with a 4K-capable digital receiver box (launched in October 2018 with early results showing a score of 90 out of 100 points in recent usability tests) and proprietary content of UPC Switzerland, while customers of UPC Switzerland will benefit from improved mobile communication offers, including mobile internet. At the same time, UPC Switzerland's fixed enterprise business will enhance growth and add scale to our strongly growing business customers business, with the potential to cross-sell converged mobile and fixed products and deliver an exceptional customer experience across the full product range.

***Resilient financial performance with strong cash flows, prudent capital structure and attractive dividend policy***

We believe that our recent resilient financial performance is a result of the combined effects of our superior network infrastructure, our proven track record of innovation, our successful focus on quality and customer experience as well as our effective multi-brand approach. Since 2016, our gross profit has been growing at a CAGR of 1.1%, reaching CHF 1,219 million in the financial year ended December 31, 2018. Gross profit continued to increase in the six-month ended June 30, 2019, representing a growth of 3.4% when compared with the six-month period ended June 30, 2018.

We benefit from a competitive cost structure and have historically had a strong focus on efficiencies which has enabled us to achieve Adjusted EBITDA margins of 32.2-32.0% over the period 2016 to 2018. We achieved an historically reported EBITDA of CHF 602.3 million in the financial year ended December 31, 2018, compared with an historically reported EBITDA of CHF 592.3 million in the financial year ended December 31, 2017 and CHF 598.7 million in the financial year ended December 31, 2016.

As a result, we historically displayed a strong historically reported EBITDA to operating free cash flow conversion rate. In the financial year ended December 31, 2018, we generated an operating free cash flow (historically reported EBITDA less capital expenditures) of CHF 299.3 million, representing a 49.7% conversion rate (operating free cash flow divided by historically reported EBITDA). We have also maintained steady dividend growth since our IPO, with a dividend growth rate of approximately 40% between 2015 and 2018 and a guidance of an annual 4% to 6% dividend progression from 2018 to 2020.

We expect the Acquisition of the UPC Group to further support our progressive dividend policy through UPC Group's higher margins and strong cash flow generation together with the realization of expected synergies. For the financial year ended December 31, 2018, on a *pro forma* basis and assuming the Acquisition had been completed on January 1, 2018, the combined Group's revenues would have been CHF 3,172.6 million and EBITDA would have been CHF 1,243.8 million. For the six-months period ended June 30, 2019, on a *pro forma* basis and assuming the Acquisition had been completed on January 1, 2018, the combined Group's revenues would have been CHF 1,532.2 million and EBITDA would have been CHF 581.5 million. See "*Summary Financial and Operational Information—Pro Forma Combined Financial Information*".

***Experienced management team***

Our management team, which has substantial experience in the telecommunications industry, is focused on innovative ideas and taking swift action to allow these ideas to flow to the market more quickly. We believe that our experienced management team has already demonstrated its ability to grow our business, for example, through multi-branding, innovative flat-rate plans, bundled and convergent products and services and distribution channel expansion. At the same time, our management team has already significantly improved efficiency in our business, including through outsourcing the majority of our network operations, managing subscription acquisition and retention costs, reducing billing costs, increasing the efficiency of key operational processes, optimizing our customer care processes and improving our workforce costs despite increases in our sales force.

Our CEO, Olaf Swantee, has approximately 29 years' experience in the information and communications technology industries, of which more than twelve years were spent in the telecommunications industry, with extensive experience from his previous management positions with telecommunications providers in the United Kingdom and France. He also brings significant M&A and integration experience as the former CEO of EE, which was the product of the merger in 2008 of Orange and T-Mobile in the United Kingdom. Since his appointment in 2016, he has substantially expanded our management team and changed its composition by bringing in new personnel with extensive experience in the telecommunications industry in order to execute our growth strategy. Our CTO, Elmar Grasser, has over 24 years' experience in the telecommunications industry and was recently awarded the prestigious "CTO of the Year" award at the Mobile Europe & European Communication awards. Our CFO, André Krause, has more than 14 years' experience in the telecommunications industry.

**Our Strategy**

Our strategy is to leverage our strong market position as the leading fully-integrated challenger in Switzerland in order to drive further growth and create value by pursuing the following key strategies:

***Continue focus on superior next generation infrastructure***

We believe that the Acquisition of the UPC Group presents a unique opportunity for us and the Swiss telecommunications market: our world-class 4G mobile network, 5G spectrum and network and fiber partnerships will be combined with UPC Switzerland's advanced cable network and 18,000 km of fiber-optic in backbone and access to form what we believe will be technologically the most advanced and diverse digital infrastructure in Switzerland. As a result, the combined Group will be able to offer a superior next-generation infrastructure that is unique in Switzerland: high-speed broadband internet (in the gigabit range) across most Swiss households and companies, even in rural regions, with a broad footprint in Switzerland (with approximately 60% of households (excluding vacation homes) covered via UPC Switzerland's DOCSIS network, approximately 30% of households covered via fiber and approximately 90% of households covered via VDSL by our wholesale agreement with Swisscom). The combined Group will therefore be well-positioned to foster competition in the Swiss telecommunications market and continue to grow our infrastructure going forward.

Following the Acquisition of the UPC Group, we will be the only nationwide Swiss operator with access to both FTTH and cable technology. In addition, there is a clear roadmap to increasing speeds on UPC Switzerland's cable network to 1 Gbps by way of the DOCSIS 3.1 upgrade, which was launched in September 2019. We expect the combined Group to be able to serve 90% of all Swiss households (excluding vacation homes) with internet speeds of 1 Gbps or higher by the end of 2021. We also expect that through further upgrades of this technology, speeds of up to 10 Gbps may be attained in the longer term, thus enabling us to further enhance customer experience. The combined Group will also benefit from 96.0% 4G geographic mobile coverage, providing a solid foundation for our ongoing 5G roll-out.

At the 5G spectrum auction that took place in January and February 2019, we acquired 100 MHz frequencies in the 3.5 GHz band which enables us to build a high-speed 5G network in Switzerland. In June 2018, only six months after setting a world record for speed under laboratory test conditions, we put the first end-to-end standardized Swiss 5G network into operation. 5G is the technology that is expected to facilitate future applications such as self-driving vehicles, the Internet of Things, networking infrastructures with hardware and people, and real-time control of critical production processes. Until these visions become reality, however, we believe that "5G for People" offers the greatest potential. With "5G for People", consumer customers will be able to use 5G to replace ADSL/VDSL and benefit from UHD TV, surfing with up to 1 Gbit/s. For business customers, 5G-based mobile broadband solutions could be particularly important, as they can be obtained as "managed services" using wireless networks instead of fixed-line connections. We, as the Swiss 5G pioneer, launched our second 5G network and the world's first standardized 5G network at a ski resort – at Laax on *Crap Sogn Gion* Mountain (2,252 m above sea level). We intend to continue our 5G roll-out going forward, with a particular focus on less densely populated areas, since these locations typically do not have high-speed broadband connections.

***Drive further convergence***

Leveraging our infrastructure and multi-brand portfolio of products and services offerings, we believe that providing our customers with the best convergent experience contributes to reducing churn rates for customers subscribing to more than one service. By cross-selling and up-selling mobile, broadband and TV services to our existing customers, we are committed to delivering best-in-class convergent services, while being fair, transparent and customer-oriented in all market segments. For example, our customers may combine a broadband/TV bundle with a mobile package. In return, each customer who subscribes to convergent services benefits from a lower base fee in the monthly bill (fairness) which is displayed clearly on the bill (transparency) and may change at any time the different mobile services he or she has initially selected (customer-oriented). As of June 30, 2019, 289.1 thousand customers had subscribed to convergent product offerings to benefit from the convenience of one single monthly bill, one point of contact for all of their telecommunication needs and attractive benefits from our convergent offerings. With our Sunrise *One* offering introduced in November 2018 and our *Sunrise Advantage* offering, we believe that we are providing attractive bundle and convergent offerings with distinct advantages over hard bundling offers that we expect to reduce churn as customers who have subscribed to convergent services are less likely to churn. For example, the churn rate for customers with both fixed internet and mobile subscriptions is approximately half the churn rate for non-convergent customers.

We expect our Acquisition of UPC Group to create an even stronger, fully-converged nationwide challenger across all elements of the 4P bundle. We believe that our customers will benefit from the Acquisition through the integration of state-of-the-art communications, entertainment and business solutions. Our consumer customers will benefit from enhanced bundled offers including access to UPC Switzerland's industry-leading video platform with a 4K-capable digital receiver box (launched in October 2018 with early results showing a score 90 out of 100 points in recent usability tests) and proprietary content of UPC Switzerland, while customers of UPC Switzerland will benefit from improved mobile communication offers, including mobile internet. At the same time, UPC Switzerland's fixed enterprise business will enhance growth and add scale to our strongly growing business customers business, with the ability to cross-sell converged mobile and fixed products and deliver an exceptional customer experience across the full product range.

***Achieve further market share gains by leveraging our position as an innovative fully-converged nationwide challenger for both the consumer and B2B segments***

We intend to further grow our market share by continuing to appeal to Swiss customers with our attractive offerings and multiple brands. We plan to continue to target our markets through segmented and tailored product offerings aimed at maximizing revenue, realizing the benefits of higher market liquidity in specific segments and enhancing our customers' lifecycle value. We plan to support our competitive positioning by continuing our efforts to maintain world-class network quality and customer service, offer innovative services that address the preferences of Swiss consumers and to deliver a best-in-class convergent experience while being fair, transparent and customer-oriented across all segments. We also intend to exploit significant opportunities to grow our revenues from business customers in order to reach a larger business-to-business ("**B2B**") market share by leveraging our integrated mobile and landline offerings as well as our existing distribution capabilities. Leveraging on our strength in the consumer market, we plan to continue to efficiently leverage and develop services to strengthen our product portfolio to serve the needs of business customers.

We believe that the Acquisition of the UPC Group will provide a strong scale advantage which will position us to successfully operate in the long term and enable us to continue our pursuit of further market share gains. The combined Group is expected to have a combined customer base of approximately 3.0 million mobile customers (approximately 27% market share (including prepaid customers based on the 12-month activity rule and excluding MVNOs for Sunrise)), 1.2 million broadband internet customers (approximately 30% market share) and 1.3 million TV customers (approximately 31% market share). We believe that the Acquisition of the UPC Group will further enhance growth and add scale to our growing B2B business through the addition of UPC Switzerland's fixed B2B business with the ability to cross-sell converged mobile and fixed products and deliver an exceptional customer experience across the full product range. The Acquisition is also expected to significantly improve our internet platform, as UPC Switzerland is the second-largest internet provider in Switzerland, with an 18% market share, while we are currently the third-largest with a 13% market share. UPC Switzerland also has a strong presence in the TV market as the second-largest provider with a 25% market share, which will significantly enhance our current 6% market share. We plan to leverage our new position as a fully-converged challenger nationwide with scale across all elements of the 4P bundle to continue to achieve market share gains going forward, including by expanding our leading position from mobile into landline. We believe that the enlarged scale of the combined Group will enable us to continue our drive for innovation and investment in new services, and pursue growth by providing innovative and competitively priced offers.

***Create value through the realization of synergies***

We believe that the Acquisition of the UPC Group will generate significant value for shareholders. We expect that the Acquisition will enhance our margins and cash flow generation, thus allowing the continuation of our existing dividend policy and supporting the contemplated de-leveraging profile of the Group.

In terms of synergies, we estimate that the Acquisition of the UPC Group will generate significant value for our shareholders through cost and capital expenditure synergies as well as revenue synergies with an estimated net present value of approximately CHF 3.1 billion (after integration costs). These include cost and capital expenditures synergies with an estimated annual run-rate of approximately CHF 230 million to be achieved by 2023, which corresponds to an estimated net present value of approximately CHF 2.7 billion over time. The costs and capital expenditures synergies mostly relate to reduced fixed network access costs, MVNO savings, savings on content and interconnect costs, streamlining of central services and systems such as marketing, IT systems and network, customer care, sales and distribution. With respect to revenue synergies, we estimate synergies at an annual run-rate of approximately CHF 50 million to be achieved by 2023, corresponding to an estimated net present value of approximately CHF 0.4 billion over time. We estimate revenue synergies primarily in the areas of business-to-consumer ("**B2C**") cross-selling and leveraging of other B2C opportunities. Net present value is calculated as post-tax cash flows derived from the sum of revenue, cost and capital expenditures synergies less integration costs necessary to realize those synergies, assuming a tax rate of 19% and a weighted average of cost of capital of 6%. For a description of expected synergies and other effects of the Acquisition, see "*The Acquisition—Estimated Synergies and Other Effects of the Acquisition*". We estimate integration costs of CHF 230-250 million including approximately CHF 30 million of costs in relation to the integration of headquarters and approximately CHF 30 million of costs in relation to the transitional services agreement with Liberty Global.

**The financial goals described above constitute forward-looking statements. Forward-looking statements are not guarantees of future financial performance, and the Group's actual results and ratios could differ materially from those expressed or implied by these forward-looking statements as a result of many factors, including but not limited to those described under "*Forward-Looking Statements*" and "*Risk Factors*". Investors are urged not to place undue reliance on any of the statements set forth above. See also "*Presentation of Financial and Other Information—Other Financial Measures*" for an explanation of EBITDA described above as well as certain factors investors should consider carefully before relying on this non-IFRS measure.**

***Continue progressive and attractive dividend policy supported by a prudent capital structure and strong cash generation***

Since our IPO, we have been, and remain, committed to a prudent capital structure and a dividend which is paid out of tax-free capital reserves, with guidance for increasing our dividend per share at an annual growth rate of 4%-6% between 2018 and 2020. For example, in respect of the financial year ended December 31, 2018, we distributed an ordinary dividend of CHF 4.20 per share, which corresponded to a total dividend of approximately CHF 189 million and a dividend growth of 5% over the previous financial year. Going forward, we intend to continue a similar dividend policy, making our share one of the most attractive dividend yield shares in the Swiss market.

We also believe that the Acquisition of the UPC Group will be accretive to cash flow per share and create value that would support future dividend payments. Further, the proposed financing of the Acquisition will result in an estimated combined *pro forma* net debt of CHF 5,078.9 million, which corresponds to an LTM

June 2019 leverage ratio of 3.6x (post run-rate cost synergies) or an LTM June 2019 leverage ratio of 4.2x (before run-rate synergies and excluding IFRS 16 impact). We expect a leverage ratio below 3.0x after achieving the run-rate synergies and target a leverage ratio below 2.5x thereafter.

**Acquisition of the UPC Group**

On February 27, 2019, the Company, as buyer, entered into a share purchase agreement (the "**Share Purchase Agreement**") with Liberty Global CE Holding BV (the "**Seller**") and Liberty Global plc as guarantor regarding the sale and purchase of all shares in Liberty Global Europe Financing BV ("**LGEF**", and together with its subsidiaries, the "**UPC Group**"). Under the terms of the Share Purchase Agreement, the Company will acquire from the Seller all shares in LGEF for a total enterprise value of CHF 6.3 billion (such purchase of all shares in LGEF, the "**Acquisition of the UPC Group**").

In the financial year ended December 31, 2018, UPC Switzerland generated revenues in the amount of CHF 1,296.1 million. See "*Selected Consolidated Financial Information—Historical Combined Carve-out Financial Information and Other Financial and Operating Information of UPC Switzerland*". For a detailed discussion of UPC Switzerland's operations and financial results, see "*Business of UPC Switzerland*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations of UPC Switzerland*".

Subject to approval by the Company's shareholders, the Company will finance the Acquisition through a combination of the proceeds from a capital increase and the assumption of outstanding senior notes, senior secured credit facilities (relating to the outstanding senior secured notes issued by UPCB Finance IV Limited and UPCB Finance VII Limited) and other debt-like items for an aggregate principal amount of approximately CHF 3.6 billion including the hedging portfolio, resulting in a residual cash payment from the Company to the Seller of approximately CHF 2.7 billion (subject to a customary closing adjustment mechanism, see "—*Principal Terms of the Share Purchase Agreement—Purchase Price Adjustments*").

For a description of the UPC financing arrangements that we will assume as part of the Acquisition as well as certain changes to our existing financing arrangements as a result of the Acquisition, see "*Description of Certain Financing Arrangements*".

We believe that the Acquisition of the UPC Group will reinforce our position as the leading fully-integrated challenger in the Swiss telecommunications market. The Acquisition of the UPC Group is intended to create an even stronger, fully-integrated nationwide challenger across all elements of the 4P bundle, including mobile, landline voice, internet and TV. Following completion of the Acquisition of the UPC Group, we, together with UPC Switzerland, expect to have a combined customer base of approximately 3.0 million mobile customers (approximately 27% market share (including prepaid customers based on the 12-month activity rule and excluding MVNOs for Sunrise)), 1.2 million broadband internet customers (approximately 30% market share) and 1.3 million TV customers (approximately 31% market share). We believe that the scale of the Group will enable us to continue to drive innovation, to invest in new services and to pursue further growth by providing innovative and competitively priced service offerings.

UPC Switzerland is the second-largest internet provider in Switzerland, with an 18% market share, while we are currently the third-largest with a 13% market share. UPC Switzerland also has a strong presence in the TV market as the second-largest provider with a 25% market share, which will significantly enhance our current 6% market share.

With the addition of UPC Switzerland's network, we will be able to offer a superior next-generation infrastructure that is unique in Switzerland (see "*Business of Sunrise—Our Strengths—Superior next generation infrastructure*"). UPC Switzerland's advanced cable network has access to 2.3 million Swiss homes, which is approximately 60% of all Swiss households (excluding vacation homes). With the Acquisition of the UPC Group, we are able to acquire our own internet infrastructure, thus complementing our current offering of 4G, 5G and FTTH partnerships. In addition, there is a clear roadmap to increasing speeds on UPC Switzerland's cable network to 1 Gbps by way of the DOCSIS 3.1 upgrade, which was launched in September 2019. We expect the combined Group to be able to serve 90% of all Swiss households (excluding vacation homes) with internet speeds of 1 Gbps or higher by the end of 2021. We also expect that through further upgrades of this technology, speeds of up to 10 Gbps may be attained in the longer term, thus enabling us to further enhance customer experience.

Finally, we estimate that the Acquisition of the UPC Group will generate significant value for our shareholders through cost and capital expenditure synergies as well as revenue synergies with an estimated net present value of approximately CHF 3.1 billion (after integration costs). These include cost and capital expenditures synergies with an estimated annual run-rate of approximately CHF 230 million to be achieved by 2023, which corresponds to an estimated net present value of approximately CHF 2.7 billion over time. With respect to revenue synergies, we estimate synergies at an annual run-rate of approximately CHF 50 million to be achieved by 2023, corresponding to an estimated net present value of approximately CHF 0.4 billion over time. Net present value is calculated as post-tax cash flows derived from the sum of revenue, cost and capital expenditures synergies less integration costs necessary to realize those synergies, assuming a tax rate of 19% and a weighted average of cost of capital of 6%. For a description of expected synergies and other effects of the Acquisition, see "*The Acquisition—Estimated Synergies and Other Effects of the Acquisition*".

## Summary Historical Consolidated Financial Information and Other Financial and Operational Information of Sunrise

The tables below set forth the following summary financial information:

- summary consolidated income statement, statement of financial position and cash flow information derived from the audited consolidated financial statements of Sunrise Communications Group AG as of and for the financial years ended December 31, 2016, 2017 and 2018, prepared in accordance with IFRS; and
- summary consolidated income statement, statement of financial position and cash flow information derived from the unaudited condensed consolidated interim financial statements of Sunrise Communications Group AG as of and for the six-month periods ended June 30, 2018 and 2019, prepared in accordance with IFRS.

The historical results of Sunrise Communications Group AG may not be indicative of our future results. You should read this section together with the information contained in "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations of Sunrise*" and the consolidated financial statements of Sunrise Communications Group AG included elsewhere in this Shareholder Information Document.

### Summary Consolidated Income Statement Information of Sunrise Communications Group AG

| | For the financial year ended December 31, | | | For the six-month period ended June 30, | |
|---|---|---|---|---|---|
| | **2016** | **2017[1]** | **2018** | **2018[2]** | **2019** |
| | (audited) | | | (unaudited) | |
| | (CHF in millions) | | | | |
| **Revenue[3]** | **1,896.7** | **1,854.2** | **1,876.5** | **920.9** | **901.4** |
| Transmission costs and cost of goods sold | (704.0) | (661.5) | (657.3) | (324.3) | (284.8) |
| thereof intersegment costs | (40.5) | (1.2) | — | — | — |
| Other operating expenses | (382.2) | (395.8) | (425.5) | (208.5) | (207.6) |
| Wages, salaries and pension costs | (221.4) | (214.6) | (213.9) | (106.9) | (109.0) |
| Other income | 10.6 | 10.4 | 25.5 | 2.7 | 32.7 |
| Other expenses | (1.1) | (0.3) | (3.0) | 0.2 | (1.3) |
| **Income before depreciation, amortization and impairment losses, net financial items and income taxes** | **598.7** | **592.3** | **602.3** | **284.0** | **331.4** |
| Amortization | (252.3) | (253.5) | (256.2) | (126.5) | (131.7) |
| Depreciation and impairment losses | (207.3) | (174.7) | (169.5) | (85.8) | (101.1) |
| **Operating income** | **139.1** | **164.2** | **176.6** | **71.7** | **98.6** |
| Foreign currency (losses)/gains, net | 1.3 | 1.2 | 2.3 | 0.9 | 1.1 |
| Financial income | 2.1 | 0.1 | 15.1 | 15.1 | 0.1 |
| Financial expenses | (58.7) | (52.4) | (50.8) | (30.5) | (25.3) |
| **Net financial items** | **(55.3)** | **(51.2)** | **(33.4)** | **(14.5)** | **(24.2)** |
| Gain on disposal of subsidiary | — | 419.6 | — | — | — |
| **(Loss)/income before income taxes** | **83.9** | **532.6** | **143.2** | **57.2** | **74.4** |
| Income taxes | 3.2 | (27.8) | (36.3) | (16.4) | (13.5) |
| **Net (loss)/income** | **87.1** | **504.8** | **106.9** | **40.7** | **60.9** |

(1) The Company initially applied IFRS 15 and IFRS 9 as of January 1, 2018 using the modified retrospective method. Under this method, the comparative information is not restated.

(2) The Company initially applied IFRS 16 as of January 1, 2019, using the modified retrospective method. Under this method, the comparative information is not restated.

(3) We also report revenue along reportable segments and reconciling items as set forth in the table below:

| | For the financial year ended December 31, | | | For the six-month period ended June 30, | |
|---|---|---|---|---|---|
| | **2016** | **2017[(a)]** | **2018** | **2018** | **2019** |
| | (audited) | | | (unaudited) | |
| | (CHF in millions) | | | | |
| Residential | 1,337.2 | 1,317.2 | 1,351.9 | 661.4 | 650.3 |
| Business | 284.3 | 267.6 | 285.3 | 135.1 | 150.2 |
| Wholesale[(b)] | 279.8 | 231.8 | 198.7 | 104.3 | 81.2 |
| thereof intersegment revenue | 40.5 | 1.2 | — | — | — |
| Head office activities | 35.9 | 38.9 | 40.5 | 20.1 | 19.7 |
| **Total** | **1,937.2** | **1,855.4** | **1,876.5** | **920.9** | **901.4** |

(a) The Company initially applied IFRS 15 and IFRS 9 as of January 1, 2018 using the modified retrospective method. Under this method, the comparative information is not restated.

(b) Includes hubbing revenue of CHF 32.7 million generated in the six-month period ended as of June 30, 2019, and CHF 54.0 million in the six-month period ended as of June 30, 2018.

## Summary Consolidated Statement of Financial Position Information of Sunrise Communications Group AG

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2016 | 2017 | 2018(1) | 2019 |
| | (audited) | | | (unaudited) |
| | (CHF in millions) | | | |
| **Non-current assets** | | | | |
| Intangible assets | 2,348.9 | 2,210.4 | 2,088.2 | 2,181.2 |
| Property, plant and equipment | 883.8 | 795.6 | 823.8 | 792.3 |
| Right-of-use assets | — | — | — | 290.0 |
| Non-current portion of trade and other receivables | 55.8 | 58.2 | 56.8 | 57.1 |
| Non-current portion of contract assets | — | — | 4.1 | 3.0 |
| Non-current portion of prepaid expenses | 0.6 | 0.2 | 0.6 | — |
| Deferred tax assets | 0.4 | — | — | — |
| Contract costs | — | — | 45.9 | 48.6 |
| **Total non-current assets** | **3,289.5** | **3,064.4** | **3,019.4** | **3.372.2** |
| **Current assets** | | | | |
| Inventories | 28.7 | 57.5 | 46.3 | 45.7 |
| Current portion of trade and other receivables | 393.9 | 435.2 | 326.0 | 305.4 |
| Current portion of contract assets | — | — | 99.7 | 81.7 |
| Current portion of prepaid expenses | 7.9 | 6.5 | 8.9 | 18.6 |
| Cash and cash equivalents | 214.2 | 272.5 | 420.9 | 239.8 |
| **Total current assets** | **644.7** | **771.7** | **901.8** | **691.2** |
| **Total assets** | **3,934.2** | **3,836.0** | **3,921.2** | **4,063.4** |
| **Non-current liabilities** | | | | |
| Non-current portion of loans and notes | 1,828.3 | 1,390.0 | 1,568.3 | 1,572.9 |
| Non-current portion of financial leases | 9.2 | 4.6 | 2.8 | 233.1 |
| Non-current portion of trade and other payables | 16.0 | 5.3 | 0.4 | 40.7 |
| Non-current portion of contract liabilities | — | — | 6.0 | 8.0 |
| Deferred tax liabilities | 184.9 | 160.7 | 155.7 | 134.6 |
| Non-current portion of provisions | 118.2 | 70.9 | 54.4 | 54.4 |
| Employee benefit obligations | 102.2 | 84.8 | 84.9 | 99.9 |
| Derivative financial liabilities | 10.4 | 9.1 | — | — |
| **Total non-current liabilities** | **2,269.4** | **1,725.3** | **1,872.4** | **2,143.6** |
| **Current liabilities** | | | | |
| Current portion of financial leases | 7.6 | 4.9 | 2.0 | 32.7 |
| Current portion of trade and other payables | 476.3 | 541.0 | 501.0 | 471.9 |
| Income tax payable | 3.9 | 23.9 | 26.7 | 36.4 |
| Current portion of provisions | 6.1 | 3.6 | 6.0 | 4.8 |
| Current portion of deferred income | 33.7 | 27.0 | — | — |
| Current portion of contract liabilities | — | — | 31.5 | 30.2 |
| Other current liabilities | 1.0 | 0.1 | 0.4 | 0.7 |
| **Total current liabilities** | 528.6 | 600.4 | 567.7 | 576.7 |
| **Total liabilities** | **2,797.9** | **2,325.8** | **2,440.0** | **2,720.4** |
| **Total equity** | **1,136.3** | **1,510.2** | **1,481.2** | **1,343.0** |

(1) The Company initially applied IFRS 16 as of January 1, 2019, using the modified retrospective method. Under this method, the comparative information is not restated.

## Summary Consolidated Cash Flow Information of Sunrise Communications Group AG

| | For the financial year ended December 31, | | | For the six-month period ended June 30, | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2018(1) | 2019 |
| | (audited) | | | (unaudited) | |
| | (CHF in millions) | | | | |
| Total cash flow from operating activities | 446.0 | 553.3 | 463.9 | 209.5 | 282.8 |
| Total cash flow (used in)/from investing activities | (212.5) | 134.5 | (293.4) | (146.7) | (247.5) |
| Total cash flow (used in)/from financing activities | (265.1) | (627.5) | (23.9) | (15.9) | (217.3) |

(1) The Company initially applied IFRS 16 as of January 1, 2019, using the modified retrospective method. Under this method, the comparative information is not restated.

## Key Financial Performance Indicators for Sunrise Communications Group AG

| | For the financial year ended December 31, | | | For the six-month period ended June 30, | |
|---|---|---|---|---|---|
| | **2016** | **2017**(1) | **2018** | **2018**(2) | **2019** |
| | **(audited, unless otherwise indicated)** | | | **(unaudited)** | |
| | | | **(CHF in millions)** | | |
| **Revenue** | | | | | |
| Mobile services | 1,263.7 | 1,231.0 | 1,270.9 | 617.0 | 604.0 |
| | | | **(unaudited)** | | |
| *Thereof mobile post-paid* | 767.5 | 767.8 | 802.2 | 392.2 | 408.8 |
| *Thereof mobile prepaid* | 161.0 | 122.3 | 96.3 | 50.0 | 39.0 |
| *Thereof mobile hardware* | 253.3 | 255.7 | 279.4 | 130.8 | 110.8 |
| *Thereof other* | 81.9 | 85.2 | 93.0 | 43.9 | 45.4 |
| Landline services | 418.6 | 378.3 | 325.3 | 167.8 | 145.2 |
| | | | **(unaudited)** | | |
| *Thereof landline voice* | 151.8 | 137.4 | 125.9 | 63.1 | 62.2 |
| *Thereof hubbing* | 132.4 | 128.3 | 95.6 | 53.9 | 32.7 |
| *Thereof other* | 134.4 | 112.7 | 103.8 | 50.6 | 50.3 |
| Landline Internet and TV | 214.3 | 244.9 | 280.2 | 136.1 | 152.2 |
| **Total revenue** | **1,896.7** | **1,854.2** | **1,876.5** | **920.9** | **901.4** |
| | | | **(unaudited)** | | |
| Service revenue excluding hubbing & mobile hardware | 1,510.9 | 1,470.2 | 1,501.5 | 736.2 | 757.9 |
| | | | **(unaudited)** | | |
| **Gross profit**(3) | **1,192.7** | **1,192.6** | **1,219.1** | **596.6** | **616.6** |
| % margin(4) | 62.9% | 64.3% | 65.0% | 64.8% | 68.4% |
| % margin (excluding hubbing & mobile hardware revenue)(5) | 78.9% | 81.1% | 81.2% | 81.0% | 81.4% |
| EBITDA(6)(7) | 600.1 | 1,013.1 | 604.7 | 284.9 | 332.5 |
| **Historically reported EBITDA**(6)(7) | **598.7** | **592.3** | **602.3** | **284.0** | **331.4** |
| | | | **(unaudited)** | | |
| **Adjusted EBITDA**(8) | **611.2** | **601.5** | **601.1** | **289.8** | **323.7** |
| % margin(9) | 32.2% | 32.4% | 32.0% | 31.5% | 35.9% |
| % margin (excluding hubbing & mobile hardware revenue)(10) | 40.5% | 40.9% | 40.0% | 39.4% | 42.7 |
| | | **(audited)** | | **(unaudited)** | |
| **Net income** | **87.1** | **504.8** | **106.9** | **40.7** | **60.9** |
| | | **(audited)** | | **(unaudited)** | |
| **Cash flow** | | | | | |
| **Cash flow from operating activities** | 446.0 | 553.3 | 463.9 | 209.5 | 282.8 |
| Other working capital adjustment | — | (3.2) | — | — | — |
| Movements in provisions | 9.2 | 3.9 | 12.6 | 0.5 | 1.6 |
| Movement in pensions | (4.7) | (3.5) | (4.2) | (2.0) | (1.2) |
| Gain on disposal of property, plant and equipment | 0.1 | 3.5 | 0.8 | — | 25.2 |
| Capital expenditures(11) | (212.6) | (315.0) | (303.0) | (154.3) | (277.2) |
| Other financing activities(12) | (7.6) | (20.0) | (21.5) | (19.8) | (5.5) |
| Repayments of lease liabilities | — | — | — | 2.5 | (22.5) |
| **Equity free cash flow**(13) | **230.4** | **219.0** | **148.6** | **33.9** | **3.3** |
| Other(14) | (262.0) | (158.7) | (2.0) | 12.9 | (185.2) |
| **Total cash flow** | **(31.5)** | **60.3** | **146.6** | **46.8** | **(181.9)** |
| **Net debt**(15) | **1,662.7** | **1,147.0** | **1,193.8** | **1,297.0** | **1,635.9** |
| Net debt/Adjusted EBITDA | 2.7x | 1.9x | 2.0x | 2.2x(16) | 2.5x(16) |
| Net debt/Adjusted EBITDA modified for Swiss Tower disposal(16) | — | 2.0x | 2.0x | — | — |

(1) The Company initially applied IFRS 15 and IFRS 9 as of January 1, 2018 using the modified retrospective method. Under this method, the comparative information is not restated.

(2) The Company initially applied IFRS 16 as of January 1, 2019, using the modified retrospective method. Under this method, the comparative information is not restated.

(3) Gross profit is defined as revenue minus transmission costs and costs of goods sold.

(4) Gross profit margin is defined as gross profit divided by total revenue.

(5) Gross profit margin (excluding hubbing & mobile hardware revenue) is defined as gross profit (excluding hubbing & mobile hardware revenue) divided by total revenue excluding hubbing and mobile hardware revenues.

(6) EBITDA consists of net income before income taxes, depreciation, amortization and interest. Our historically reported EBITDA excludes the effects of foreign exchange gains (losses) and gains on disposal. EBITDA is not a measurement of performance under IFRS and you should not consider EBITDA as an alternative to (a) operating income or net income (as determined in accordance with IFRS) as a measure of our operating performance, (b) cash flows from operating investing and financing activities as a measure of our ability to meet our cash needs or (c) any other measures of performance under generally accepted accounting principles. We believe that EBITDA is a useful indicator of our ability to incur and service our indebtedness and can assist securities analysts, investors and other parties to evaluate the Company. EBITDA and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing EBITDA as reported by the Company to EBITDA of other companies. The following is a reconciliation of net income to EBITDA and to our historically reported EBITDA for the periods below:

| | **For the financial year ended December 31,** | | | **For the six-month period ended June 30,** | |
|---|---|---|---|---|---|
| | **2016** | **2017** | **2018** | **2018[(a)]** | **2019** |
| | | **(audited)** | | **(unaudited)** | |
| | | | **(CHF in millions)** | | |
| **Net income (loss)** | **87.1** | **504.8** | **106.9** | **40.7** | **60.9** |
| Income taxes | (3.2) | 27.8 | 36.3 | 16.4 | 13.5 |
| **Income before income taxes** | **83.9** | **532.6** | **143.3** | **57.2** | **74.4** |
| Amortization | 252.3 | 253.5 | 256.2 | 126.5 | 131.7 |
| Depreciation | 207.3 | 174.7 | 169.5 | 85.8 | 101.1 |
| Interest | 56.6 | 52.3 | 35.7 | 15.4 | 25.3 |
| **EBITDA** | **600.1** | **1,013.1** | **604.7** | **284.9** | **332.5** |
| Foreign exchange gains (losses) | (1.3) | (1.2) | (2.3) | (0.9) | (1.1) |
| Gain on disposal | — | (419.6) | — | — | — |
| **Historically reported EBITDA** | **598.7** | **592.3** | **602.3** | **284.0** | **331.4** |

(a) The Company initially applied IFRS 16 as of January 1, 2019, using the modified retrospective method. Under this method, the comparative information is not restated.

(7) We also report EBITDA along reportable segments and reconciling items as set forth in the table below:

| | **For the financial year ended December 31,** | | | **For the six-month period ended June 30,** | |
|---|---|---|---|---|---|
| | **2016** | **2017[(a)]** | **2018** | **2018** | **2019** |
| | | **(audited)** | | **(unaudited)** | |
| | | | **(CHF in millions)** | | |
| Residential | 673.5 | 695.3 | 712.1 | 661.4 | 650.3 |
| Business | 141.9 | 122.7 | 124.8 | 135.1 | 150.2 |
| Wholesale | 87.3 | 69.4 | 74.1 | 104.3 | 81.2 |
| Head office activities | (304.1) | (295.0) | (308.7) | 20.1 | 19.7 |

(a) The Company initially applied IFRS 15 and IFRS 9 as of January 1, 2018 using the modified retrospective method. Under this method, the comparative information is not restated. See note (6) to our consolidated financial statements as of and for the financial year ended December 31, 2016 and 2017, note (7) to our consolidated financial statements as of and for the financial years ended December 31, 2018 and note (5) to our condensed consolidated interim financial statements as of and for the six-month periods ended June 30, 2018 and 2019.

(8) The following table provides a reconciliation of our historically reported EBITDA to Adjusted EBITDA:

| | **For the financial year ended December 31,** | | | **For the six-month period ended June 30,** | |
|---|---|---|---|---|---|
| | **2016** | **2017[(a)]** | **2018** | **2018** | **2019** |
| | | **(unaudited)** | | **(unaudited)** | |
| | | | **(CHF in millions)** | | |
| **Historically reported EBITDA** | **598.7** | **592.3** | **602.3** | **284.0** | **331.4** |
| Prior-year-related events | (2.9) | (5.6) | (2.7) | (1.4) | (1.8) |
| Non-recurring and/or non-operating events | 13.5 | 12.6 | (0.1) | 6.3 | (7.1) |
| Thereof restructuring effect, net | 7.1 | — | — | — | — |
| Costs related to share-based payment[(b)] | 1.9 | 2.2 | 1.6 | 0.9 | 1.3 |
| **Adjusted EBITDA** | **611.2** | **601.5** | **601.1** | **289.8** | **323.7** |

(a) The Company initially applied IFRS 15 and IFRS 9 as of January 1, 2018 using the modified retrospective method. Under this method, the comparative information is not restated.

(b) For financial years and periods beginning January 1, 2020, costs related to share-based payment will no longer be adjusted.

(9) Adjusted EBITDA margin is defined as Adjusted EBITDA divided by total revenue.

(10) Adjusted EBITDA margin excluding hubbing and mobile hardware revenues is defined as Adjusted EBITDA divided by total revenue excluding hubbing and mobile hardware revenues.

(11) Capital expenditures reported represent additions to property, plant and equipment and intangible assets paid in cash excluding additions resulting from changes in asset retirement obligations, capitalized interest and additions from acquisitions.

(12) Other financing activities consisted mainly of payments related to indefeasible rights of use and licenses.

(13) Equity free cash flow is defined as cash flow from operating activities minus corporate income and withholding tax paid, reclassification to net working capital, movements in provisions, movement in pensions, gain on disposal of property, plant and equipment, tax, capital expenditures, other financing activities and repayments of lease liabilities.

(14) The 2018 amount consisted mainly of dividend payment of CHF 180.3 million, cash inflow due to the refinancing of CHF 184.9 million, sale of property, plant and equipment of CHF 9.6 million, movement in pension and provisions of CHF 8.4 million as well as repayment of capital leases of CHF 7.0 million.

(15) Net debt consists of Sunrise Term Loan B Facility, Sunrise Senior Secured Notes, the discounted lease liabilities *less* cash and cash equivalents.

(16) The six-month period leverage ratios are calculated based on an annualized Adjusted EBITDA.

(17) Based on Adjusted EBITDA modified for annualized network service fees related to the Swiss Tower disposal.

## Key Operational Performance Indicators for Sunrise

| | As of and for the financial year ended December 31, | | | As of and for the six-month period ended June 30, | |
|---|---|---|---|---|---|
| | 2016 | 2017(1) | 2018 | 2018 | 2019 |
| | | | | (unaudited) | |
| ***ARPU (CHF)*** | | | | | |
| **Mobile blended** | 33.1 | 31.7 | 31.8 | 31.4 | 31.4 |
| Post-paid | 44.5 | 41.6 | 40.3 | 40.2 | 38.5 |
| *Thereof origination* | 39.1 | 38.3 | 37.5 | 37.3 | 35.9 |
| *Thereof termination* | 5.4 | 3.3 | 2.8 | 2.9 | 2.6 |
| Prepaid | 14.9 | 12.7 | 11.5 | 11.5 | 10.8 |
| **Landline** | | | | | |
| Landline voice | 30.8 | 26.4 | 22.9 | 23.4 | 21.3 |
| Internet | 35.8 | 35.3 | 36.1 | 35.8 | 35.9 |
| TV | 25.0 | 26.1 | 26.1 | 26.2 | 25.1 |
| Internet and TV | 46.1 | 47.7 | 49.7 | — | — |
| ***Subscription base (in thousand)*** | | | | | |
| **Mobile** | | | | | |
| Post-paid | 1,485.2 | 1,594.0 | 1,728.8 | 1,655.4 | 1,812.3 |
| *Primary* | 1,240.4 | 1,313.3 | 1,406.5 | 1,355.0 | 1,463.1 |
| *Secondary* | 244.8 | 280.6 | 322.5 | 300.4 | 349.2 |
| Prepaid (3-month rule) | 841.7 | 755.6 | 627.5 | 687.4 | 591.7 |
| Prepaid (12-month rule) | 1,431.1 | 1,281.5 | 1,067.5 | 1,185.2 | 973.1 |
| **Landline** | | | | | |
| Landline voice | 416.7 | 440.9 | 468.2 | 453.1 | 491.4 |
| Internet | 371.8 | 422.2 | 457.3 | 441.8 | 483.3 |
| TV | 162.8 | 213.5 | 243.7 | 229.4 | 263.4 |
| | 209.0 | | | | |
| ***LTM Churn (%)*** | | | | | |
| Post-paid | 14.1 | 13.3 | 13.8 | 13.9 | 12.9 |
| Landline | 12.5 | 15.6 | 13.8 | 15.4 | 13.2 |
| ***Employees*** | | | | | |
| Full-time employees | 1,656 | 1,645 | 1,611 | 1,594 | 1,615 |
| Apprentices | 109 | 122 | 140 | 124 | 136 |

(1) The Company initially applied IFRS 15 and IFRS 9 as of January 1, 2018 using the modified retrospective method. Under this method, the comparative information is not restated.

**Summary Historical Combined Carve-out Financial Information and Other Financial and Operational Information of UPC Switzerland**

The tables below set forth the following summary financial information:

- the audited combined carve-out financial statements of UPC Switzerland and its subsidiaries for the financial years ended December 31, 2016, 2017 and 2018; and
- the unaudited condensed combined interim financial statements of UPC Switzerland for the six-month period ended June 30, 2019, including comparative figures for the six-month period ended June 30, 2018.

Tables containing selected financial and other data for UPC Switzerland and its subsidiaries presented herein have been derived from the audited combined carve-out financial statements of UPC Switzerland and its subsidiaries for the financial years ended December 31, 2016, 2017 and 2018 and the unaudited condensed combined interim financial statements of UPC Switzerland for the six-month period ended June 30, 2019, including comparative figures for the six-month period ended June 30, 2018, each included elsewhere in this Shareholder Information Document.

The UPC Carve-out Financial Statements include the historical financial information of UPC Switzerland and are presented on a combined carve-out basis to include the historical results of operations, financial position, and cash flows applicable to UPC Switzerland. See also "*Presentation of Financial and Other Information*" and "*Acquisition*". The UPC Carve-out Financial Statements may not necessarily be indicative of the historical results that would have been obtained if UPC Switzerland had been a separate company during the periods presented or of the results that may be obtained in the future. You should read this section together with the information contained in "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations of UPC Switzerland*" and the UPC Carve-out Financial Statements included elsewhere in this Shareholder Information Document. UPC Switzerland's financial information contained in this Shareholder Information Document is prepared and presented in accordance with U.S. GAAP.

The UPC Combined Carve-out Financial Statements do not present the entire indebtedness of the UPC Group to be acquired by Sunrise, as the UPC Combined Carve-out Financial Statements only include UPC Switzerland and its subsidiaries. A significant amount of the indebtedness of the UPC Group, to be assumed by Sunrise as part of the Acquisition, has been incurred by entities of the UPC Group that sit above UPC Switzerland in the corporate structure of the UPC Group and were therefore excluded from the UPC Combined Carve-out Financial Statements below.

**Summary Combined Carve-out Statements of Operations of UPC Switzerland**

| | Year ended December 31, | | | Six-month period ended June 30, | |
|---|---|---|---|---|---|
| | **2016** | **2017** | **2018** | **2018** | **2019** |
| | | | **(CHF in millions)** | | |
| | | | | **(unaudited)** | |
| Revenue | 1,356.7 | 1,348.7 | 1,296.1 | 654.0 | 630.8 |
| Operating costs and expenses: | | | | | |
| Programming and other direct costs of services | 182.7 | 207.7 | 247.1 | 127.4 | 128.0 |
| Other operating | 161.8 | 160.5 | 155.1 | 78.3 | 79.3 |
| Selling, general and administrative (SG&A) | 171.0 | 171.2 | 174.2 | 90.4 | 101.5 |
| Related-party fees and allocations, net | 218.2 | 244.0 | 75.8 | 80.9 | 84.0 |
| Depreciation and amortization | 272.6 | 273.6 | 257.4 | 127.7 | 129.4 |
| Impairment, restructuring and other operating items, net | (0.3) | 5.1 | 2.4 | 3.1 | 8.8 |
| | **1,006.0** | **1,062.1** | **912.0** | **507.8** | **531.0** |
| Operating income | **350.7** | **286.6** | **384.1** | **146.2** | **99.8** |
| Non-operating income (expense): | | | | | |
| Interest expense | (4.1) | (3.7) | (3.7) | (1.8) | (1.9) |
| Foreign currency transaction gains (losses), net | 1.2 | (7.2) | 3.3 | 0.4 | 1.0 |
| Other income, net | 22.5 | 12.7 | 8.0 | 5.8 | 4.5 |
| | **19.6** | **1.8** | **7.6** | **4.4** | **3.6** |
| Earnings before income taxes | 370.3 | 288.4 | 391.7 | 150.6 | 103.4 |
| Income tax expense | (62.3) | (56.0) | (70.3) | (30.4) | (20.6) |
| Net earnings | **308.0** | **232.4** | **321.4** | **120.2** | **82.8** |
| Net earnings attributable to non-controlling interests | (5.5) | (5.2) | (4.3) | (2.0) | (2.0) |

| | Year ended December 31, | | | Six-month period ended June 30, | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2018 | 2019 |
| | (CHF in millions) | | | | |
| | | | | (unaudited) | |
| Net earnings attributable to parent entity | **302.5** | **227.2** | **317.1** | **118.2** | **80.8** |

## Summary Combined Carve-out Balance Sheets of UPC Switzerland

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 |
| | (CHF in millions) | | | |
| | | | | (unaudited) |
| **ASSETS** | | | | |
| **Current assets:** | | | | |
| Cash and cash equivalents | 1.5 | 0.4 | 0.4 | 0.7 |
| Trade receivables, net | 290.9 | 254.5 | 235.4 | 142.9 |
| Related-party receivables | 10.4 | 24.8 | 14.6 | 15.9 |
| Other current assets | 10.8 | 9.5 | 46.9 | 32.8 |
| Total current assets | 313.6 | 289.2 | 297.3 | 192.3 |
| Property and equipment, net | 1,237.4 | 1,215.3 | 1,210.5 | 1,218.9 |
| Goodwill | 2,853.9 | 2,853.9 | 2,853.9 | 2,853.9 |
| Other assets, net | 79.2 | 73.8 | 70.6 | 180.7 |
| **Total assets** | **4,484.1** | **4,432.2** | **4,432.3** | **4,445.8** |
| **LIABILITIES AND EQUITY** | | | | |
| **Current liabilities:** | | | | |
| Accounts payable | 65.2 | 55.2 | 52.3 | 39.3 |
| Related-party payables | 92.3 | 90.4 | 67.3 | 72.5 |
| Deferred revenue | 335.5 | 288.9 | 234.3 | 164.6 |
| Current portion of debt and capital lease obligations | 91.0 | 93.6 | 112.0 | 133.3 |
| Other accrued and current liabilities | 217.8 | 118.6 | 164.3 | 172.8 |
| Total current liabilities | 801.8 | 646.7 | 630.2 | 582.5 |
| Long-term debt and capital lease obligations | 19.6 | 17.8 | 15.2 | 12.8 |
| Other long-term liabilities | 89.5 | 65.0 | 46.6 | 139.6 |
| **Total liabilities** | **910.9** | **729.5** | **692.0** | **734.9** |
| **Equity:** | | | | |
| Net parent investment | 3,563.8 | 3,686.1 | 3,741.5 | 3,713.9 |
| Accumulated other comprehensive loss, net of taxes | (11.2) | (4.4) | (20.9) | (21.8) |
| **Total parent equity** | **3,552.6** | **3,681.7** | **3,720.6** | **3,692.1** |
| Non-controlling interests | 20.6 | 21.0 | 19.7 | 18.8 |
| **Total equity** | **3,573.2** | **3,702.7** | **3,740.3** | **3,710.9** |
| **Total liabilities and equity** | **4,484.1** | **4,432.2** | **4,432.3** | **4,445.8** |

## Summary Combined Carve-out Statements of Cash Flows of UPC Switzerland

| | Year ended December 31, | | | Six-month period ended June 30, | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2018 | 2019 |
| | (CHF in millions) | | | | |
| | | | | (unaudited) | |
| Net cash provided by operating activities | 743.6 | 677.8 | 687.9 | 400.9 | 336.4 |
| Net cash used by investing activities | (189.4) | (165.6) | (176.7) | (79.7) | (102.9) |
| Net cash used by financing activities | (553.1) | (512.6) | (511.8) | (318.4) | (233.6) |

## Key Financial Performance Indicators for UPC Switzerland

| | For the financial year ended December 31, | | | For the six-month period ended June 30, | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2018 | 2019 |
| | | | | (unaudited) | |
| | (CHF in millions) | | | | |
| Revenue | 1,356.7 | 1,348.7 | 1,296.1 | 654.0 | 630.8 |
| % growth | — | (0.6)% | (3.9)% | — | (3.5)% |
| Operating income | 350.7 | 286.6 | 384.1 | 146.2 | 99.8 |
| as a percentage of Revenue | 25.8% | 21.3% | 29.6% | 22.3% | 15.8% |
| EBITDA[(1)] | 647.0 | 565.7 | 652.8 | 280.1 | 234.7 |
| | | | (unaudited) | | |

| | For the financial year ended December 31, | | | For the six-month period ended June 30, | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2018 | 2019 |
| | | | | (unaudited) | |
| | | | (CHF in millions) | | |
| Adjusted EBITDA[(1)] | | | 629.4 | 310.2 | 277.9 |
| Operating Cash Flow[(2)] | 849.5 | 817.8 | 732.3 | 363.0 | 332.7 |
| as a percentage of Revenue | 63.1% | 61.4% | 56.5% | 55.5% | 52.7% |
| Property and equipment additions[(3)] | 257.0 | 240.2 | 244.8 | 101.7 | 135.8 |
| as a percentage of Revenue | 18.9% | 17.8% | 18.9% | 15.6% | 21.5% |
| Adjusted Operating Free Cash Flow[(4)] | | | 384.6 | 208.5 | 142.1 |

(1) EBITDA consists of net income before income taxes, depreciation, amortization and interest. EBITDA is not a measurement of performance under U.S. GAAP and you should not consider EBITDA as an alternative to (a) operating income or net income (as determined in accordance with U.S. GAAP) as a measure of UPC Switzerland's operating performance, (b) cash flows from operating investing and financing activities as a measure of UPC Switzerland's ability to meet its cash needs or (c) any other measures of performance under generally accepted accounting principles. UPC Switzerland management believes that EBITDA is a useful indicator of its ability to incur and service its indebtedness and can assist securities analysts, investors and other parties to evaluate UPC Switzerland. EBITDA and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing EBITDA as reported by UPC Switzerland to EBITDA of other companies. Adjusted EBITDA consists of EBITDA adjusted for foreign currency transaction gains (losses), impairment, restructuring and other operating items, net, other income, net, share-based compensation and management fee. UPC Switzerland management believes Adjusted EBITDA is a meaningful measure because it represents a transparent view of UPC Switzerland's recurring operating performance that is unaffected by UPC Switzerland's capital structure and allows management to readily view operating trends, and identify strategies to improve operating performance. UPC Switzerland management believes that Adjusted EBITDA is a useful indicator of its ability to incur and service its indebtedness and can assist securities analysts, investors and other parties to evaluate UPC Switzerland. Adjusted EBITDA and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing Adjusted EBITDA as reported by UPC Switzerland to Adjusted EBITDA of other companies. The following table provides a reconciliation of UPC Switzerland's net earnings to EBITDA and to Adjusted EBITDA for the financial year ended December 31, 2018, and the six-month periods ended June 30, 2018 and 2019. Adjusted EBITDA figures for the financial years ended December 31, 2016 and 2017 were not provided as they would not be comparable due to the carve-out of UPC Switzerland.

| | For the financial year ended December 31, | | | For the six-month period ended June 30, | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2018 | 2019 |
| | | | | (unaudited) | |
| **Net earnings** | **308.0** | **232.4** | **321.4** | **120.2** | **82.8** |
| Income tax expense | 62.3 | 56.0 | 70.3 | 30.4 | 20.6 |
| **Earnings before income taxes** | **370.3** | **288.4** | **391.7** | **150.6** | **103.4** |
| Interest expense | 4.1 | 3.7 | 3.7 | 1.8 | 1.9 |
| Depreciation and amortization | 272.6 | 273.6 | 257.4 | 127.7 | 129.4 |
| **EBITDA** | **647.0** | **565.7** | **652.8** | **280.1** | **234.7** |
| Foreign currency transaction gains (losses) | (1.2) | 7.2 | (3.3) | (0.4) | (1.0) |
| Other income, net | (22.5) | (12.7) | (8.0) | (5.8) | (4.5) |
| | | | (unaudited) | | |
| **Income before depreciation and amortization, net financial items and income taxes[(a)]** | | | **641.5** | | **229.2** |
| Impairment, restructuring and other operating items, net | (0.3) | 5.1 | 2.4 | 3.1 | 8.8 |
| Other income, net | 22.5 | 12.7 | 8.0 | 5.8 | 4.5 |
| Share-based compensation | | | 14.3 | 4.8 | 8.6 |
| Management fee | | | (36.8) | 22.6 | 26.5 |
| **Adjusted EBITDA** | | | **629.4** | **310.2** | **277.9** |

(a) This non-GAAP measure is provided only for the purposes of ease of reconciliation with the Unaudited Pro Forma Financial Statements provided elsewhere in this Shareholder Information Document.

(2) Operating cash flow consists of operating income before share-based compensation, related-party fees and allocations, net, depreciation and amortization, impairment, restructuring and other operating items, net. UPC Switzerland management believes that operating cash flow is a meaningful measure because it represents a transparent view of UPC Switzerland's recurring operating performance that is unaffected by its capital structure and allows management to readily view operating trends, perform analytical comparisons and benchmarking between entities and identify strategies to improve operating performance. UPC Switzerland management believes its operating cash flow measure is useful to investors because it is one of the bases for comparing its performance with the performance of other companies in the same or similar industries, although its measure may not be directly comparable to similar measures used by other companies. Operating cash flow should be viewed as a measure of operating performance that is a supplement to, and not a substitute for, operating income, net earnings or loss, cash flow from operating activities and other U.S. GAAP measures of income or cash flows. The following table provides a reconciliation of UPC Switzerland's operating income to operating cash flows:

| | For the financial year ended December 31, | | | For the six-month period ended June 30, | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2018 | 2019 |
| **Operating income** | **350.7** | **286.6** | **384.1** | **146.2** | **99.8** |
| Share-based compensation expense | 8.3 | 8.5 | 12.6 | 5.1 | 10.7 |
| Related-party fees and allocations, net | 218.2 | 244.0 | 75.8 | 80.9 | 84.0 |
| Depreciation and amortization | 272.6 | 273.6 | 257.4 | 127.7 | 129.4 |
| Impairment, restructuring and other operating items, net | (0.3) | 5.1 | 2.4 | 3.1 | 8.8 |
| | | | **(unaudited)** | | |
| **Operating Cash Flow** | **849.5** | **817.8** | **732.3** | **363.0** | **332.7** |

(3) A reconciliation of property and equipment additions to capital expenditures as reported in UPC Switzerland's combined carve-out statements of cash flows is set forth below:

| | For the financial year ended December 31, | | | For the six-month period ended June 30, | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2018 | 2019 |
| | | | **(CHF in millions)** | | |
| | | | **(unaudited)** | | |
| Property and equipment additions | 257.0 | 240.2 | 244.8 | 101.7 | 135.8 |
| Assets acquired under capital-related vendor financing arrangements | (62.9) | (63.8) | (66.0) | (31.5) | (36.0) |
| Assets acquired under finance leases | (4.4) | (1.0) | (0.5) | (0.0) | (2.3) |
| Changes in current liabilities related to capital expenditures | (11.5) | (12.1) | (6.4) | 10.0 | 5.9 |
| Capital expenditures | **178.2** | **163.3** | **171.9** | **80.2** | **103.4** |

(4) Adjusted Operating Free Cash Flow is defined as Adjusted EBITDA less property and equipment additions.

## Key Operational Performance Indicators for UPC Switzerland

| | As of and for the financial year ended December 31, | | | As of and for the six-month period ended June 30, | |
|---|---|---|---|---|---|
| | 2016 | 2017[(1)] | 2018 | 2018 | 2019[(3)] |
| **Footprint** | | | | | |
| Homes passed | 2,236,800 | 2,281,600 | 2,338,200 | 2,302,500 | 2,353,300 |
| Two-way homes passed | 2,236,800 | 2,281,600 | 2,338,200 | 2,302,500 | 2,353,300 |
| **Subscribers (RGUs)** | | | | | |
| Basic Video | 576,500 | 520,600 | 437,200 | 469,200 | 441,300 |
| Enhanced Video | 675,200 | 679,900 | 645,800 | 665,300 | 599,400 |
| Total Video | 1,251,700 | 1,200,500 | 1,083,000 | 1,134,500 | 1,040,700 |
| Internet | 749,800 | 749,300 | 700,300 | 725,100 | 676,700 |
| Telephony | 511,900 | 537,700 | 519,600 | 530,400 | 510,800 |
| Total RGUs | 2,513,400 | 2,487,500 | 2,302,900 | 2,390,000 | 2,228,200 |
| **Customer Bundling**[(1)] | | | | | |
| Single-Play | 44% | 41% | 39% | 39% | 38% |
| Double-Play | 18% | 17% | 16% | 17% | 16% |
| Triple-Play | 38% | 42% | 45% | 44% | 46% |
| **Customer Relationships** | | | | | |
| Customer relationships | 1,294,700 | 1,236,800 | 1,115,800 | 1,168,500 | 1,070,700 |
| RGUs per customer relationship | 1.94 | 2.01 | 2.06 | 2.05 | 2.08 |
| **Mobile Subscribers** | | | | | |
| Total mobile subscribers | 80,300 | 114,800 | 146,300 | 129,400 | 173,400 |
| **ARPU** (CHF)[(2)] | 70.51 | 69.76 | 70.36 | 69.51 | 71.21 |

(1) Percentage of total customers that subscribe to one service (single-play), two services (double-play) or three services (triple-play).

(2) Average Revenue Per Unit is the average monthly subscription revenue per average cable customer relationship. Following the January 1, 2018 adoption of the new revenue recognition standard (ASU 2014- 09 Revenue from Contracts with Customers), revenue subscription revenue excludes interconnect fees, channel carriage fees, mobile handset sales and late fees, but includes the amortization of installation fees. Prior to the adoption of ASU 2014-09, installation fees were excluded from subscription revenue. ARPU per average cable customer relationship is calculated by dividing the average monthly subscription revenue from residential cable and SOHO services by the average number of cable customer relationships for the period. Unless otherwise indicated, ARPU per cable customer relationship is not adjusted for currency impacts.

(3) In June 2019, UPC Switzerland changed its subscriber counting methodology associated with certain cable customers with more than one set-top box in their home. These changes resulted in a decrease to Customer Relationships and Enhanced Video RGUs

of 2,500 and 26,000, respectively, and an increase to Basic Video RGUs of 22,200 as of June 30, 2019. Prior periods have not been adjusted for this change in methodology, and as such, amounts in the above table for periods prior to June 30, 2019 are not fully comparable.

## Summary *Pro Forma* and Other Adjusted Financial Information

*The following Unaudited Pro Forma Combined Financial Information was prepared solely for the purpose of this Shareholder Information Document and in line with the requirements of the SIX Swiss Exchange "Directive on the Presentation of a Complex Financial History in the Listing Prospectus".*

*The historical financial information of Sunrise is derived from the Sunrise unaudited condensed consolidated interim financial statements as of and for the six-month period ended June 30, 2019 prepared in accordance with IAS 34 included elsewhere in this Shareholder Information Document. The unaudited condensed consolidated interim financial statements of Sunrise as of and for the six-month period ended June 30, 2019 prepared in accordance with IAS 34, have not been audited.*

*The historical financial information of Sunrise, as of and for the financial year ended December 31, 2018, is derived from the Sunrise audited consolidated financial statements as of and for the financial year ended December 31, 2018 prepared in accordance with IFRS included elsewhere in this Shareholder Information Document. The consolidated financial statements of Sunrise as of and for the financial year ended December 31, 2018 prepared in accordance with IFRS, have been audited by Ernst & Young AG.*

*The historical financial information of UPC Switzerland, presented under pro forma presentation is derived from the UPC Switzerland unaudited condensed combined carve-out interim financial statements as of and for the six-month period ended June 30, 2019 prepared in accordance with U.S. GAAP included elsewhere in this Shareholder Information Document. The unaudited condensed combined carve-out interim financial statements of UPC Switzerland as of and for the six-month period ended June 30, 2019 prepared in accordance with U.S. GAAP, have not been audited.*

*The historical financial information of UPC Switzerland is derived from the UPC Switzerland audited combined financial statements as of and for the financial year ended December 31, 2018 prepared in accordance with U.S. GAAP included elsewhere in this document. The combined carve-out financial statements of UPC Switzerland as of and for the financial year ended December 31, 2018 prepared in accordance with U.S. GAAP have been audited by KPMG AG.*

*The historical financial information of UPC Switzerland is presented in accordance with U.S. GAAP whereas Sunrise presents the historical financial information in accordance with IFRS. As a result, certain differences have been identified that resulted in adjustments to the historical UPC Switzerland financial statements in order to align with IFRS and to conform to the preliminary presentation of the Group. These adjustments are based on the information available that could be reasonably shared between Sunrise and UPC Switzerland prior to the completion of the Acquisition of the UPC Group.*

*There are also certain differences in the way in which Sunrise and UPC Switzerland present items on their respective historical statements of income and statements of financial position. As a result, certain items have been reclassified in the UPC Switzerland Unaudited Pro Forma Statements of Income and Statements of Financial Position for the six-month period ended June 30, 2019 to align the preliminary presentation of the Group. Those reclassifications, which have no effect on total net assets or net income, are detailed in the tables below.*

*Subsequent to the Acquisition of the UPC Group, further adjustments or reclassifications may prove to be necessary when the Group obtains full access to the information and finalizes the presentation of the financial statements as well as the alignment of accounting policies of the Group.*

### *Principles of Preparation*

*The Unaudited Pro Forma Combined Financial Information was prepared on the basis of a number of assumptions as outlined in the Notes to the Unaudited Pro Forma Combined Financial Information. The Unaudited Pro Forma Combined Financial Information does not reflect the operating results or financial position which Sunrise would have had if Sunrise had actually acquired the UPC Group prior to the carve-outs.*

*The Unaudited Pro Forma Combined Financial Information has been compiled and should be read in conjunction with the respective following documents:*

- *the unaudited condensed consolidated interim financial statements as of and for the six-month period ended June 30, 2019, of Sunrise Communications Group AG and its subsidiaries prepared in compliance with IAS 34 Interim Financial Reporting;*
- *the audited consolidated financial statements as of and for the financial year ended December 31, 2018, of Sunrise Communications Group AG and its subsidiaries prepared in accordance*

*with IFRS;*

- *the unaudited condensed combined carve-out interim financial statements as of and for the six-month period ended June 30, 2019, of UPC Switzerland prepared in accordance with U.S. GAAP; and*
- *the audited combined carve-out financial statements as of and for the financial year ended December 31, 2018, of UPC Switzerland prepared in accordance with U.S. GAAP;*
- *"Summary Consolidated Financial Data", "Risk Factors", "Acquisition and the Group Post Acquisition", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and all of the historical financial statements and the notes thereto included elsewhere in this Shareholder Information Document.*

*The pro forma adjustments are based upon available information and certain preliminary estimates and assumptions which Sunrise management believes to be reasonable.*

*The Unaudited Pro Forma Combined Financial Information is for illustrative purposes only. It should not be taken as indicative for future consolidated results of operations or financial position of the Group. The actual results may differ significantly from those reflected in the Unaudited Pro Forma Combined Financial Information for a number of reasons, including but not limited to, differences between the assumptions and estimates used to prepare the Unaudited Pro Forma Combined Financial Information and actual amounts.*

*Only pro forma adjustments that are factually supportable and can be reliably estimated at the date the Unaudited Pro Forma Combined Financial Information is prepared have been taken into account. For instance, the Unaudited Pro Forma Combined Financial Information does not reflect any restructuring, integration expenses, or non-forecastable expenses that may be incurred in connection with the Acquisition.*

*The Unaudited Pro Forma Combined Financial Information also does not reflect any cost savings potentially realizable from synergies that may be achieved from the Acquisition. Additionally, the Unaudited Pro Forma Combined Financial Information does not reflect any change in tax effect or saving that would result from the integration of UPC Group into the new tax consolidation structure of the Group.*

*Certain reclassifications have been made by Sunrise management to reclassify UPC Switzerland's unaudited and audited statements of income for the six-month period ended June 30, 2019 and the year ended December 31, 2018 and to the statements of financial position as of June 30, 2019 and December 31, 2018 in order to align the presentation of the UPC Switzerland's historical financial statements to the proposed presentation of the Group.*

*Subsequent to the effective date of the Acquisition, any transactions occurring between UPC Group and Sunrise will be considered as intercompany transactions and be eliminated. Balances and transactions between UPC Group and Sunrise as of and for the periods presented are not significant and therefore no eliminations have been made in this Unaudited Pro Forma Combined Financial Information.*

*Due to Sunrise's limited access to information relating to the components of UPC Switzerland's non- controlling interests, the Unaudited Pro Forma Combined Financial Information does not reflect any adjustments related to the UPC Switzerland's non-controlling interests.*

***Accounting for the Acquisition***

*The Unaudited Pro Forma Combined Financial Information reflects the acquisition of UPC Group under the acquisition method in accordance with IFRS 3 Business Combinations. For accounting purposes, Sunrise is deemed the acquirer.*

*All of the Unaudited Pro Forma Combined Financial Information has been prepared assuming the Acquisition of UPC Group and related financing had been completed on January 1, 2018. The acquisition method of accounting requires the purchase consideration to be allocated to the underlying acquired tangible and intangible assets and liabilities based on their respective fair values at the Acquisition date. The excess of the consideration transferred over the preliminary fair value of the acquired UPC Group identifiable net assets is recorded as goodwill on a preliminary basis. Definitive valuations will be performed and the purchase accounting will be finalized based upon valuations and other studies that will be performed with the services of outside valuation specialists after the effective date of the Acquisition. Accordingly, the purchase accounting pro forma adjustments are preliminary and have been made solely for the purpose of preparing the Unaudited Pro Forma Combined Financial Information. As such, these adjustments are* *hypothetical and are subject to revision based on the final determination of the fair value of the assets acquired and liabilities assumed on the date of the Acquisition.*

### Unaudited *Pro Forma* Condensed Statement of Financial Position as of June 30, 2019

| | Sunrise historical information | UPC Switzerland historical information | UPC Switzerland historical information U.S. GAAP to IFRS conversion adjustments | Transaction-related *pro forma* adjustments | *Pro forma* Combined Group |
|---|---|---|---|---|---|
| | | | (unaudited) | | |
| | | | (CHF in millions) | | |
| **Non-current assets** | | | | | |
| Goodwill | 1,147.8 | 2,853.9 | — | 1,363.4 | 5,365.1 |
| Intangible assets | 1,033.5 | 42.7 | — | 1,518.7 | 2,594.9 |
| Property, plant and equipment | 792.3 | 1,191.8 | — | — | 1,984.1 |
| Right-of-use assets | 290.0 | 127.8 | (0.7) | — | 417.1 |
| Non-current derivative assets | — | — | — | 277.6 | 277.6 |
| Non-current portion of trade and other receivables | 57.1 | 4.1 | — | — | 61.2 |
| Non-current portion of contract assets | 3.0 | — | — | — | 3.0 |
| Non-current portion of prepaid expenses | — | 4.2 | — | — | 4.2 |
| Non-current portion of contract costs | 48.6 | — | — | — | 48.6 |
| Investments | — | 31.0 | (7.2) | — | 23.8 |
| **Total non-current assets** | **3,372.2** | **4,255.5** | **(7.9)** | **3,159.7** | **10,779.6** |
| **Current assets** | | | | | |
| Inventories | 45.7 | 5.4 | — | — | 51.1 |
| Current portion of trade and other receivables | 305.4 | 168.7 | — | — | 474.1 |
| Current portion of contract assets | 81.7 | 5.0 | — | — | 86.7 |
| Current portion of derivative assets | — | — | — | 84.0 | 84.0 |
| Current portion of contract cost | — | 6.9 | — | — | 6.9 |
| Current portion of prepaid expenses | 18.6 | 3.6 | — | — | 22.2 |
| Cash and cash equivalents | 239.8 | 0.7 | — | 207.6 | 448.2 |
| **Total current assets** | **691.2** | **190.3** | — | **291.6** | **1,173.1** |
| **Total assets** | **4,063.4** | **4,445.8** | **(7.9)** | **3,451.4** | **11,952.7** |
| **Non-current liabilities** | | | | | |
| Non-current portion of loans and notes | 1,572.9 | — | — | 3,814.6 | 5,387.5 |
| Non-current derivative liabilities | — | — | — | 378.2 | 378.2 |
| Non-current portion of lease liabilities | 233.1 | 116.7 | 0.1 | — | 349.9 |
| Non-current portion of trade and other payables | 40.7 | — | — | 242.6 | 283.3 |
| Deferred tax liabilities | 134.6 | 20.5 | — | 259.8 | 414.8 |
| Non-current portion of provisions | 54.4 | — | — | — | 54.4 |
| Employee benefit obligations | 99.9 | 11.8 | — | — | 111.7 |
| Non-current portion of contract liabilities | 8.0 | 3.4 | — | — | 11.4 |
| **Total non-current liabilities** | **2,143.6** | **152.4** | **0.1** | **4,695.2** | **6,991.3** |
| **Current liabilities** | | | | | |
| Current portion of lease liabilities | 32.7 | 18.7 | — | — | 51.4 |
| Current portion of loans and notes | — | 129.3 | — | — | 129.3 |
| Current portion of trade and other payables | 471.9 | 111.8 | — | — | 583.7 |
| Current portion of derivative liabilities | — | — | — | 101.9 | 101.9 |
| Income tax payable | 36.4 | — | (0.9) | (32.0) | 3.5 |
| Current portion of provisions | 4.8 | 10.5 | — | — | 15.3 |
| Current portion of contract liabilities | 30.2 | 164.6 | — | — | 194.8 |
| Other current liabilities | 0.7 | 147.6 | — | 72.7 | 221.0 |
| **Total current liabilities** | 576.7 | 582.5 | (0.9) | 142.6 | 1,300.9 |
| **Total liabilities** | **2,720.4** | **734.9** | **(0.8)** | **4,837.8** | **8,292.2** |
| **Total equity** | **1,343.0** | **3,710.9** | **(7.0)** | **(1,386.4)** | **3,660.5** |
| **Total equity and liabilities** | **4,063.4** | **4,445.8** | **(7.9)** | **3,451.4** | **11,952.7** |

## Unaudited *Pro Forma* Condensed Statement of Income for the Six-Month Period ended June 30, 2019

| | Sunrise historical information | UPC Switzerland historical information | UPC Switzerland historical information U.S. GAAP to IFRS conversion adjustments | Transaction-related *pro forma* adjustments | *Pro forma* Combined Group |
|---|---|---|---|---|---|
| | | | (unaudited) | | |
| | | | (CHF in millions) | | |
| Revenue | **901.4** | **630.8** | **—** | **—** | **1,532.2** |
| Transmission costs, programming costs and cost of goods sold | (284.8) | (128.0) | 3.3 | — | (409.5) |
| Other operating expenses | (207.6) | (191.3) | 7.8 | 9.8 | (381.3) |
| Wages, salaries and pension costs | (109.0) | (73.5) | — | — | (182.5) |
| Other income | 32.7 | — | — | — | 32.7 |
| Other expenses | (1.3) | (8.8) | — | — | (10.1) |
| **Income before depreciation, amortization and impairment losses, net financial items and income taxes** | **331.4** | **229.2** | **11.2** | **9.8** | **581.5** |
| Amortization | (131.7) | (3.4) | — | (67.0) | (202.1) |
| Depreciation and impairment losses | (101.1) | (126.0) | (9.9) | — | (237.1) |
| Operating income | **98.6** | **99.8** | **1.2** | **(57.3)** | **142.3** |
| Foreign currency (losses)/gains, net | 1.1 | 1.0 | — | — | 2.1 |
| Financial income | 0.1 | 3.1 | — | — | 3.2 |
| Financial expenses | (25.3) | (1.9) | (5.5) | (55.9) | (88.5) |
| **Net financial items** | **(24.2)** | **2.2** | **(5.5)** | **(55.9)** | **(83.3)** |
| Share of (loss) profit of associates | — | 1.4 | (0.5) | — | 0.9 |
| **(Loss)/income before income taxes** | **74.4** | **103.4** | **(4.7)** | **(113.4)** | **60.0** |
| Income taxes | (13.5) | (20.6) | 0.9 | 22.7 | (10.5) |
| **Net (loss)/income** | **60.9** | **82.8** | **(3.8)** | **(90.4)** | **49.5** |

## Unaudited *Pro Forma* Condensed Statement of Income for the Financial Year ended December 31, 2018

| | Sunrise historical information | UPC Switzerland historical information | UPC Switzerland historical information U.S. GAAP to IFRS conversion adjustments | Transaction-related *pro forma* adjustments | *Pro forma* Combined Group |
|---|---|---|---|---|---|
| | | | (unaudited) | | |
| | | | (CHF in millions) | | |
| Revenue | **1,876.5** | **1,296.1** | **—** | **—** | **3,172.6** |
| Transmission costs, programming costs and cost of goods sold | (657.3) | (247.1) | — | — | (904.4) |
| Other operating expenses | (425.5) | (351.4) | — | — | (776.9) |
| Wages, salaries and pension costs | (213.9) | (149.9) | — | — | (363.8) |
| Other income | 25.5 | 97.3 | — | — | 122.8 |
| Other expenses | (3.0) | (3.5) | — | — | (6.5) |
| **Income before depreciation, amortization and impairment losses, net financial items and income taxes** | **602.3** | **641.5** | **—** | **—** | **1,243.8** |
| Amortization | (256.2) | (6.6) | — | (134.3) | (397.0) |
| Depreciation and impairment losses | (169.5) | (250.8) | — | — | (420.3) |
| Operating income | **176.6** | **384.1** | — | **(134.3)** | **426.5** |
| Foreign currency (losses)/gains, net | 2.3 | 3.3 | — | — | 5.6 |
| Financial income | 15.1 | 1.6 | — | — | 16.7 |
| Financial expenses | (50.8) | 5.9 | (9.9) | (113.4) | (168.2) |
| **Net financial items** | **(33.4)** | **10.8** | **(9.9)** | **(113.4)** | **(146.0)** |
| Share of (loss) profit of associates | — | (3.2) | 5.5 | — | 2.3 |
| **(Loss)/income before income taxes** | **143.2** | **391.7** | **(4.5)** | **(247.7)** | **282.8** |
| Income taxes | (36.3) | (70.3) | 0.9 | 49.7 | (56.0) |
| **Net (loss)/income** | **106.9** | **321.4** | **(3.6)** | **(198.0)** | **226.8** |

## *Pro Forma* Adjusted Financial Information

| | As of and for the twelve-month period ended June 30, 2019 |
|---|---|
| | CHF (in millions) |
| Adjusted EBITDA for Sunrise (excluding impact of IFRS 16)(1) | 613.2 |
| Adjusted EBITDA for UPC Switzerland(2) | 597.1 |
| *Pro forma* Adjusted EBITDA of combined Group (excluding impact of IFRS 16) | 1,210.3 |
| | |
| Net debt of Sunrise (excluding impact of IFRS 16)(3) | 1,372.9 |
| Net debt of UPC Group(4) | 3,554.6 |
| Transaction adjustments(5) | 151.0 |
| *Pro forma* net debt of combined Group (excluding impact of IFRS 16) | 5,078.9 |
| Net debt/Adjusted EBITDA (excluding impact of IFRS 16)(6) | 4.2x |

(1) Adjusted EBITDA for Sunrise (excluding impact of IFRS 16) consists of Adjusted EBITDA of Sunrise for the twelve-month period ended June 30, 2019 of CHF 635.0 million *less* CHF 21.8 million of the impact of IFRS 16 in the six-month period ended June 30, 2019. We present the *pro forma* adjusted financial information as it excludes the impact of IFRS 16 for purposes of comparability with prior periods where IFRS 16 was not applicable.

(2) Adjusted EBITDA for UPC Switzerland is the Adjusted EBITDA for UPC Switzerland for the twelve months ended June 30, 2019, calculated based on the carve-out financial statements of UPC Switzerland prepared in accordance with U.S. GAAP and standard ASC 842 which we believe to be a comparable standard to IFRS excluding the impact of IFRS 16. UPC Switzerland management believes Adjusted EBITDA is a meaningful measure because it represents a transparent view of UPC Switzerland's recurring operating performance that is unaffected by UPC Switzerland's capital structure and allows management to readily view operating trends, and identify strategies to improve operating performance. UPC Switzerland management believes that Adjusted EBITDA is a useful indicator of its ability to incur and service its indebtedness and can assist securities analysts, investors and other parties to evaluate UPC Switzerland. Adjusted EBITDA and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing Adjusted EBITDA as reported by UPC Switzerland to Adjusted EBITDA of other companies.

(3) Net debt of Sunrise (excluding impact of IFRS 16) consists of Sunrise Term Loan B Facility, Sunrise Senior Secured Notes and lease obligations (excluding IFRS 16 impact) *less* cash and cash equivalents. See "*Capitalization*" and "*Description of Certain Financing Arrangements*".

(4) Net debt of UPC Group consists of the indebtedness of UPC Group, to be assumed by Sunrise as part of the Acquisition, that has been incurred by entities of UPC Group that sit above UPC Switzerland in the corporate structure of UPC Group. This amount consists of indebtedness under the UPC Senior Secured Notes, the UPC Senior Notes and capital lease obligations (excluding IFRS 16 impact) *less* cash and cash equivalents. See "*Capitalization*" and "*Description of Certain Financing Arrangements*". UPC Group matches the denomination of its borrowings (denominated in euros and U.S. dollars) with the functional currency of the operations (*i.e.*, CHF for UPC Switzerland) or, when it is more cost effective, it provides for an economic hedge against foreign currency exchange rate movements by using derivative instruments to synthetically convert unmatched debt into CHF. As of June 30, 2019, substantially all of UPC Group's debt was either directly or synthetically matched to CHF for UPC Switzerland. The net debt amount presented herein is calculated based on the exchange rate determined by these hedging arrangements.

(5) Transaction adjustments consist of the redemption of the Sunrise Notes with the net proceeds received from an upsizing of the Sunrise Facilities loan and use of cash on the Sunrise balance sheet.

(6) Net debt/Adjusted EBITDA increases by up to 0.1x when impact of IFRS 16 is included.

## RISK FACTORS

*Our business, financial condition and results of operations could be materially adversely affected by any of the risks described below. The risks described below are not the only ones applicable to us. Additional risks that are not known to us at this time, or that we currently consider to be immaterial based on our regular risk assessment, could significantly impair our business activities and have a material adverse effect on our business, financial condition or results of operations. The order in which these risks are presented is not intended to provide an indication of the likelihood of occurrence nor of their severity or significance.*

*This Shareholder Information Document contains forward-looking statements that are based on assumptions and estimates, which are subject to risks and uncertainties. Actual results and future developments could differ materially from what is expressed or implied by such forward-looking statements, as a result of many factors, including but not limited to the risks that we face as described below and elsewhere in this Shareholder Information Document.*

### Risks Related to Our Market and Our Business

***The telecommunications industry is a competitive market, subject to price erosion and competition from other providers, including low-priced alternative providers or potential new providers.***

We face strong competition in all business areas from established competitors, including, in particular, Swisscom, which has a significantly higher market share across all of the markets in which we operate and Salt, within all of the markets in which we operate except for our copper landline offering. As of June 30, 2019, the mobile market share (including prepaid customers based on the 12-month activity rule and excluding MVNOs) of Sunrise in Switzerland was approximately 25%, whereas Swisscom held 57% and Salt held 16% of the mobile market; in the broadband market, Sunrise held 13%, Swisscom 53% UPC Switzerland 18% and Salt 1%; and in the TV market, Sunrise held 6% while Swisscom held 36% and UPC Switzerland held 25% and Salt held 1% of the market. In addition, several direct-to-home ("**DTH**") providers, local cable operators, local utilities, MVNO, telecommunication services resellers and over-the-top service providers (such as Skype, Google, WhatsApp, Apple, Amazon, Facebook, Netflix, Zattoo, Viber and others) are currently competing with us or could enter the markets in which we operate.

We may face increased competition in the mobile, retail voice, landline internet and TV markets as competitors may enter into network sharing agreements that increase their network capabilities and significantly reduce their investment requirements and operating cost, which could lead to price pressure and have a material adverse effect on our business, financial condition and results of operation. Furthermore, we may from time to time enter into network sharing agreements with our competitors. While any agreement would be entered into on the expectation of a commercial benefit, there is a risk that such agreement could constrain our freedom to deploy prospective network plans, which could have a material adverse effect on our business, financial condition and results of operation.

In addition, embedded SIM technologies allowing multiple operators to offer their service at the same time, which is a growing feature in the Swiss market, could enable customers to switch instantly from one MNO to the other, which would increase the risk of churn and competition to retain customers.

The telecommunications industry is influenced by rapidly changing customer demand for new products and services at competitive prices. Price erosion and a further move by customers toward bundle plans that tend to offer more value for the same price could lead to an erosion in our revenue. Additionally, aggressive promotional campaigns by other operators offering low-priced national flat rates, as well as competition in roaming prices, put pressure on mobile post-paid and landline prices, while over-the-top services are cannibalizing international call and roaming voice revenue and are impacting the TV growth potential. While we monitor market developments and intend to offer attractive bundles and promotions in an effort to remain competitive, we could lose existing customers, fail to attract new customers or incur substantial costs and investments in order to maintain our subscription base, all of which could have a material adverse effect on our business, financial condition and results of operations.

***The success of our operations depends on our ability to attract new and retain existing subscriptions. If we are unable to successfully manage our level of customer turnover or otherwise lose subscriptions, we may face increased customer acquisition and retention costs and reduced revenues or lower cash flows.***

Our ability to attract and retain subscriptions or maintain our ARPU from existing subscriptions will depend in large part upon our ability to stimulate and increase customer usage, convince customers to switch from competing operators to our services and minimize the percentage of subscription deactivations over a given period of time, referred to in the industry as customer "churn". Churn is a measure of customers who stop purchasing our services, leading to reduced revenues. A large portion of our mobile subscriptions are prepaid, which contributes to churn, as customers are not contractually bound in the long-term to use our services and are free to move to other operators with more attractive pricing or other advantages. Any increase in customer churn, may lead to a need to reduce our costs rapidly to preserve our margins or, alternatively, take measures that will have the effect of increasing our customer acquisition and retention costs.

There can be no assurances that the various measures we have taken to increase customer loyalty will reduce the rate of customer churn. Furthermore, the telecommunications industry is characterized by frequent developments in product offerings, as well as by advances in network and handset technology. If we fail to maintain and further upgrade our network and provide our customers with an attractive portfolio of products and services, we may not be able to retain customers. Likewise, if we fail to effectively communicate the benefits of our network or our efforts to promote convergent products prove unsuccessful, we may not be able to attract and retain new customers. Additionally, competing operators may improve their ability to attract new customers, or offer their products or services at lower prices, which would make it more difficult for us to retain our current customers. This could lead to lower prices and decreased ARPU, and the cost of retaining and acquiring new customers could increase, which could have a material adverse effect on our business, financial condition and results of operations.

***Decline of ARPU in our mobile services and landline voice services may adversely affect our business, financial condition and results of operations.***

The Swiss mobile market historically has experienced pricing pressure and changes in consumer behavior that have resulted in a decrease in Total Mobile Blended ARPU. ARPU decreased both in prepaid and post-paid between the financial years ended December 31, 2016 and 2018 from CHF 14.9 and CHF 44.5 to CHF 11.5 and CHF 40.3, respectively. The trend of decrease in the Total Mobile Blended ARPU could have an impact on our financial results if we fail to expand our subscriber base and manage our costs to remain profitable.

The landline services market is increasingly under pressure from declining mobile phone charges and interconnection rates, alternative access technologies like OTT applications, VoIP and internet telephony offered via broadband connections. Even though our landline voice customer base has increased by 6.2% to 468.2 thousand as of December 31, 2018 from 440.9 thousand as of December 31, 2017, ARPU for landline voice decreased from CHF 26.4 to CHF 22.9 over the same period which resulted in landline voice revenues to decrease from CHF 137.4 million to CHF 125.9 million over the same period. While the increase in ARPU and revenues in internet and TV offset the decrease in landline voice revenues, we may be unable to counter the erosion of our landline voice revenues over time, and our business and results of operations may be adversely affected as a result.

***Any decrease in our customer satisfaction levels could adversely affect our ability to acquire new and maintain existing customers.***

The Swiss telecommunications market is driven by, among other factors, customer satisfaction. Customer satisfaction may be impacted by a variety of factors, including customers' perception of the overall package, price-value ratio of services, range of offerings, network quality, coverage, functionality and speed, products and services, invoice accuracy, operators' ability to solve customer problems in a fast and efficient way (customer service). The implementation of NPS helps us regularly measure customer loyalty and advocacy and guide material changes to our organization in order to respond to customer concerns. We continue to focus on our NPS, on-contact resolution and customer feedback. We have significantly improved our touchpoint NPS score from 100% in 2013 to 167% at the end of June 2019. In the annual survey conducted by the business magazine, *Bilanz*, we were ranked first as a universal provider in 2018. In addition in the 2019 survey, we were ranked first in the category of "Best Universal provider for SME and large companies", and were ahead of Swisscom, Salt and UPC Switzerland in the mobile communications and TV categories. We were also ranked first in the *Connect Shop Test* 2018, providing the best customer service experience in our shops. We may not be able to maintain customer satisfaction sufficiently due to issues such as network disruptions or inability to maintain the quality standards in our products and may be ranked behind Swisscom or Salt in certain satisfaction studies, such as *Connect* or *Bilanz* ratings, which may affect our ability to acquire new customers and increase our customer churn, which could have a material adverse effect on our business, financial condition and results of operations. In addition, acquisition of UPC Switzerland may change the perception of our customers regarding our brand and customer satisfaction levels, as currently the customer satisfaction levels of UPC Switzerland are lower than ours.

***Our success depends on the effective execution of our strategy.***

Our success depends on our ability to effectively identify, develop and execute our strategies, including integrating the operations of the UPC Group following the Acquisition, continuing to build an even stronger infrastructure, driving further convergence, achieving further market share gains by leveraging our position as a fully-converged nationwide challenger, creating value through the realization of synergies and continuing attractive dividend policy supported by a prudent capital structure and strong cash generation. The execution of our strategy may result in significant costs and take longer than anticipated, and the results may be materially different from those originally planned. This could have a material adverse effect on our business, financial condition and results of operations.

***We are subject to extensive regulation and have been, and may in the future be, adversely affected by regulatory measures applicable to us.***

Our activities as a mobile and landline operator in Switzerland are subject to regulation and supervision by various Swiss national authorities, in particular ComCom and OFCOM. In addition to ComCom and OFCOM, the Competition Commission ("**ComCo**") and the price supervisor are also involved in regulatory issues relating to the telecommunications sector. While Switzerland is not a member of the European Union or the European Economic Area and is therefore not subject to the EU telecommunications legislation, liberalization of the Swiss telecommunications market has moved largely in parallel with the deregulation in the European Union.

In Switzerland, only a limited number of telecommunications operators invest in infrastructure, which may lead the regulator to declare that those operators, including us, collectively have a dominant position in certain infrastructure or downstream service provision markets. Regulators could conclude that we have acted in collusion due to our agreement on mobile termination rates with the other two significant players in the market, Swisscom and Salt. Regulators have already declared that an operator with its own infrastructure, such as us, can be deemed solely dominant in a narrowly defined field, such as origination or termination of calls on its own network. Should we be held as being (solely or collectively) dominant, we may face *de facto* price regulation and, in addition, the risk of being fined up to 10% of our revenue for the preceding three years in case of proven excessive or predatory pricing. See "*Regulation—ComCo Investigations*". Other regulatory restrictions on the conduct of our business, such as the prohibition of bundling certain services, may be relevant in such case as well. Further, the mobile services that we provide rely on licenses to use certain radio frequencies. These spectrum licenses were renewed in 2012 and are limited in time. The spectrum licenses are subject to renewal in 2028. At the 5G spectrum auction that took place in January and February 2019, we acquired 100 MHz frequencies in the 700 MHz, 1.4 GHz and 3.5 GHz bands which enable us to secure our existing 4G coverage and to deliver a 5G network. Even if we were able to obtain renewals upon request, which is not guaranteed, we may not reliably predict the financial and other conditions at which such renewals will be granted.

In March 2019, the Swiss Parliament passed an amendment to the Swiss Telecommunications Act (the "**TCA Revision**"). The new legislation has, however, not yet entered into force. The TCA Revision will provide for, *inter alia*, new rules on (i) international roaming and (ii) other consumer protection measures (*e.g.*, blocking of certain web sites and transparency obligations). See "*Regulation—Telecommunications Industry Regulation—The Swiss Federal Telecommunications Act*".

Currently, there are no regulations in place for international roaming tariffs that materially affect our business; however, this could change and the laws could be revised, for example through bilateral agreements with the European Union, which basically abolished roaming tariffs in June 2017, or in the context of the TCA Revision. In particular, the recently amended TCA contains a provision on international roaming allowing the Federal Council (*Bundesrat*) to enact measures (such as, *e.g.,* maximum price limits) against excessive end-user tariffs and measures for the promotion of competition. See "*Regulation—Telecommunications Industry Regulation—International Roaming*". Such changes could reduce revenue both from our own customers roaming on other networks and from other networks' customers roaming on our network.

Subject to bilateral or multilateral conventions, ComCom may prohibit the offering of telecommunication services by a foreign provider if the foreign provider's country of origin does not grant the same operational freedom to Swiss incorporated providers offering services in that particular country of origin.

Likewise, the transfer of telecommunication licenses to a foreign provider is subject to the consent of ComCom which might be withheld if no reciprocal rights are granted.

As we are a TV service provider in Switzerland, we cannot guarantee that we will remain fully compliant with all TV legal and regulatory requirements (including future changes), such as those relating to subtitling, hybrid broadcast broadband TV and "must carry" regulations. Any inability to bring the TV offering into full compliance could materially adversely affect our business, financial condition and results of operations.

Further liberalization of the access regime, for example, may subject the landline and mobile infrastructure to certain duties to grant access at regulated conditions and impact margins. More generally, our ability to compete effectively in our markets could be adversely affected if regulators decide to further expand the restrictions and obligations, resulting in additional costs to which we are subject, or extend such restrictions and obligations to new services and markets, or otherwise adopt regulations, including in respect of interconnection, access or other tariffs charged by Swisscom relating to services provided by Swisscom to us or to our customers. Future legislation may introduce levies on internet access subscriptions in order to compensate rights holders for copying and transmitting of protected works.

On June 10, 2018, the Swiss people voted in favor of the new Swiss Gambling Act (*Geldspielgesetz*), which, *inter alia*, provides for an obligation of telecommunications services providers to block access to foreign web sites with gambling offerings in certain cases. See "*Regulation—Other Regulations applicable to the Group's Business—Blocking of Foreign Gambling Websites*". The new Gambling Act entered into force on January 1, 2019 and the provisions on blocking access to unauthorized online games entered into force on July 1, 2019. While we already have certain procedures to block access to websites in place in the context of existing obligations, *e.g.*, as a consequence of a court decision, telecommunications services providers could become liable in case of non-compliance with such obligation.

Consumer protection agencies may make use of their ability to initiate lawsuits to enforce claims under the Swiss Unfair Competition Act (*Gesetz gegen den unlauteren Wettbewerb*) and may engage in public campaigns aimed at changing our business practices, which could have an adverse effect on our ability to offer and sell our products and services.

We might not be able to fully comply with the revision of the Swiss Federal Act on the Surveillance of Postal and Telecommunications Traffic (*Bundesgesetz betreffend die Überwachung des Post- und Fernmeldeverkehrs*) ("**ASPT**") the respective Ordinance (*Verordnung über die Überwachung des Post- und Fernmeldeverkehrs*) ("**OPST**") which became effective on March 1, 2018. We may face delays in the implementation, which could materially adversely affect our business, financial condition and results of operations.

***Changes in laws, regulations or policy as well as legal challenges and similar actions could influence our viability and how we operate our business and introduce new products and services, including our roll-out of 5G technology.***

Changes in laws, regulations or governmental policy or the interpretation or application of those laws or regulations affecting our activities and those of our competitors could significantly influence our viability and how we operate our business and introduce new products and services. For example, under the current regulations on non-ionizing radiation, the activation of new frequencies requires a reduction in transmission power and thus less coverage and lower capacity. The rules also limit upgrades to existing antenna sites for 5G as most network sites are already approaching the upper limits of their permitted transmission power. The regulation reduces our ability to respond to customer digitalization and data traffic needs. In addition, the Swiss government announced in April 2019 that it will accommodate concerns about the potential health impact of 5G mobile frequency emissions, though it is not yet clear what form this accommodation will take. Due to such concerns and/or increased pressure by or political parties or activist groups, the Swiss government or regulator may in the future decide to enact even stricter radiation limits or specific restrictions on 5G technology. Such stricter limits or regulatory restrictions on the 5G roll-out could result in reduced coverage and lower capacity and therefore limit our expected benefits from the ongoing 5G roll-out, which could materially adversely affect our business, financial condition and results of operations.

Moreover, in light of health risk concerns surrounding 5G technology, the Cantons of Geneva, Jura and Vaud announced recently that they would not allow 5G antennas until there is more clarity regarding health risks. See "*Regulation—Telecommunications Industry Regulation—Telecommunications Installations*". In addition to such general 5G moratoriums, telecommunications service providers, including us, may also face disputes or be forced to negotiate in relation to the construction of or upgrades to individual 5G antennas. In particular, individuals or activist groups may file legal actions against building permits for individual antennas. Any such measures, including any similar measures in other parts of Switzerland, or action may further delay our ongoing 5G roll-out.

***Equipment and network systems failures could result in reduced user traffic and revenue; require unanticipated capital expenditures or harm our reputation.***

Our technological infrastructure is vulnerable to damage and disruptions from numerous events, including fire, flood, windstorms and other natural disasters, power outages, terrorist acts, equipment and system failures, human errors and intentional wrongdoings, including breaches of the network and information technology security. Unanticipated problems at the facilities, network or system failures or the occurrence of such unanticipated problems at the facilities, network or systems of third-party local and long-distance networks, upon which we rely could result in reduced user traffic and revenue, regulatory penalties and/or penal sanctions or require unanticipated capital expenditures. The occurrence of network or system failure could also harm the reputation or impair our ability to retain current subscribers or attract new subscribers, which could have a material adverse effect on the business, financial condition and results of operations. In addition, our business is dependent on certain sophisticated critical systems, including exchanges, switches and other key network elements and our billing and customer service systems. The hardware supporting those systems is housed in a relatively small number of locations and if damage were to occur to any of these locations, or if those systems develop other problems, such events could have a material adverse effect on our business, financial condition and results of operations.

***Our reliance on outsourcing makes us vulnerable to failures and a lack of availability of certain essential operations and services.***

We outsource parts of our operations, including the maintenance of our networks, significant parts of our call centers and logistics to third-party service providers. We have also outsourced a significant amount of our IT development and testing services. These operations and services could fail, be compromised (*e.g.*, resulting in data leaks) or become unavailable for reasons outside of our control, and might not be replaceable in a timely or cost-efficient manner. Furthermore, the financial impact of such an outage or failure might negatively impact our customer satisfaction levels and result in increased customer churn, which might not be reimbursed or compensated for by the outsourcing partner. We may also face difficulties in exchanging or replacing single outsourcing partners. If we experience difficulties in our outsourcing arrangements our ability to service our customers may be affected and this could have a material adverse effect on our business, financial condition and results of operations.

Although we have service-level arrangements with our outsourcing partners, we do not ultimately control their performance, which may make our operations vulnerable to performance failures. In addition, the failure to adequately monitor and regulate the performance of our outsourcing partners could subject us to additional risk. Reliance on outsourcing partners also makes us vulnerable to changes in such partners' business, financial condition and other matters outside of our control, including violations of laws or regulations which could increase our exposure to liability or otherwise increase the costs associated with the operation of our business. The failure of our outsourcing partners to perform as expected, or as contractually required, could result in significant disruptions and costs to our operations and to the services we provide to our customers, which could materially and adversely affect our reputation, business, customer relationships, financial condition and results of operations.

***We depend on third-party telecommunications providers over which we have no direct control for the provision of certain services.***

Our ability to provide high-quality telecommunications services depends on our ability to interconnect with the telecommunications networks and services of other telecommunications operators, particularly those of our competitors. Due to the lack of regulations regarding current access technologies, we currently are highly dependent and will continue to be dependent after the Acquisition on the access conditions offered by the individual network owners, such as Swisscom and various utility companies. See "*Regulation—Telecommunications Industry Regulation—Access Regime*". Especially in places where there is only one supplier for last mile access, we have to rely on long-term collaboration with the relevant supplier. As some of these suppliers are monopolists and the agreements are always limited in time, there is an imminent risk for us to lose the benefits of such agreements and thereby the ability to offer attractive landline products at attractive rates, or that we may have to pay access fees that are unacceptably high. We have pending claims against

Swisscom before ComCom regarding the pricing of services that we obtain from Swisscom for using its landline network. See "*Business of Sunrise—Legal Proceedings*". Further, any difficulties or delays in interconnecting with other networks and services, or the failure of any operator to provide reliable interconnections or roaming services to us on a consistent basis, could result in a loss of customers or a decrease in traffic, which could damage our reputation and would reduce our revenues and adversely affect our business, financial condition and results of operations.

We have a high dependence on our technology partner Huawei, that is integral to our infrastructure strategy and performance. We are party to an outsourcing agreement (the "**Master Service Agreement**") with Huawei as the exclusive supplier of equipment and installation, operation and maintenance services for our networks.

We are also party to a long-term service contract regarding the provision of tower infrastructure services, and we have entered into a build-to-suit program comprising new macro sites and small cells. We rely on single suppliers for each of the developments and provision of our TV platform, the supply of our VoD content and the provision of set-top boxes. We may also lose certifications by certain key suppliers that allow us to act as distributors for the resale of network equipment and software to our business customers. These agreements also contain limitations on the liability of the providers that may limit our ability to recover damages from them should they fail to adequately perform the services. The reliance on these providers creates additional risks.

We do not have direct operational or financial control over our key suppliers and have limited influence with respect to the manner in which these key suppliers conduct their business. In addition, if one of the suppliers was acquired by a company with interests adverse to us, we might not be able to continue our relationship with that supplier on favorable terms or at all. The reliance on these suppliers may expose us to risks related to service interruptions, delays in the delivery of their services, significant costs or the inability to deliver products that our customers desire. Certain suppliers have entered into exclusive supply agreements with some of our competitors and may do so again in the future. Also, we have, from time to time, experienced extensions of lead times or limited supplies due to capacity constraints and other supply-related factors, such as with the iPhone. We may also not be able to recover amounts paid to such suppliers or obtain contractual damages to which we are entitled (if any) in such an event. Certain of the agreements with suppliers, handset and tablet providers and sourcing partners may be short-term and therefore subject to renewal, can be terminated upon reasonably short notice or are subject to termination for good cause under Swiss legal principles governing indefinite and long-term contracts (*e.g.*, if continuation of the agreement is, in good faith, unacceptable to the terminating party for any reason).

We cannot assure you that our suppliers will continue to provide services or equipment to us at attractive prices or that we will be able to obtain such equipment and services in the future from these or other providers on the scale and within the time frames that our business requires, if at all. Some of our supply agreements provide for certain minimum quantities to be taken off and we may be liable for damages if our orders during a given period fall short of such minimum quantities. Furthermore, some of our supply agreements contain provisions that require us to order certain products and services exclusively from one supplier. If our key suppliers are unable to provide us with adequate services, equipment and supplies, cannot provide them in a timely manner, or withhold services or supplies to enforce disputed financial claims or for any other reasons, our ability to retain or attract customers or offer attractive products could be negatively affected, which in turn could materially adversely affect our reputation, business, financial condition and results of operations.

***Our technology and outsourcing partner, Huawei, is subject to extensive scrutiny by the U.S. government for potential sanctions breaches, which could have a material adverse effect on our business.***

As the exclusive supplier of equipment and installation, operation, and maintenance services for our networks, we have been highly dependent on our technology partner Huawei.

Recently, Huawei has been under scrutiny by the U.S. government, reportedly for alleged violations of U.S. laws for causing the export, reexport, sale and supply, of goods, technology and services from the United States to Iran as well as intellectual property theft. Australia and New Zealand blocked Huawei from participating in its 5G networks and Japan has excluded the firm from public procurement. The U.S. government has cautioned the U.K., Germany and Switzerland not to permit Huawei to contribute to their 5G networks on the basis that this would create national security risks and put co-operation over security matters at risk. In May 2019, the UK stated that it will give Huawei limited access to the development of the UK's 5G network. Germany also stated that it would not exclude Huawei from the auction to build its 5G networks.

On May 15, 2019, the President of the United States issued an Executive Order ("EO") that authorized the implementation of various restrictions on telecommunications-related activities deemed to present threats to U.S. national security. The EO prohibits any "transaction" involving the "acquisition, importation, transfer, installation, dealing in, or use of any information and communications technology or service" designed, developed, manufactured, or supplied by a foreign adversary that poses "undue risks of sabotage to or subversion of" information and communications technology and services in the United States or that otherwise threatens the resiliency or national security of the United States. The President directed the U.S. Commerce Department to issue implementing rules within 150 days of the EO. In addition, the U.S. National Defense Authorization Act for Fiscal Year 2019 ("**NDAA**") provides a specific deadline (August 13, 2020) for removal of existing Huawei equipment from communications networks for carriers providing services to the U.S. government, and, effective August 13, 2019, the U.S. Government adopted an interim rule that imposed immediate restrictions on the ability of companies that rely on Huawei equipment to contract with federal government agencies.

Separately, on May 16, 2019, the U.S. Commerce Department's Bureau of Industry and Security ("BIS"), which administers and enforces the Export Administration Regulations ("EAR"), added Huawei Technologies Co., Ltd. and 68 of its affiliates to the BIS Entity List for actions contrary to national security and foreign policy interests of the United States. This action, which was published in the Federal Register on May 21, 2019, imposes a prohibition on most exports, reexports, and in-country transfers of U.S.-regulated products, software, and technology (collectively, "items") by parties inside and outside the United States to the designated Huawei entities. BIS issued a temporary general license, published in the Federal Register on May 22, 2019, allowing certain limited categories of exports, reexports, and in-country transfers to the designated Huawei parties to continue for a period of ninety days. Effective, August 19, 2019, BIS extended through November 18, 2019 certain aspects of the temporary general license, with additional recordkeeping requirements.

Our relationship with our technology partner Huawei could impact our ability to maintain and operate our network reliably. As of the date of this Shareholder Information Document, we are unable to predict the scope and duration of the BIS Entity List restrictions imposed on Huawei and its designated affiliates, and we are unable to predict the corresponding effects on our business. Even if the BIS Entity List restrictions are lifted, any financial or other penalties or continuing export restrictions imposed on Huawei could have a continuing negative impact on our future revenue, costs and results of operations. While we are in the process of revising the scope of our relationship with Huawei to account for the potential impact of the BIS Entity List restrictions, the continued use of Huawei equipment and technology within our network could have a negative impact on the reliable operation and continued maintenance of our network. We may also need to find alternative service providers on short notice, which may be very difficult, costly, and potentially impossible. We also take advantage of the temporary general license issued by BIS to permit certain in-country transfers of U.S.-regulated items to Huawei for use on our network. While we are seeking to comply with the terms of the BIS temporary general license, we cannot be sure the temporary general license applies fully to our activities or that we will continue to be in compliance with the recordkeeping requirements. Non-compliance with the BIS temporary general license can expose us to monetary penalties, restrictions on our ability to receive U.S.-regulated items in the future, and damage to our reputation. We also cannot be sure that the temporary general license will be further extended, insofar as we may need to rely on it in the future, which could impact the operation of our network. Additional export restrictions imposed by BIS against Huawei and its designated affiliates, as well as any future sanctions the United States may impose against Huawei entities, as well as any damage to Huawei's image or reputation, could result in material changes in our operations, cause issues in the continuity of our services, result in a loss of customers and negatively affect our future technological development and growth and could have a material adverse effect on our business, financial condition and results of operations. Our relationship with Huawei also might impact our ability to do business with U.S. customers. As of the date of this Shareholder Information Document, the U.S. Commerce Department has not yet issued rules implementing the EO, but those rules could have the effect of barring potential customers subject to U.S. jurisdiction from procuring services from service providers that incorporate Huawei equipment. Similarly, the NDAA may serve as a bar on serving U.S. government customers as long as Huawei equipment is maintained within our networks. Separate and apart from any sanctions on Huawei, an effective ban on serving U.S. customers (including the U.S. government) could damage our reputation, cause issues in the continuity of our services, result in a loss of customers and negatively affect our future technological development and growth and could have a material adverse effect on our business, financial condition and results of operations.

***We collect and process customer data as part of our daily business and the leakage of such data may violate laws and regulations which could result in fines and customer churn and damage our reputation.***

We collect, store and use data in the ordinary course of operations, which is protected by data protection laws. Although we take precautions to protect customer data in accordance with the privacy requirements provided for under applicable laws, we may fail to do so effectively and certain customer data may be leaked as a result of human error, cyber and malware attacks or technological failure or otherwise be used or disclosed inappropriately. We work with independent and third-party suppliers, partners, sales agents, service providers and call center agents, and cannot exclude the possibility that such third parties could also experience system failures involving the storage or transmission of proprietary information. Violation of data protection or lawful interception laws by us or one of our partners or suppliers may have adverse effects on us, including the imposition of fines, reputational harm and customer churn and could have a material adverse effect on our business, financial condition and results of operations.

***We are exposed to cyber security risks and disruptions in our technological network or software failures could negatively affect our business continuity.***

Continuous technical innovation and digitalization open up new business opportunities and services for our customers. At the same time, the increasing levels of technical complexity of the solutions requested by customers and the growing volume of available data combined with ever shorter innovation cycles increase the complexity of technical implementations. They also entail a broader range of opportunities for attacks on such systems and solutions. Additionally, the power of cybercriminals and the number of attacks committed are increasing constantly. Our internal information security framework aims to ensure that our services meet the standards customers demand and that threats are recognized early enough to allow for the implementation of appropriate preventive actions; however, there is still a risk that the security framework will be insufficient to protect against more sophisticated cyber-attacks. We are certified in accordance with the ISO 27001 standard, and the certification covers all personnel, operations processes and technology infrastructure used for the processing, storing and transmission of customer information and communication.

Telecommunications services are becoming more and more complex, and are thereby heavily dependent on highly sophisticated technological infrastructures. Software or device 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 our reputation and financial performance. In addition to the ISO 27001 information security management system, measures such as system and geographical redundancy, business continuity plans, deliberate selection of suppliers, and continuous improvement in network operations management and controls aim to ensure that we are able to deliver the service quality and availability expected by our customers. A failure of any of these measures or systems may result in reputational harm and customer churn and could have a material adverse effect on our business, financial condition and results of operations.

***Our business is capital intensive and depends on maintaining and continuously upgrading our networks. We cannot assure you that we will have sufficient liquidity to fund our capital expenditures programs or our ongoing operations in the future.***

Our business is capital intensive, and we have an extensive capital expenditure program that will require significant capital outlays in the foreseeable future, including for the continued expansion, maintenance and optimization of our mobile network infrastructure (including, among other things, our ongoing 5G roll-out). At the 5G spectrum auction in February 2019, we acquired 100 MHz frequencies in the 700 MHz, 1.4 GHz and 3.5 GHz bands for CHF 89 million. See "*Regulation—Telecommunications Industry Regulation—Licenses to use Radio Frequencies*". In addition, we expect to incur additional capital expenditures in connection with our 5G roll-out.

Likewise, landline voice & other and landline internet & TV infrastructure, will continue to require maintenance and optimization and may require further investments to update the technologies in use. We will also need to invest in new networks and technologies in the future and make investments to provide business continuity and to meet requirements for information security and disaster recovery, all of which could require significant capital expenditures, which could be further increased by new regulation requiring increased levels of technical protection of telecommunication networks. If network usage develops faster than we currently anticipate, we may require greater capital investments in shorter time frames than anticipated and we may not have the resources to make such investments. In addition, costs associated with the licenses that we need to operate existing networks and technologies and those that we may develop in the future, and costs and rental expenses related to their deployment, could be significant. We must continue to maintain and upgrade our IT infrastructure and existing networks in a timely manner in order to retain and expand our subscription base in each of our markets and to successfully implement our strategy.

The amount and timing of the future capital requirements may differ materially from current estimates due to various factors, many of which are beyond our control. We may also be required to raise additional debt or equity financing in amounts that could be substantial. The type, timing and terms of any future financing will depend on our cash needs and the prevailing conditions in the financial markets. We may not be able to accomplish any of these measures on a timely basis or on commercially reasonable terms, if at all. We may not generate sufficient cash flows in the future to meet capital expenditure needs, sustain operations or meet other capital requirements, which may have a material adverse effect on our business, financial condition and results of operations.

In addition, our assumptions associated with maintenance and continued upgrades of our networks may prove to be inaccurate. Current network capacity may not be sufficient for all future services we plan to offer or we may need to accelerate capital expenditure plans if growth in data traffic (*e.g*., generated by OTT applications) exceeds our current planning. If we fail to successfully maintain and upgrade our networks, our services and products may be less attractive to new customers and we may lose existing customers to competitors, or our business and financial condition may become subject to additional financial strain due to unbudgeted investments. In addition, our future and ongoing network upgrades may fail to generate a positive return on investment, which may have a material adverse effect on our business, financial condition and results of operation. If capital expenditures exceed our projections or our operating cash flow is lower than expected, we may be required to seek additional financing for future maintenance and upgrades, which may not be available on acceptable terms or at all, which in turn could adversely affect our business, financial condition and results of operations.

***We depend almost exclusively on our relationships with third-party programming providers and broadcasters for programming content, and a failure to acquire a wide selection of popular programming on acceptable terms could adversely affect our business.***

The success of the TV strategy depends on, among other things, our ability to deliver a variety of quality programming options to our customers, including movies, sports events and other premium content, at competitive prices. We generally do not produce our own content and we depend on our agreements, relationships and cooperation with public and private broadcasters and collective rights associations to obtain such content. If we fail to obtain a diverse array of popular programming for our pay television services, including a sufficient selection of HD channels as well as non-linear content (such as video-on-demand ("**VoD**"), "Replay TV" and digital video recorder ("**DVR**") capability), on satisfactory terms, we may not be able to offer an attractive video product to our customers at a price they are willing to pay. Additionally, we are frequently negotiating and renegotiating programming agreements and our annual costs for programming can vary. There can be no assurance that we will be able to renegotiate or renew the terms of our programming agreements on acceptable terms or at all. We expect that programming and copyright costs will continue to rise in future periods as a result of, among other factors, higher costs associated with the expansion of our digital video content, including rights associated with ancillary product offerings and rights that provide for the broadcast of live sporting events, and retransmission or copyright fees payable to public broadcasters, as well as rate increases and growth in the number of enhanced video subscribers. We constantly seek to improve our TV services and platforms so as to allow us to offer a service that we believe will effectively compete with the offerings of our competitors, but there is no guarantee of successful and timely implementation.

We currently license part of our pay content through Teleclub, which is 75% indirectly owned by Swisscom and which owns the rights to many of these content sources. If we are unable to obtain or retain attractively priced competitive content, demand for our existing and future television services could decrease, thereby limiting our ability to attract new customers, maintain existing customers and/or migrate customers from lower-tier programming to higher-tier programming, thereby inhibiting our ability to execute our business plans. Furthermore, we may not be able to obtain attractive country-specific programming for video services. We may also be placed at a competitive disadvantage when our competitors offer exclusive programming rights, particularly with respect to popular sports and movie programming and as certain entrants in the over-the-top market (for example, Netflix and Amazon) increasingly produce their own exclusive content. In addition, must-carry requirements may consume channel capacity otherwise available for more attractive programming. Any or all of these factors could result in reduced demand for, and lower revenue and profitability from, our digital video services.

Additionally, new legislative proposals could restrict our ability to offer time shifting products to customers, such as our *ComeBack TV* service or lead to significant cost increases.

***We plan to lower our cost base and improve our profitability through a series of efficiency measures that may be costly or difficult to implement, fail to be effective or otherwise disrupt our business.***

As part of our strategy, we intend to optimize our earnings and cash flows on a constant basis by reducing operating costs within the business through a number of measures, which we evaluate on a regular basis and which have historically included, for example, strict control on cash outflows, improved distribution, pricing and sales management, tighter steering of customer acquisition and retention costs, workforce reduction and increased outsourcing. The anticipated cost savings and operational efficiencies that we expect to derive from these measures, as well as any anticipated reorganization and restructuring costs, are based on a number of assumptions and estimates that are subject to a wide variety of business, economic and competitive risks and uncertainties and may fail to prove correct. We also expect that the Acquisition will lead to synergy effects, in particular with respect to distribution, customer service and network infrastructure and operations, with incremental value from additional revenues and other synergies; however, such synergy expectations are equally subject to a number of risks and uncertainties and may also prove to be incorrect.

We may be unable to carry out any of our planned cost-saving initiatives or be unable to do so without incurring significant reorganization and restructuring costs or without significantly disrupting our business operations. Failure to successfully implement these rationalization measures or our inability to fully realize their anticipated benefits could have a material adverse effect on our business, financial condition and results of operations. There is no assurance that we will be able to increase our subscription rates due to competitive and other factors. If our strategy to reduce operating costs is not successful, operating costs may rise faster than associated revenue, resulting in a material negative impact on our cash flow, margins and results of operations. We may also be affected by increases in salaries, wages, overtime compensation payments, benefits and other administrative costs that we may not be in a position to pass on to our customers, which in turn could have an adverse effect on our business, financial condition and results of operations. Also see "*—We may be unable to successfully integrate operations and realize the anticipated benefits of the Acquisition.*"

***The telecommunications industry is significantly affected by rapid technological change and we may not be able to effectively anticipate or react to these changes.***

The telecommunications industry is characterized by rapidly changing technology and related changes in customer demand for new products and services at competitive prices. Recently, the market has witnessed the emergence of, or increased demand for, new technologies. Technological change and the emergence of alternative technologies for the provision of telecommunications services that are technologically superior, cheaper or otherwise more attractive than those that we provide may render our services less profitable, less viable or obsolete. For example, VoIP technologies and other communications services over broadband have rendered the PSTN technology obsolete, fiber-to-the-home ("**FTTH**") based solutions is replacing the DSL technologies, and 5G is expected to replace LTE-based solutions and is being perceived as a potential competitor to broadband internet.

Technological developments may also shorten product life cycles and facilitate convergence of various segments in the telecommunications industry, while at the same time requiring legacy technologies to be kept operational until customers have renewed their equipment accessing our systems. Our competitors or new market entrants may introduce new or technologically superior telecommunications services before we do. For example, Swisscom, due to its dominant position and financial capabilities, has the ability to create new market standards on a large scale in Switzerland by quickly introducing new advanced technologies. We may be required to deploy new technologies rapidly if, for example, customers begin demanding features of a new technology, such as increased bandwidth, or if one of our competitors decides to emphasize a newer technology in its marketing. At the time we select and advance one technology over another, it may not be possible to accurately predict which technology may prove to be the most economical, efficient or capable of attracting customers or stimulating usage, and we may develop or implement a technology that does not achieve widespread commercial success or that is not compatible with other newly developed technologies. Because we do not own fixed network infrastructure, we are not able to choose the preferred fixed network technology and are dependent on decisions by our partners, mainly Swisscom, SFN and local utilities. Their decisions do not always reflect our requirements in terms of functionality, speed and network architecture and may therefore result in additional costs or implementation delays for us.

In addition, we may not receive the necessary licenses to provide services based on these new technologies in Switzerland or may be negatively impacted by unfavorable regulation regarding the usage of these technologies. See "*Regulation*". In particular, our access to FTTH may not be enforced under the current Swiss Federal Telecommunications Act (*Fernmeldegesetz*). Therefore, we may only be granted access to FTTH infrastructure through direct negotiations with Swisscom, SFN or the Swiss municipalities and utilities that are developing such fiber networks. There is no guarantee that we will continue to successfully negotiate access to FTTH infrastructure. The strong fragmentation of the market and a lack of standardization have slowed down the integration of the FTTH infrastructure of the utility companies into our portfolio. If we are unable to effectively anticipate, react to or access technological changes in the telecommunications market or otherwise compete effectively, we could lose existing customers, fail to attract new customers or incur substantial costs and investments in order to maintain our subscription base, all of which could have a material adverse effect on our business, financial condition and results of operations.

***If we fail to maintain, further develop or improve our third-party and internal distribution and customer care channels, our ability to sustain and further grow our subscription base could be materially adversely affected.***

We depend on third parties and our internal channels to market, sell and provide a significant portion of our products and services. Gross mobile subscription additions from third-party distributors contribute a significant portion of our total gross mobile subscription additions, many of which are generated under a limited number of key distributorship agreements. Certain of these agreements are structured to incentivize our third-party distributors based on the value of subscriptions sold, as well as the number of acquisitions and retentions, but this incentive structure might prove less effective than that of our competitors. Under our current agreements with our key distributors, our distributors may stop distributing or selling our products at any time upon short notice. Furthermore, third-party distributors and partners could become unable to perform their obligations due to insolvency, financial distress or as a result of a merger or change in ownership. Should any of these events occur, we may face difficulties finding new distributors that can provide the same level of revenue, particularly in the Swiss market where there is a limited number of viable distributors. In addition, these distributors have distribution agreements with our competitors, which may negatively affect the level of our gross activations through our distribution partners and threaten our market share, which in turn would have an adverse effect on our financial condition and results of operations. Our distributors may, to our detriment, also more actively promote the products and services of our competitors. Further, one of our distributors may vertically consolidate with one of our competitors, which could result in a material loss in revenue and market share for us and corresponding increases in revenue and market share for our competitors.

In addition, we intend to continue to develop our direct distribution channels, which may require significant capital expenditures. Significant numbers of our products and services (including customer care) are sold to customers through our call centers, both through out-bound telephone sales and in-bound calls. Most of our call centers are outsourced to third parties, and if these contracts were terminated, we would have to find replacement services elsewhere which may not be of the same quality. In migrating services to other partners or in-house facilities, we could face technical difficulties. Moreover, the costs associated with increasing the quality of our call centers and relocating capacity to Switzerland may be significant and we cannot guarantee that these expenses will result in increased sales. The volume of contacts handled by our customer care functions can vary considerably over time. The introduction of new product offerings can initially place significant pressure on customer care personnel. Increased pressure on such functions is generally associated with decreased customer satisfaction. The costs associated with opening additional stores or relocating existing stores may be significant and we may not be able to recoup such costs or increase our revenues by expanding our distribution presence. We may not be able to renew lease contracts for existing stores at favorable terms and may need to incur additional costs under our existing lease contracts to the extent that the rent is based on revenues if our revenues increase and components of our revenues are changing. If we fail to maintain our key distribution relationships, or if our distribution partners fail to procure sufficient subscriptions for any reason, or if we otherwise fail to maintain or expand our direct and indirect distribution presence, our ability to retain or further grow our market share in the Swiss telecommunications markets could be adversely affected, which in turn could have a material adverse effect on our business, financial condition and results of operations.

***Our licenses and permits to provide mobile services have finite terms, and inability to maintain or renew these licenses or permits upon termination, withdrawal of these licenses in the event of a change of control, inability to obtain new licenses and permits for new technologies or any excessive prices charged for renewing or obtaining licenses and permits could adversely affect our business.***

We are licensed to provide mobile telecommunications services in Switzerland. At the 5G spectrum auction that took place in January and February 2019, we acquired 100 MHz frequencies in the 700 MHz, 1.4

GHz and 3.5 GHz bands which enable us to secure our existing 4G coverage and to deliver a 5G network. There can be no assurance that the Swiss regulator will not withdraw our licenses if we cannot meet the license conditions and our licenses can be withdrawn without reimbursement of the license fees paid by us. Our licenses can be withdrawn without reimbursement of the license fee if we experience a change of control and ComCom or the Federal Office of Communications ("**OFCOM**") concludes that a third party taking control does not comply with statutory requirements or does not have the necessary technical capacities or if the foreign country in which such third party is incorporated does not grant reciprocal rights. We may not be successful in obtaining new licenses for the provision of mobile services using new technologies that may be developed or deployed in the future and will likely face competition for any such licenses. In the event that we are unable to renew a license or obtain a new license for any technology that is important for the provision of our service offerings, we could be forced to discontinue the use of that technology or may be unable to use an important new technology, and the business could be materially adversely affected. Upon the expiration date of an existing license, we would have to reapply for new licenses. Any application for the renewal of one or more of these licenses will likely involve participation in an auction process and could involve regulators fixing an excessive minimum price. As a result, we may not be able to renew licenses on equivalent or satisfactory terms or at all. Even if successful, the renewal of any of our licenses may become subject to substantial payments, particularly in the case of highly valuable frequency blocks, such as those used for the 5G, LTE/4G, UMTS and GSM networks, which may, in turn, subject us to significant financial strain.

Our mobile network is supported by a significant number of base stations. Given the multitude of regulations that govern such equipment and the various permits required to obtain access to outsourced base stations or our own base stations, we cannot be certain that our right to use a portion of these base stations will not be challenged. While we think it is unlikely that the loss of any single permit or approval with respect to our mobile sites would have a material adverse effect on our network, the loss of the right to use a material number of base stations or any strategically located base stations that cannot be easily replaced, could have a disruptive effect on our mobile service offering to certain areas, which could, in turn, have a material adverse effect on our business, financial condition and results of operations.

***Increasing data security requirements by financial institutions, certain other corporate customers and governmental entities may adversely affect our business and profitability.***

We are a provider of mobile and landline services to a number of public and private financial institutions, government entities and corporate customers with data security requirements. These customers may continue to increase their data security requirements, and we may be required to undertake additional investments in order to adhere to these enhanced data security requirements, as well as evolving statutory and regulatory requirements, including obtaining and maintaining certain ISO certifications, improving access rights management systems and developing a corporate data encryption infrastructure. These customers may terminate their contracts with us if we do not adhere to these security standards. Such terminations may have a material adverse effect on our business, financial condition and results of operations.

***We are exposed to the risk of fraudulent or otherwise improper behavior by our customers, distribution partners, suppliers, employees and others, which our risk management and internal controls may not prevent or detect.***

We are exposed to the risk that customers, distribution partners, suppliers, employees and others with whom we deal may act fraudulently. While we seek to manage these risks and take steps to detect any such fraud, we may not detect all such fraudulent activity, and, even where we do, we may not be able to prevent or recover losses incurred. Significant or regular fraudulent or improper activities may have an adverse effect on our business, results of operations, financial condition and reputation. Furthermore, compliance processes and internal controls may not prove sufficient to effectively prevent or detect inadequate practices, fraud and violations of law or our policies by our subsidiaries, intermediaries, employees, outsourced staff, directors and officers. We may be exposed to the risk that such persons receive or grant inappropriate benefits or generally use corrupt, fraudulent or other unfair business practices. In addition, employees could use our information, confidential customer information or other confidential information provided by third parties to us for personal or other improper purposes, as well as misrepresent or conceal improper activities from us. Such practices could result in legal sanctions, penalties and loss of business or harm our reputation. Our employees may also commit errors or take actions that could subject us to financial claims for negligence or otherwise as well as regulatory actions. Such errors or actions could result in unforeseen business risk, losses, and regulatory and other sanctions, and could damage our reputation and expose us to litigation, including financial losses resulting from the need to reimburse customers or business partners or as a result of fines or other regulatory sanctions. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

***Continuing uncertainties and challenging conditions in the European and global economy may adversely impact our business, financial condition and results of operations.***

Continuing or renewed instability in global markets, including turmoil in Europe related to sovereign debt and the stability of the euro, recently contributed to a global economic downturn. Future developments may continue to be dependent upon a number of political and economic factors, including the effectiveness of measures by the European Central Bank and the European Commission to address debt burdens of certain countries in Europe and the continued stability of the Eurozone. Concerns persist regarding the debt burden of certain Eurozone countries, in particular Greece and Italy, and their ability to meet future financial obligations, the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual member states of the Eurozone. These and other potential developments, or market perceptions concerning these and related issues, could have adverse consequences for us with respect to our outstanding debt obligations that are euro-denominated and, as we will have a substantial amount of debt denominated in euro after the Acquisition, our financial condition may be materially affected. The uncertainty surrounding the United Kingdom's exit from the European Union could also have a negative impact on the European economy. We cannot predict how long these challenging conditions will exist or the extent to which the markets in which we operate may further deteriorate.

As the European Union is Switzerland's main trading partner, unfavorable economic conditions in Europe may have an indirect impact on the general economic conditions in Switzerland and, as a result of any negative impact on the spending patterns of customers, it may, among others, be more difficult for us to attract new customers, retain existing customers and maintain ARPUs at existing levels, and thus adversely affect our results of operations.

***We operate exclusively in the Swiss market and as a result, our growth prospects depend on economic developments in Switzerland.***

We operate exclusively in the Swiss market. Demand for our products and services in Switzerland is influenced by a number of factors, including the strength of the Swiss economy. Negative developments in, or the general weakness of, the Swiss economy may have a direct negative impact on the spending patterns of customers and the willingness of business customers to make investments, which could adversely affect our revenues and profitability. For example, events impacting travel to or from Switzerland such as changes in the Swiss economy, changes in the relative value of the Swiss franc, or general travel disruptions could negatively impact revenue from roaming fees. Consumers may also spend less on an incremental basis, such as by placing fewer calls. In addition, recessionary conditions may weigh on the growth prospects in the Swiss telecommunications market in terms of the penetration of new value-added services and traffic, ARPU levels and number of subscriptions and, in particular, the volume of business customers.

***We face legal and regulatory dispute risks that could have a material adverse effect on our business, financial condition and results of operations.***

We are subject to certain risks relating to legal, employment, civil, tax, regulatory and competition proceedings to which we are a party or in which we are otherwise involved or which could develop in the future, and there can be no assurance that any such proceedings in which we may become involved, if adversely resolved, would not have a material adverse effect on our business, financial condition and results of operations.

As a consequence of an investigation with regards to anti-money laundering measures around their carrier billing services used in public transportation Swisscom is currently in a legal dispute with the Financial Market Supervisory Authority ("**FINMA**"). After a decision against Swisscom by the Federal Administrative Court (*Bundesverwaltungsgericht*) the case is now pending with the Federal Court (*Bundesgericht*). Although we are not currently a part of this investigation or the legal dispute, the results of these actions may have an impact on our carrier billing practices and we may be subject to fines if we cannot comply with the requirements of regulatory authorities in a timely manner.

For example, we may be subject to employment disputes, such as those relating to working hours and conditions. Furthermore, involvement in legal, regulatory and competition proceedings may harm our reputation. We cannot assure you what the ultimate outcome of any particular legal proceeding will be. For a description of existing material legal, regulatory and competition proceedings, see "*Business of Sunrise—Legal Proceedings*" and "*Business of UPC Switzerland—Legal Proceedings*.

***The legal relationships between us and our customers are generally based on standard contracts and forms; any errors in the documentation could therefore affect a large number of customer relationships.***

We maintain contractual relationships with a multitude of customers. The administration of these relationships requires the use of general terms and conditions as well as various standard contracts and forms with a number of individual customers. As a result, ambiguities or errors in the formulation or application thereof present a significant risk due to the large number of such documents executed. In light of circumstances that are constantly changing due to new laws and judicial decisions, it is possible that not all of our general terms and conditions, standard contracts and forms will comply at all times with applicable legislation in Switzerland. Should problems of application or errors occur, or should individual provisions or entire contracts or agreements become or be held invalid, then, because of our use of standardized contracts and forms, this could affect numerous customer relationships and lead to significant adverse consequences. Any such problems could have a material adverse effect on our reputation, business, results of operations and financial condition.

***Our brands are subject to reputational risks and impairment.***

We have developed the *Sunrise* and *yallo* brands as well as the other brands used under licenses as part of our multi-branding strategy, such as *Lebara* and *Aldi* through extensive marketing campaigns, website promotions, customer referrals, and the use of a dedicated sales force and dealer networks. Our brands and licensed brands represent material and valuable assets. We cannot guarantee that our brands will not be damaged by circumstances that are outside our control or by third parties, such as hackers, sponsorees, or interfaces with their clients, such as subcontractors' employees or sales forces, with a resulting negative impact on our activities. It is possible that the use of testimonials in the advertising and promotion of our brands, such as the endorsement of *Sunrise* brand under the long-term partnership with Swiss tennis player Roger Federer, could have a negative impact on customer retention and acquisition if the reputation of the testimonial provider is hurt. Furthermore, some of our brands are trademarks that we license from third parties, such as *Lebara*. Because we do not control the trademarks licensed to us, the licensors could make changes to their brands or business models, or such brands could suffer damages on an international level, that could result in a downturn in our business and adversely affect our sales and results of operations. A failure to protect our image, reputation and the brands under which we market our products and services may have a material adverse effect on our business, financial condition and results of operations.

***We depend on our reseller and multi-brand strategy to access a broader and more diverse base of subscriptions.***

We have put significant effort into expanding our reach to customers through multi-branding, including our own *Sunrise* and *yallo* brands, brands for which we hold licenses, such as *Lebara*, and agreements with branded resellers, such as *Aldi*, all of which have contributed to the increase of our subscription base over the last few years. Both licensed and reseller brands enable us to target specific segments of the market, such as particular age ranges, and to reach out to a more diverse base of subscriptions. Our license and reseller partners, however, may terminate their relationships with us or discontinue their services on relatively short notice, and we may, in the future, be unable to renew our existing arrangements with them on commercially favorable terms. Some of our reseller agreements may contain provisions that are unenforceable under Swiss law, such as exclusivity clauses or non-compete clauses. Our inability to maintain or renew our existing partnerships with resellers could damage our reputation, prevent us from further growing and diversifying our subscription base, result in a loss of customers and have a material adverse effect on our business, financial condition and results of operations.

***We may not be able to attract and retain key personnel.***

Our success and growth strategy depend in large part on our ability to attract and retain key management, marketing, finance and operating personnel. There can be no assurance that we will continue to attract and retain the qualified personnel needed for our business. Competition for qualified senior managers in our industry is intense and there is limited availability of persons with the requisite knowledge of the telecommunications industry and relevant experience in Switzerland. Immigration laws may further restrict our ability to attract or hire qualified personnel. Moreover, integration of new management would require additional time and resources, which could adversely affect our ability to successfully implement our strategy. Failure to recruit and retain key personnel or qualified employees could have a material adverse effect on our business, financial condition and results of operations.

Many of our supplier, customer and partner relationships are based on personal relationships with our executives or sales representatives. If these employees terminate their employment with us, we may be forced to spend substantial resources to attempt to retain the supplier, customer or partner. Ultimately, if we were unsuccessful in retaining them, our revenues could decline.

***Our business may be adversely affected by actual or perceived health risks and other environmental requirements relating to mobile telecommunications transmission equipment and devices, including the location of antennas.***

Various reports have alleged that there may be health risks associated with the effects of electromagnetic signals from antenna sites, mobile handsets and other mobile and wireless telecommunications devices. We cannot assure you that further medical research and studies will not establish a link between electromagnetic signals or radio frequency emissions and these health concerns. The actual or perceived risk of mobile and wireless telecommunications devices, press reports about risks or consumer litigation relating to such risks could adversely affect the size or growth rate of our subscription base and result in decreased mobile usage or increased litigation costs. We are currently party to certain pending proceedings in which plaintiffs are seeking prohibitions of antenna construction and compensation for damages caused by planned antenna construction based, *inter alia*, on alleged exposure to electromagnetic radiation from our technology. In addition, these health concerns may cause Swiss authorities to impose stricter regulations on the construction of base stations or other telecommunications network infrastructure. In particular, public concern over actual or perceived health effects related to electromagnetic radiation may result in increased costs related to our networks, which may hinder the completion or increase the cost of network deployment, reduce the coverage of our network and hinder the commercial availability of new services. In addition, such public concern or related legal action may further delay our ongoing 5G roll-out.

We are also subject to a variety of laws and regulations relating to land use and the protection of the environment, including those governing the storage, management and disposal of hazardous materials and the clean-up of contaminated sites. We could incur substantial costs, including clean-up costs, fines, sanctions and third-party claims for property damage or personal injury, as a result of violations of, or liabilities under, such laws and regulations. In some of our antenna sites, we maintain batteries or diesel generators that may cause spills resulting in contamination of the soil. If actual or perceived health risks were to result in decreased mobile usage, increased consumer litigation or stricter regulation, our business, financial condition and results of operations could be materially and adversely affected.

***We may be subject to claims that we infringe the intellectual property rights of others and may be unable to adequately protect our own intellectual property rights.***

We use technologies that are possibly protected by third parties' rights. The increasing dependence of the telecommunications equipment industry on proprietary technology may increase the possibility that we will be exposed to litigation or other proceedings where we need to defend against alleged infringements, claims or other disputes in relation to the intellectual property rights of others. Furthermore, we may be forced to acquire additional and costly technology licenses in the future or to pay additional royalties for currently used technologies. A failure to comply with our reporting obligations to software suppliers could result in claims by these providers or cause issues with acquiring additional software licenses.

We have a combination of patents, licenses, copyrights, trademarks, trade secret law and contractual obligations in place to protect the intellectual property, which we use to provide our products and services. A significant part of our revenue is derived from products and services marketed under the *Sunrise* brand name. We have registered the trademark *Sunrise* in Switzerland, Liechtenstein and Germany. Following a trademark settlement agreement with the California-based company Sunrise Telecom Inc., we are not permitted to use the trademark *Sunrise* to brand products and services in connection with testing equipment of electronic telecommunications and data communications.

Liberty Global has registered UPC Switzerland's most important trademarks in Switzerland and, to the extent necessary, specific trademarks in other European jurisdictions. Its registration focus is on the registration of relevant brand names and logos, such as "upc cablecom" and "*MySports*". Liberty Global owns rights to use the "UPC" brand name and logo and other names of which "UPC" is a part. Liberty Global and Sunrise have entered into an agreement for temporary licensing of these trademarks upon closing of the Acquisition. Under this agreement, Sunrise is under the obligation to re-brand UPC Switzerland within two years as of the closing of the Acquisition.

In the event that the steps we have taken and the protection provided by law do not adequately safeguard our proprietary technology, we could suffer losses in revenues and profits due to competitive products and services unlawfully offered based on our proprietary intellectual property. Additionally, from time to time we bring claims against third parties in order to protect our property rights, and there is a risk that we may not succeed in protecting such rights.

Future litigation or proceedings may also be necessary for us to enforce and protect our intellectual property rights. Any such intellectual property litigation or proceeding could be costly. An unfavorable court decision in any litigation or proceeding could result in the loss of our proprietary rights, which could subject us to significant liabilities or disrupt our business operations.

Any of these risks could have a material adverse effect on our business, financial condition and results of operations.

***Our pension liability may reduce our cash flows, profitability, financial condition, net assets, distributable reserves and our ability to pay dividends.***

We provide retirement benefits to our employees as required by Swiss law by means of a pension fund that is a separate legal entity. The pension fund operates a basic pension plan for all of our employees, and a supplemental plan for employees having an insured annual salary in excess of CHF 150,000. Both plans qualify as defined benefit plans under IAS 19. As of December 31, 2018, we reported an employee benefit obligation of CHF 85 million, which remained stable compared to the employee benefit obligation that we reported for the financial year ended December 31, 2017. This liability could increase depending, among other things, on changes in the valuation of publicly traded equities and interest rates. Currently, under Swiss GAAP FER 26, our pension fund was overfunded as of December 31, 2018 and covered 116% of our pension obligations under the basic and the supplemental pension plans. Should the Swiss actuarial valuation at any time disclose a significant underfunding, we could be obliged to make additional contributions into the pension plan in addition to the regular contributions defined in the pension plan regulations, typically if the funding level drops below 90% as calculated in accordance with Swiss law. We maintain flexibility to adjust benefit levels under the plans that would reduce any remaining cash liability. Any such contributions may adversely affect our ability to distribute dividends or service our debt.

***Portions of our landline network and antenna sites are not owned by us and/or reside on customer premises.***

Our landline business model is based to a large degree on the availability of a fiber-optic regional and local telecommunications network for the provision of our services. Part of our fiber-optic backbone is either held in long-term capital leases, the remaining portion is held under operating leases with typical terms of one to six years. Furthermore, almost all of our antenna sites that are crucial for a comprehensive mobile network coverage are leased. Since May 2017, we sold approximately 2,400 telecom towers to the Spanish tower company, Cellnex, which provides us with tower infrastructure services for a term of 40 years. There can be no guarantee that these lease and service agreements will be extended or renegotiated at reasonable terms upon expiration of their respective terms, or that they will be extended at all. If we are unable to use our leased networks after the relevant agreements expire, or are unable to use them at reasonable terms and do not succeed in finding comparable replacements, there may be a material adverse effect on our business, financial condition and results of operations. Additionally, some of the equipment used in our network is installed on customer premises. Disputes with these customers or legal proceedings involving their property may subject this equipment to encumbrances or cause it to be inaccessible, which could adversely affect our ability to operate our network.

**Risks related to the Acquisition of the UPC Group**

***We cannot assure that the Acquisition will be completed, on a timely basis or at all. If the Acquisition is not completed, we may not be able to achieve its strategic, financial, operational or competitive objectives.***

The Acquisition of the UPC Group is conditional upon the satisfaction of certain conditions (see "*The Acquisition—Principal Terms of the Share Purchase Agreement—Closing Conditions*"), and we cannot assure that such conditions will be satisfied and that completion of the Acquisition of the UPC Group will be achieved as anticipated, or at all.

If the Acquisition is not completed, we will not be able to achieve any of the revenue synergies and cost reductions in relation to the Acquisition or operational targets that we identified in this Shareholder Information Document, which could have a material adverse effect on our business and profitability, our competitive position in the Swiss telecommunications market and the value of our Shares. See "*The Acquisition—Rationale for the Acquisition*". Further, if the Acquisition fails to close on a timely basis, the market price of our Shares could decline due to, among other things, a perception that we will not be able to achieve its stated objectives on the estimated timetable or at all.

***We may be unable to successfully integrate operations and realize the anticipated benefits of the Acquisition.***

The Acquisition involves the integration of two companies that have previously operated independently. The difficulties of combining the companies' operations include:

- combining the two companies' analytical models;
- rationalizing each company's internal systems and processes, including accounting policies, which are different from each other;
- integrating treasury functions;
- rationalizing the group structure; and
- integrating personnel from different company cultures.

The process of integrating operations may be more expensive and time-consuming than expected and could cause an interruption of, or loss of momentum, in the activities of our business as well as the loss of key personnel. The diversion of management's attention and any delays or difficulties encountered in connection with the acquisition and the integration of the two companies' operations could result in the disruption of our ongoing business or inconsistencies in the standards, controls, level of customer care, procedures and policies of the two companies that could negatively affect our ability to maintain relationships with customers, vendors, employees and others with whom we have business dealings.

In addition, the UPC Group is currently integrated with the Liberty Group and is taking advantage of synergies within the Liberty Group, such as being covered under the Liberty Group's umbrella insurance policies. When we acquire the UPC Group, we may incur additional costs that the UPC Group had not previously incurred due to the synergies within the Liberty Group.

Furthermore, we have entered into a transitional services agreement with the Liberty Group for the provision of certain services to the UPC Group for a term of two to five years depending on the service. During this period, we will rely on the Liberty group to provide these services and we will not have direct control over provision of such services.

We estimate that the Acquisition of the UPC Group will generate significant value for our shareholders through cost and capital expenditure synergies as well as revenue synergies with an estimated net present value of approximately CHF 3.1 billion (after integration costs). These include cost and capital expenditures synergies with an estimated annual run-rate of approximately CHF 230 million to be achieved by 2023, which corresponds to an estimated net present value of approximately CHF 2.7 billion over time. With respect to revenue synergies, we estimate synergies at an annual run-rate of approximately CHF 50 million to be achieved by 2023, corresponding to an estimated net present value of approximately CHF 0.4 billion over time. Net present value is calculated as post-tax cash flows derived from the sum of revenue, cost and capital expenditures synergies less integration costs necessary to realize those synergies, assuming a tax rate of 19% and a weighted average of cost of capital of 6%. For a description of expected synergies and other effects of the Acquisition, see "*The Acquisition—Estimated Synergies and Other Effects of the Acquisition*".

These synergies may not be realized in part or at all, or only realized later than expected. Furthermore, the assumptions used as a basis for the estimated synergy effects could turn out to be inappropriate or incorrect. The Acquisition could lead to higher integration and restructuring costs than expected. Our ability to realize these benefits will be limited by, among other things, legal, regulatory and contractual restrictions. The estimation of potential synergy effects is forward-looking and therefore subject to changes due to a large number of factors, such as the general macroeconomic, industry, legal, regulatory and tax environment, consumer behavior, changes in technology, the successful development of the product portfolio, the retention of key personnel and changes in our business strategy, development and investment plans. In addition, numerous factors in estimating the future synergies of the combination of both businesses relate solely to the UPC Group.

We had only very limited access to and insights into these input factors. Investors should therefore be aware that the estimation of synergies to be unlocked by the Acquisition is subject to significant uncertainty.

These synergies and other benefits may not be realized within the time periods contemplated or at all. If we are not able to successfully achieve these synergies and other benefits, the anticipated benefits of the Acquisition may not be realized fully, at all or may take longer to realize than expected and, as a result, we may not be able to deleverage our business as planned. In addition, we may incur unanticipated expenses in order to maintain, improve or sustain the UPC Group's operations or assets and we may be subject to unanticipated or unknown liabilities relating to the UPC Group and our business. These factors could limit our ability to successfully integrate the business, could harm our reputation and could make it more difficult for us to realize the anticipated benefits of the Acquisition.

***We may not be able to identify all risks associated with the Acquisition, and any indemnification we receive from the Liberty Group may be insufficient to protect us from such risks, which may result in unexpected liabilities and costs to us.***

The success of an acquisition depends on our ability to perform adequate due diligence before the Acquisition and on our ability to integrate the Acquisition after it is completed. While we have committed significant resources to conducting due diligence on the UPC Group, we may not identify all risks and liabilities associated with the Acquisition. This could lead to adverse accounting and financial consequences, such as the need to make large provisions against the acquired assets or to write down acquired assets. These difficulties could have a material adverse impact on our business, results of operations and financial condition.

When conducting due diligence, we have relied on the resources available to us, including information provided by the Liberty Group and, in some circumstances, third-party investigations and analysis. To the extent that we identify liabilities or problems and raises claims under contractual protections or indemnities we have received from the Liberty Group pursuant to the Acquisition Agreement, such indemnity may be limited in scope and amount, may be subject to certain agreed time limits, may not be fully enforceable or may be insufficient to compensate us for our costs, and such indemnity is dependent on the ongoing viability of the Liberty Group. Therefore, any indemnification that we receive from the seller may be insufficient to protect us from risks related to hidden liabilities.

Furthermore, following the closing of the Acquisition of the UPC Group, the purchase price payable by Sunrise to Liberty Global will be adjusted depending on whether the (i) final net working capital at closing is greater than or less than the estimated net working capital amount, and (ii) the final net debt at closing is greater than or less than the estimated net debt. Pursuant to the Share Purchase Agreement, the adjustments of the purchase price (upwards or downwards) will not be capped and we may thus be required to pay additional amounts to cover such adjustments after closing of the Acquisition of the UPC Group.

***We have incurred, and will continue to incur significant transaction and Acquisition-related costs.***

We have incurred, and will continue to, incur a number of non-recurring costs associated with combining the operations of the two companies. The substantial majority of non-recurring expenses resulting from the Acquisition consists of transaction costs related to the Acquisition as well as financing arrangements and employment-related costs. For further information regarding the financing of the Acquisition, see "*The Acquisition*". We will also incur transaction fees and costs related to formulating and implementing integration plans. We continue to assess the magnitude of these costs and additional unanticipated costs may be incurred in the integration of the two companies' businesses, including unanticipated liabilities. Although we expect that the elimination of duplicative costs, as well as the realization of other efficiencies or synergies related to the integration of the businesses, should allow us to offset incremental transaction and acquisition-related costs over time, this net benefit may not be achieved in the near term, or at all.

***Our pro forma financial information may not be representative of our results as a combined company.***

Our unaudited *pro forma* financial information presented in this Shareholder Information Document is based in part on certain assumptions regarding the Acquisition and the associated financings. It describes only a hypothetical situation and thus, due to its nature, the presentation does not reflect our actual net assets, financial position and results of operations upon closing of the Acquisition. The presentation of unaudited *pro forma* financial information is based on information available, preliminary estimates and certain *pro forma* assumptions and is intended for illustrative purposes only. We cannot assure you that our assumptions will prove to be accurate over time. Accordingly, the *pro forma* and other financial information included in this

Shareholder Information Document may not reflect what our results of operations and financial condition would have been had the Group been a combined entity during the periods presented, or what our results of operations and financial condition will be in the future.

***We may not realize the full value of goodwill from the Acquisition.***

Following the Acquisition, in accordance with IFRS 3 (revised) "Business Combinations" at the date of acquisition, which is defined as the date on which we will obtain control over the UPC Group, should the Acquisition be successful, we will recognize goodwill as the excess of the consideration transferred over the net of the Acquisition date amounts of the fair value of all identifiable assets acquired and liabilities assumed as of the Acquisition date. The purchase price allocation will be completed within twelve months from the Acquisition date. In subsequent years goodwill will be tested annually for impairment. The amount of any impairment must be expensed immediately as a charge to our income statement. Any impairment of goodwill may result in material reductions of our income and equity under IFRS.

***We do not currently control the UPC Group and its subsidiaries, and will not control UPC Group and its subsidiaries until the completion of the Acquisition.***

We will not obtain control of the UPC Group and its subsidiaries until completion of the Acquisition. We cannot assure you that the UPC Group will operate its business during the interim period until the completion of the Acquisition in the same way that we would. During the interim period until the completion of the Acquisition, the Acquisition Agreement provides that the UPC Group must operate its business in a manner consistent with its past practice, but it is not prohibited from approving or distributing dividends. Should it do so, we would not be entitled to such distributions although such dividend distributions will be taken into account for the post-closing purchase price adjustments.

The information contained in this Shareholder Information Document has been derived from public sources and, in the case of historical information relating to the UPC Group and its subsidiaries, has been provided to us by the Liberty Group and its subsidiaries, and we have relied on such information supplied to us. Furthermore, the Acquisition has required, and will likely continue to require, substantial amounts of management's time and focus, which could adversely affect their ability to operate the business. Likewise, other employees may be uncomfortable with the Acquisition or feel otherwise affected by it, which could have an impact on work quality and retention.

***The creation of administrative, financial and other functions and services that were provided to date by the Liberty Group could be delayed or fail to succeed.***

We have entered into a transitional services agreement with the Liberty Group for the provision of certain services to UPC Switzerland for a term of two to five years depending on the particular service. During this period, we will rely on the Liberty Group to provide these services and we will not have direct control over provision of such services.

In the past, UPC Switzerland has relied on financial, administrative and other resources of the Liberty Group to operate its business. In connection with its separation from the Liberty Group, UPC Switzerland will need to contract with third parties to replace functions and services previously provided by the Liberty Group. We, as Sunrise, have entered into agreements with Liberty Group or certain of its subsidiaries under which Liberty Group or certain of its subsidiaries will provide certain transitional services to us for a limited period. However, these services may not be sufficient to meet our needs, and, after these agreements with Liberty Group expire, we may not be able to replace these services at all or obtain these services at prices and on terms as favorable as we currently have. We cannot guarantee that we will be able to do so in a timely and effective manner. All of the factors stated above, alone or in combination, could have a material adverse effect on our business, financial position and results of operations.

***The Acquisition could entitle suppliers, service providers or other contractual partners to terminate their contracts with UPC Switzerland or result in contractually agreed restrictions for our business.***

UPC Switzerland is party to a number of agreements that contain a so-called change of control clause (*i.e.*, a clause entitling one contract partner to derive the right to terminate the agreement from the fact that a natural or legal person subsequently to the execution of the agreement gains control over the other contract partner, usually by transgressing a certain defined threshold of voting rights in such contract partner) or other restrictive provisions (*e.g.,* restrictions on contracts with specific third parties). In addition, other agreements of UPC Switzerland may require the payment of certain specified amounts or the incurrence of other specified or unspecified liabilities in case of the occurrence of a change of control event. The implementation of the Acquisition qualifies as a change of control in the above-mentioned sense. In addition, certain agreements with wholesale partners contain restrictions on entering into similar agreements with certain specified competitors of the respective wholesale partners (including wholesale partners of Sunrise). If, in such situation, UPC Switzerland was unable to obtain a waiver of such termination right, payment claim or contractual restriction, the change of control provision could lead to the loss of significant contractual rights, such as restrictions in actions *vis-à-vis* contractors, partners and vendors or in voting rights and benefits or the termination of joint venture or licensing agreements. Furthermore, the combination of the businesses of Sunrise and UPC Switzerland could prevent us from renewing its existing contracts with wholesale partners, suppliers or service providers at adequate terms due to the fact that wholesale partners, suppliers or service providers could object to the combination based on competitive or other reasons which could have a material adverse effect on our business, financial condition and results of operations.

***The UPC Group faces many of the same risks that are applicable to our business.***

Many of the risks related to our business also apply to the UPC Group as a telecommunications operator such as those described under "—*Risks Relating to Our Market and Business*", including but not limited to:

- competition among participants in the telecommunications market;
- adaptation to regulatory changes and any changes on tax laws;
- adaptation to rapid technological changes;
- dependence on equipment and risk of network failures;
- dependence on Liberty Global for provision of transitional services;
- dependence on third-party providers for certain services;
- cyber security risks and software failures;
- increasing data security requirements;
- compliance and litigation matters;
- changes in customer preferences or demands;
- changes in general economic and market conditions; and
- reliance on a limited number of suppliers.

In addition, UPC Switzerland is in the process of upgrading its cable broadband systems to DOCSIS 3.1. UPC Switzerland may be subject to complexities associated with deploying new technologies such as DOCSIS 3.1. There can be no assurance that UPC Switzerland can execute on DOCSIS 3.1 and other initiatives in a manner sufficient to grow or maintain its revenue or to compete successfully in the future. UPC Switzerland also may generate less revenue or incur increased costs if changes in its competitors offer certain of its existing services or enhancements at a lower or no cost to its customers or that it increases its research and development expenditures.

***We may need to allocate additional managerial and operational resources to meet our needs as our business grows and becomes more complex.***

The combination of the businesses of Sunrise and UPC Switzerland will require a large amount of the time and attention of both companies' management. Should these tasks divert management from other responsibilities, our operating business could be negatively affected.

Both Sunrise and the UPC Group depend on their key employees for the successful combination of the businesses of Sunrise and the UPC Group. The implementation of a common strategy and the execution of normal business operations could be negatively affected or delayed if either Sunrise or the UPC Group were to lose key employees or know-how due to their combination. This could have a material adverse effect on our business, financial condition and results of operations.

As a result of technological advancements and the offering of innovative services and products, the operating complexity of our business, as well as the responsibilities of management, has increased over time, which may place significant strain on our managerial and operational resources. Specifically, changes in accounting principles and financial reporting requirements could require us to increase our expenses for implementation and maintenance.

Management of growth will also require, among other things, continued development of financial and management controls and information technology systems. The constant growth may strain our managerial resources which may require us to hire additional personnel. We may incur additional cost to hire managers with the relevant expertise and the hiring process may require significant time and resources, all of which could have an adverse impact on our management, growth, operational and financial systems, managerial controls and procedures and results of operations.

**Risks Related to Our Financial Profile**

***Our substantial leverage and debt service obligations could adversely affect our business.***

After the Acquisition, we will be highly leveraged. As of June 30, 2019, after giving *pro forma* effect to the proposed capital increase and the Acquisition as described under "*Acquisition*", we would have had total financial liabilities of CHF 8,292.2 million.

The degree to which we will be leveraged following the Acquisition, could have important consequences, including, but not limited to:

- making it difficult for us to satisfy our obligations with respect to our indebtedness;
- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures, acquisitions, joint ventures, product research and development, customer acquisition costs or other general corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the competitive environment and the industry in which we operate;
- placing us at a competitive disadvantage as compared to our competitors, to the extent that they are not as highly leveraged; and
- limiting our ability to borrow additional funds and increasing the cost of any such borrowing.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations. In addition, the terms of the indentures and the facilities agreements governing our outstanding indebtedness permit and any other credit facility agreement and/or indenture that we may enter into in the future may permit, us to incur substantial additional indebtedness, which would further increase our leverage, and exacerbate the risks mentioned above.

***We are, and will continue to be, subject to restrictive debt covenants that may limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities.***

The indentures and the facilities agreements governing our outstanding indebtedness restrict, and the finance documents under which we may incur additional indebtedness to refinance indebtedness may restrict, among other things, our ability to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or incur certain liens;

- make certain payments, including dividends or other distributions, with respect to the shares of such entity;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to such entity;
- sell, lease or transfer certain assets, including stock of restricted subsidiaries;
- engage in certain transactions with affiliates;
- consolidate or merge with other entities; and
- impair the security interest for the benefit of the holders of the relevant notes.

All of these limitations will be, or are expected to be, subject to significant exceptions and qualifications. The covenants to which we are subject could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest.

In addition, we are currently subject to, and following the Acquisition, will continue to be subject to, certain affirmative and negative covenants under the finance documents governing our outstanding indebtedness. In particular, the finance documents require us to maintain certain specified financial ratios. Our ability to meet those financial ratios can be affected by events beyond our control and we cannot assure you that we will meet them. A breach of any of those covenants, ratios, tests or restrictions could result in an event of default under the relevant finance document. Upon the occurrence of any event of default, subject to applicable cure periods and other limitations on acceleration or enforcement, the relevant creditors could cancel the availability of the facilities and elect to declare all amounts outstanding, together with accrued interest, immediately due and payable. In addition, any default under a finance document could lead to an event of default and acceleration under other debt instruments that contain cross-default or cross-acceleration provisions. If our creditors accelerate the payment of those amounts, we cannot assure you that our assets and the assets of our subsidiaries would be sufficient to repay in full those amounts, to satisfy all other liabilities of our subsidiaries which would be due and payable and to make payments to enable us to repay our indebtedness, in full or in part. In addition, if we are unable to repay those amounts, our creditors could proceed against any collateral granted to them to secure repayment of those amounts.

***We will require a significant amount of cash to meet our obligations under our indebtedness and to sustain our operations, which we may not be able to generate or raise.***

Our ability to make principal or interest payments when due on our indebtedness and to fund our ongoing operations will depend on our future performance and our ability to generate cash, which, to a certain extent, is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in these "*Risk Factors*", many of which are beyond our control. Our existing indebtedness will mature between 2024 and 2029. See "*Description of Certain Financing Arrangements*". At the maturity of such indebtedness, in regard to any other debt which we have incurred or may incur, if we do not have sufficient cash flows from operations and other capital resources to pay our debt obligations, or to fund our other liquidity needs, we may be required to refinance our indebtedness. If we are unable to refinance all or a portion of our indebtedness or obtain such refinancing on terms acceptable to us, we may be forced to sell assets, or raise additional debt or equity financing in amounts that could be substantial. The type, timing and terms of any future financing will depend on our cash needs and the prevailing conditions in the financial markets. We cannot assure you that we would be able to accomplish any of these measures in a timely manner or on commercially reasonable terms, if at all. In addition, the terms of our existing and/or future indebtedness may limit our ability to pursue any of these measures.

***Certain of our borrowings bear interest at floating rates that could rise significantly, increasing our interest cost and reducing cash flow.***

A part of our indebtedness, including borrowings under the Sunrise Facilities bears interest at *per annum* rates equal to EURIBOR, LIBOR or similar benchmarks, in each case adjusted periodically, plus a spread. As of June 30, 2019, our total floating rate indebtedness was CHF 1,373.8 million. Loans under the Sunrise Facilities will bear interest at rates *per annum* equal to LIBOR or, for loans denominated in euro, EURIBOR and certain margins. Although we may enter into and maintain our existing hedging arrangements designed to fix a portion of these rates, there can be no assurance that hedging will continue to be available on commercially reasonable terms. Hedging itself carries certain risks, including that we may need to pay a significant amount (including costs) to terminate any hedging arrangements. If interest rates were to rise significantly, our interest expense would correspondingly increase, thus reducing cash flow. We may in the future enter into additional facilities under the UPC Facilities Agreement which bear interest at *per annum* rates equal to EURIBOR, LIBOR or similar benchmarks, in each case adjusted periodically, plus a spread.

LIBOR, EURIBOR and other interest rates or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory reform. Following the implementation of any such reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. For example, on July 27, 2017, the UK Financial Conduct Authority announced that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, changes in the manner of administration of any benchmark, or actions by regulators or law enforcement agencies could result in changes to the manner in which EURIBOR or LIBOR is determined, which could require an adjustment to the terms and conditions, or result in other consequences, in respect of any debt linked to such benchmark (including but not limited to the credit facilities whose interest rates are linked to LIBOR and EURIBOR) that could have an adverse impact on our ability to service debt that bears interest at floating rates of interest.

Under the Sunrise Facilities Agreement majority lender consent is required for any amendment or waiver which relates to providing for another interbank rate (including LIBOR) or screen rate to apply in relation to that currency in place of that interbank rate and/or screen rate. Under the UPC Facilities Agreement, the screen rate can be replaced in consultation with UPC Broadband under certain circumstances where the relevant screen rate is unavailable.

The interest rates on our floating rate indebtedness could increase significantly in the future, thereby increasing our interest expenses associated with these obligations, reducing cash flow available for capital expenditures and hindering our ability to make principal or interest payments on our indebtedness.

***Exchange rate fluctuations could adversely affect our financial results.***

Following the Acquisition of the UPC Group, we expect a substantial portion of our indebtedness to be denominated in euros and U.S. dollars, even though a significant percentage of our cash flow is generated in Swiss francs. In order to manage the negative impact of a reduction in the value of the Swiss franc relative to euro and the U.S. dollars on its financial profile, the UPC Group has entered into hedging arrangements in respect of such euro- and U.S. dollar denominated indebtedness. Also, future issuance of euro and U.S. dollar-denominated debt would increase our exposure to changes in the value of the Swiss franc relative to the applicable currency. If we are not able to enter into hedging arrangements to the extent necessary and on commercially reasonable terms, our exchange rate risk could be significantly exacerbated. The significant recent appreciation of the Swiss franc against the euro and increased volatility in the exchange rates may increase the cost of hedging our exposure to currencies other than the Swiss franc. In addition, there is no assurance that our hedging arrangements will provide adequate protection.

***A downgrade, suspension or withdrawal of any rating assigned to us or to our debt securities by a rating agency could cause the cost of our indebtedness to increase.***

One or more independent rating agencies may assign credit ratings to our debt securities. The ratings may not reflect the potential impact of all risks relating to the structure, market and other factors that may affect the value of our debt securities. Real or anticipated changes in the credit ratings assigned to our securities or credit ratings generally could affect the trading price of our debt securities. Credit ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization in its sole discretion. In addition, credit rating agencies continually review their ratings for the companies that they follow, including us. The credit rating agencies also evaluate the telecommunications industry as a whole and may change their credit rating for the Group and the Shares based on their overall view of our industry. A downgrade, withdrawal, or the announcement of a possible downgrade or withdrawal in the ratings assigned to our debt securities or us or any perceived decrease in our creditworthiness could cause the trading price of the Shares to decline significantly.

***Disruptions in the credit and equity markets could increase the risk of refinancing, default by counterparties to our financial instruments, undrawn credit facilities and cash investments and may impact our future financial position.***

Although we seek to manage the credit risks associated with our financial instruments, cash and cash equivalents and undrawn debt facilities, disruptions in credit and equity markets could make it more difficult for us to refinance our existing indebtedness under favorable terms and increase the risk that our counterparties could default on their obligations to us. If one or more of our counterparties failed or otherwise was unable to meet its obligations to us, our cash flows, results of operations and financial condition could be adversely affected. We cannot predict how disruptions in the credit and equity markets and the associated difficult economic conditions could impact our future financial position. In this regard, unfavorable conditions in the credit markets or the financial failures of any of our counterparties could reduce amounts available under committed credit facilities and adversely impact our ability to access cash deposited with any failed financial institution and future tightening of the credit markets could adversely impact our ability to access debt financing on favorable terms, or at all.

***We may be subject to financial risks related to Swiss and foreign tax compliance.***

We have developed and continue to develop our business by implementing new products and internal process changes. As we implement these changes, we cannot guarantee the ultimate outcome of any particular direct or indirect tax audit. Legislative changes in particular can have implications on process streams and controls. In addition, as some of the network equipment and services are located outside of Switzerland, we may be subject to an extended taxation, due to the fact that such equipment could be linked to the definition of a “Permanent Establishment” (“**PE**”) according to OECD guidelines. We continue to assess and manage any tax issues in relation to possible PE topics.

# ACQUISITION

## Overview

On February 27, 2019, the Company, as buyer, entered into a share purchase agreement (the "**Share Purchase Agreement**") with Liberty Global CE Holding BV (the "**Seller**") and Liberty Global plc as guarantor regarding the sale and purchase of all shares in Liberty Global Europe Financing BV ("**LGEF**", and together with its subsidiaries, the "**UPC Group**"). Under the terms of the Share Purchase Agreement, the Company will acquire from the Seller all shares in LGEF for a total enterprise value of CHF 6.3 billion (such purchase of all shares in LGEF, the "**Acquisition**").

In the financial year ended December 31, 2018, UPC Switzerland generated revenues in the amount of CHF 1,296.1 million, an Adjusted EBITDA in the amount of CHF 629.4 million and an Adjusted Operating Free Cash Flow of CHF 384.6 million. See "*Selected Consolidated Financial Information—Historical Combined Carve-out Financial Information and Other Financial and Operating Information of UPC Switzerland*". For a detailed discussion of UPC Switzerland's operations and financial results, see "*Business of UPC Switzerland*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations of UPC Switzerland*".

## Rationale for the Acquisition

We believe that the Acquisition will reinforce our position as the leading fully integrated challenger in the Swiss telecommunications market. The Acquisition is intended to create an even stronger, fully integrated nationwide challenger across all elements of the 4P bundle, including mobile, landline voice, internet and TV. Following completion of the Acquisition of the UPC Group, we, together with UPC Switzerland, expect to have a combined customer base of approximately 3.0 million mobile customers (approximately 27% market share (including prepaid customers based on the 12-month activity rule and excluding MVNOs for Sunrise)), 1.2 million broadband internet customers (approximately 30% market share) and 1.3 million TV customers (approximately 31% market share). We believe the scale of the Group will enable us to continue to drive innovation, to invest in new services and to pursue further growth by providing innovative and competitively priced service offerings.

The Acquisition is expected also to strengthen our position as the number two mobile operator in the Swiss market, where we currently hold a 25% market share (including prepaid customers based on the 12-month activity rule and excluding MVNOs). UPC Switzerland is the second-largest internet provider in Switzerland, with an 18% market share, while we are currently the third-largest with a 13% market share. UPC Switzerland also has a strong presence in the TV market as the second-largest provider with a 25% market share, which will significantly enhance our current 6% market share.

With the addition of UPC Switzerland's network, we will be able to offer a superior next-generation infrastructure that is unique in Switzerland (see "*Business of Sunrise—Our Strengths—Superior next generation infrastructure*"). UPC Switzerland's advanced cable network has access to 2.3 million Swiss homes, which is approximately 60% of all Swiss households (excluding vacation homes). With the Acquisition, we are able to acquire our own internet infrastructure, thus complementing our current offering of access via Swisscom wholesale agreement, 4G, 5G and FTTH partnerships. In addition, there is a clear roadmap to increasing speeds on UPC Switzerland's cable network to 1 Gbps by way of the DOCSIS 3.1 upgrade, which was launched in September 2019. We expect the combined Group to be able to serve 90% of all Swiss households (excluding vacation homes) with internet speeds of 1 Gbps or higher by the end of 2021. We also expect that through further upgrades of this technology, speeds of up to 10 Gbps may be attained in the longer term, thus enabling us to further enhance customer experience.

Finally, we estimate that the Acquisition of the UPC Group will generate significant value for our shareholders through cost and capital expenditure synergies as well as revenue synergies with an estimated net present value of approximately CHF 3.1 billion (after integration costs). These include cost and capital expenditures synergies with an estimated annual run-rate of approximately CHF 230 million to be achieved by 2023, which corresponds to an estimated net present value of approximately CHF 2.7 billion over time. With respect to revenue synergies, we estimate synergies at an annual run-rate of approximately CHF 50 million to be achieved by 2023, corresponding to an estimated net present value of approximately CHF 0.4 billion over time. Net present value is calculated as post-tax cash flows derived from the sum of revenue, cost and capital expenditures synergies less integration costs necessary to realize those synergies, assuming a tax rate of 19% and a weighted average of cost of capital of 6%. For a description of expected synergies and other effects of the Acquisition, see "*—Estimated Synergies and Other Effects of the Acquisition*".

**Principal Terms of the Share Purchase Agreement**

The following is a summary of certain key terms and conditions of the Share Purchase Agreement. The below summary does not purport to be complete and it may not include all of the information regarding the Acquisition or terms of the Share Purchase Agreement that may be of importance to a shareholder of the Company.

***Consideration and Financing of the Acquisition***

Subject to approval by the Company's shareholders, the Company expects to finance the Acquisition through a combination of the proceeds from a proposed capital increase and the assumption of outstanding senior notes, senior secured credit facilities (relating to the outstanding senior secured notes issued by UPCB Finance IV Limited and UPCB Finance VII Limited) and other debt-like items for an aggregate principal amount of approximately CHF 3.6 billion including the hedging portfolio, resulting in a residual cash payment from the Company to the Seller of approximately CHF 2.7 billion (subject to a customary closing adjustment mechanism, see "—*Principal Terms of the Share Purchase Agreement—Purchase Price Adjustments*").

For a description of the UPC financing arrangements that we will assume as part of the Acquisition as well as certain changes to our existing financing arrangements as a result of the Acquisition, see "*Description of Certain Financing Arrangements".*

***Purchase Price Adjustments***

Under the terms of the Share Purchase Agreement, the parties have agreed to an estimated purchase price of (i) CHF 6.3 billion, minus (ii) the estimated net debt, plus (iii) the difference between the estimated net working capital and the Target Net Working Capital (which difference may be a positive or a negative number). Assuming a closing of the Acquisition in November 2019 the parties to the Share Purchase Agreement agreed to a Target Net Working Capital amount of CHF 98.8 million, and the parties to the Share Purchase Agreement have further agreed that the Seller shall notify Sunrise no later than 10 business days prior to the closing of the Acquisition of the Estimated Net Debt and the Estimate Net Working Capital.

Following the closing of the Acquisition, the purchase price payable by Sunrise to the Seller will be adjusted depending on whether the (i) final net working capital at closing is greater than or less than the estimated net working capital amount, and (ii) the final net debt at closing is greater than or less than the estimated net debt. In order to determine the final net working capital and the final net debt, we are under an obligation to prepare and deliver to the Seller within 40 days of the closing of the Acquisition a closing balance sheet, a closing net debt statement and a closing net working capital statement. As a result, the price adjustment amount, if any, will not be known until at least 40 days following the closing of the Acquisition. Therefore, the total amount to be paid by Sunrise to acquire the UPC Group will not be known until following the closing of the Acquisition.

Pursuant to the Share Purchase Agreement, the adjustments of the purchase price (upwards or downwards) will not be capped and Sunrise may thus be required to pay additional amounts to cover such adjustments after closing of the Acquisition.

***Closing Conditions***

The completion of the Acquisition of the UPC Group is subject to certain conditions having been satisfied by the parties to the Share Purchase Agreement. Specifically, the closing of the Acquisition is subject to the following conditions: (i) the absence of any judgment or order prohibiting or making illegal the proposed Acquisition, (ii) clearance from the Swiss anti-trust regulator, the ComCo has been obtained or the waiting period relating to such ComCo clearance has expired, (iii) completion of certain corporate reorganization steps with respect to the UPC Group (see "—*Pre-Closing Restructuring and Separation*" below), (iv) approval of Sunrise's proposed capital increase, and (v) the registration of Sunrise's proposed capital increase in the Commercial Register of the Canton of Zurich (the conditions referred to in (i) through (v) above, collectively the "**Closing Conditions**").

Under the SPA, the Company will be obliged to pay a break fee of CHF 50 million if certain Closing Conditions are not satisfied.

If the Closing Conditions have not been satisfied or waived on or prior to the date that is twelve months after the date of the signing of the Share Purchase Agreement (such date, the "**Long Stop Date**"), each of the

Company and the Seller has the unilateral right to extend the Long Stop Date by another three months (such extended Long Stop Date, the "**Postponed Long Stop Date**") if the respective party reasonably believes that the Closing Conditions can be satisfied in this extended time period, by given written notice to the other party at least five business days prior to the Long Stop Date. In case the Closing Conditions (other than the agreed pre-closing reorganization of the UPC Group) have not been satisfied on or prior the Long Stop Date or the Postponed Long Stop Date, as the case may be, each of the Company and the Seller may terminate the Share Purchase Agreement with immediate effect. In case the agreed pre-closing reorganization of the UPC Group has not been completed by the Long Stop Date or the Postponed Long Stop Date, as the case may be, the Company has the right to terminate the Share Purchase Agreement with immediate effect.

On September 26, 2019, the ComCo has announced that it raises no objections against the Acquisition and approves the Acquisition. The ComCo's approval was granted without any conditions or stipulations being imposed on the Company. Following receipt of regulatory approval (see "*—Governmental Filings"*) and as of the date hereof, the Acquisition is expected to close in the course of the fourth quarter of 2019. See "*Risk Factors—Risks related to the Acquisition of the UPC Group—We cannot assure you that the Acquisition will be completed, on a timely basis or at all. If the Acquisition is not completed, we may not be able to achieve its strategic, financial, operational or competitive objectives.*"

***Representations, Warranties and Covenants***

Each of the Company and the Seller has made customary representations and warranties in the Share Purchase Agreement. The Seller has also agreed to various customary covenants and agreements, including, among others, covenants to (i) conduct its business in the ordinary course of business and materially consistent with past practice during the period between signing of the Share Purchase Agreement and closing of the Acquisition, and (ii) not engage in certain activities during the period between signing of the Share Purchase Agreement and closing of the Acquisition, subject to certain exceptions (with respect to dividend payments and other distributions, see "*Risk Factors—Risks related to the Acquisition of the UPC Group—We do not currently control the UPC Group and its subsidiaries, and will not control UPC Group and its subsidiaries until the completion of the Acquisition.*"

The Seller also has a stand-still obligation which prohibits it between the signing and the closing of the Acquisition from acquiring the Company's Shares or any financial instruments (including forwards, options, swaps, contracts for difference and the like, whether settled in kind or in cash) in excess of 10% of the voting rights of the Company, publicly announcing or submitting a voluntary tender offer for any Company Shares or publicly announcing its intention to submit such an offer or do anything which would result in a duty to submit a mandatory tender offer for all Company Shares, in each case other than on the basis of a prior written agreement with the Company.

***Governmental Filings***

Under the terms of the Share Purchase Agreement, the Company has agreed to do all things necessary and use commercially reasonable best efforts to obtain the required clearance from the ComCo with respect to the Acquisition. On September 26, 2019, the ComCo has announced that it raises no objections against the Acquisition and approves the Acquisition. The ComCo's approval was granted without any conditions or stipulations being imposed on the Company.

***Transitional Services Agreement***

On February 27, 2019, Sunrise and Liberty Global agreed upon the terms of a transitional services agreement to be entered into at completion of the Acquisition of the UPC Group under which Liberty Global will provide certain transitional services to UPC Switzerland, principally comprising IT, TV, entertainment, connectivity and other support services which are all currently centrally provided by Liberty Global to UPC Switzerland. The services are generally in respect of the day-to-day operation of the relevant platforms and their ongoing development and improvement.

In the transitional services agreement, there are certain agreed to service levels principally relating to the availability of the relevant transitional services. Service credits apply (by way of a reduction in the charges up to an overall cap) if these service levels are not met, depending on the severity of the service level failure. Service volumes can be freely adjusted within a 5% range of the relevant forecast volumes without incremental changes to the charges and, for scalable elements of the services, additional scaling can be provided where UPC Switzerland agrees to bear the associated incremental cost (and accept potentially downgraded service levels) and there is no material adverse impact in providing the scaled services on Liberty Global.

The term of the transitional services agreement is for a period of up to four years post completion of the Acquisition but UPC Switzerland has an option to extend its receipt of the key services for another twelve months in order to give Sunrise sufficient time to integrate the businesses acquired into its wider business. Subject to a minimum term of two years, UPC Switzerland is able to terminate the key services early provided it gives at least twelve months' prior notice. The support services are to be provided for a period of up to three years post completion of the Acquisition (with no right to extend) but can be terminated by UPC Switzerland after twelve months on at least six months' prior notice.

Certain reciprocal indemnities are given in respect of intellectual property infringement and unauthorized system access or software use and UPC Switzerland has given additional indemnities in respect of loss arising from: (i) its failure to comply with the terms of third-party consents or underlying third-party contracts that Liberty Global relies on for service provision; and (ii) misappropriation of Liberty Global's intellectual property by the Huawei Group in the context of the provision of the transitional services. Each party's liability under the indemnities, along with ordinary contractual claims, is capped at €85 million (other than for a breach of the confidentiality clause and other customary areas of unlimited liability) and customary exclusions of liability have been agreed to for indirect or consequential loss, loss of profit, loss of revenue, loss of business opportunity, damage to goodwill, loss of anticipated savings or loss of data (except for the cost of reconstituting data from the last back-up). A comprehensive, multi-tiered dispute resolution process is in place to try to resolve disputes between the parties through certain governance committees before ultimately being submitted to arbitration in London if agreement is unable to be reached.

The annual charge to UPC Switzerland for the transitional services will be equivalent to approximately CHF 90 million (including fixed and variable components) for the first year following completion of the Acquisition. This annual charge is expected to decline in subsequent years as the business acquired is increasingly integrated and, as a result, transitional services will be terminated. If Liberty Global's underlying third-party costs in providing the services increase by over 5% then UPC Switzerland is to bear that cost up to a maximum 10% cost base increase by way of an increase in the charges.

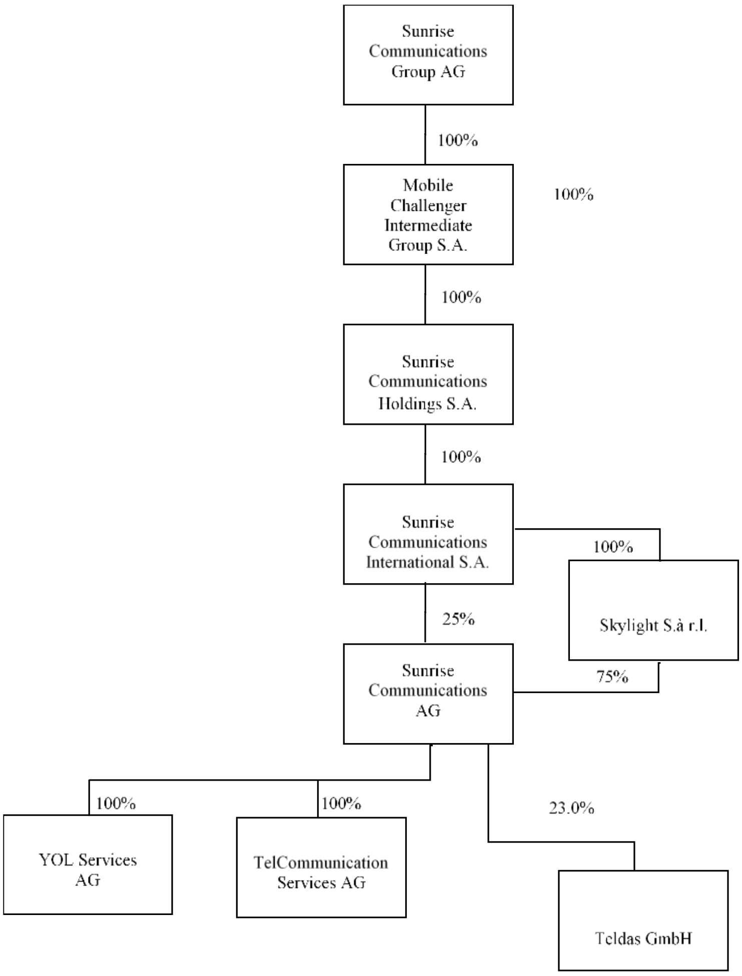
If the term of the transitional services agreement is extended for the additional twelve month period, there will be an additional 50% ratchet applied to any remaining charges.

**Pre-Closing Restructuring and Separation**

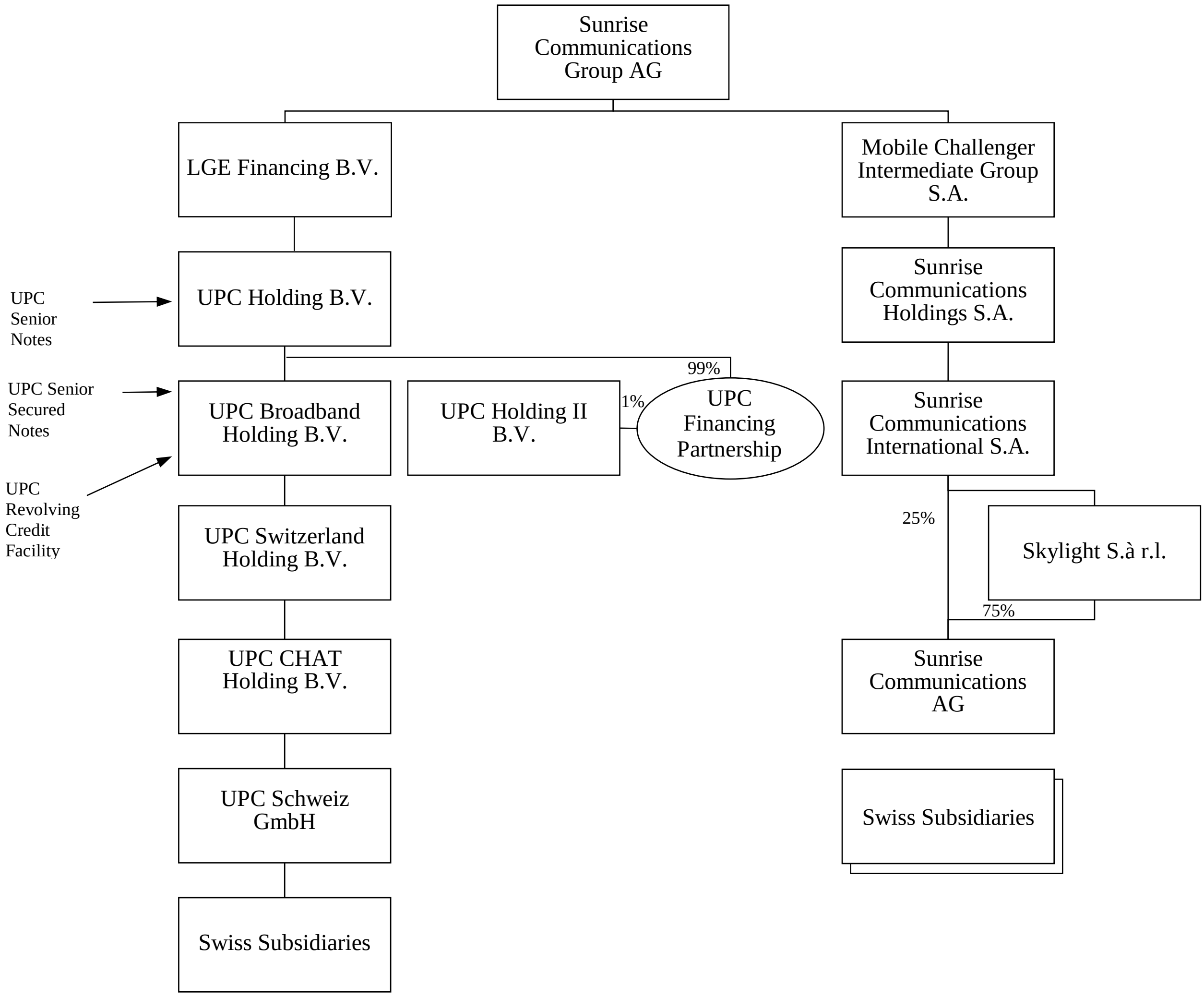
Under the terms of the Share Purchase Agreement, the Seller has agreed to certain pre-closing restructuring and separation measures. In case the Seller fails to complete such pre-closing restructuring and separation measures by the Long Stop Date or the Prolonged Long Stop Date, the Company has a right to terminate the Share Purchase Agreement with immediate effect. See "—*Principal Terms of the Share Purchase Agreement—Closing Conditions*". Among other things, the pre-closing corporate reorganization includes the separation of the Seller's French and Central and Eastern European business units, the settlement and restructuring of certain intragroup loans, the transfer of certain central services functions to the UPC Group, and the simplification of the remaining UPC Group structure.

## The Corporate Structure of the Group following the Acquisition

The following diagram shows the current corporate structure of Sunrise:



The following diagram shows the expected simplified corporate structure of the Group immediately after the closing of the Acquisition.




(1) The above structure chart reflects pre-closing carve out steps which the Seller is expected to complete prior to the closing of the Acquisition (see "—*Pre-Closing Restructuring and Separation*" above).

(2) UPC CHAT Holding B.V. may be absorbed by UPC Switzerland Holding B.V. prior to the closing of the Acquisition.

(3) See "*Description of Certain Financing Arrangements*" for details on UPC Senior Notes, UPC Senior Secured Notes and the UPC Revolving Credit Facility.

For the financial year ended December 31, 2018, on a *pro forma* basis and assuming the Acquisition had been completed on January 1, 2018, the combined Group's revenues would have been CHF 3,172.6 million and EBITDA would have been CHF 1,243.8 million. For the six-months period ended June 30, 2019, on a *pro forma* basis and assuming the Acquisition had been completed on January 1, 2018, the combined Group's revenues would have been CHF 1,532.2 million and Adjusted EBITDA would have been CHF 581.2 million. See "*Summary Financial and Operational Information—Pro Forma Combined Financial Information*".

***Estimated Synergies and Other Effects of the Acquisition***

We estimate that the Acquisition of the UPC Group will generate significant value for our shareholders through cost and capital expenditure synergies as well as revenue synergies with an estimated net present value of approximately CHF 3.1 billion (after integration costs). These include cost and capital expenditures synergies with an estimated annual run-rate of approximately CHF 230 million to be achieved by 2023, which corresponds to an estimated net present value of approximately CHF 2.7 billion over time. The costs and capital expenditures synergies mostly relate to reduced fixed network access costs, MVNO savings, savings on content and interconnect costs, streamlining of central services and systems such as marketing, IT systems and network, customer care, sales and distribution. With respect to revenue synergies, we estimate synergies at an annual run-rate of approximately CHF 50 million to be achieved by 2023, corresponding to an estimated net present value of approximately CHF 0.4 billion over time. We estimate revenue synergies primarily in the areas of B2C cross-selling and leveraging of other B2C opportunities. Net present value is calculated as post-tax cash flows derived from the sum of revenue, cost and capital expenditures synergies less integration costs necessary to realize those synergies, assuming a tax rate of 19% and a weighted average of cost of capital of 6%. For a description of expected synergies and other effects of the Acquisition, see "*—Estimated Synergies and Other Effects of the Acquisition*". We estimate integration costs of CHF 230-250 million including approximately CHF 30 million of costs in relation to the integration of headquarters and approximately CHF 30 million of costs in relation to the transitional services agreement with Liberty Global.

Going forward, we expect that the Acquisition will enhance our margins and cash flow generation, thus allowing the continuation of our existing dividend policy (see "*Dividend—Dividend Policy*") and supporting the contemplated de-leveraging of the Group. Further, the proposed financing of the Acquisition (see "*Description of Certain Financing Arrangements—General*") will result in an estimated *pro forma* combined net debt of CHF 5,078.9 million, which corresponds to an LTM June 2019 leverage ratio of 3.6x (post run-rate cost synergies) or an LTM June 2019 leverage ratio of 4.2x (before run-rate synergies and excluding IFRS 16 impact). We expect a leverage ratio below 3.0x after achieving the run-rate synergies and target a leverage ratio below 2.5x thereafter.

**The financial goals described above constitute forward-looking statements. Forward-looking statements are not guarantees of future financial performance, and the Group's actual results and ratios could differ materially from those expressed or implied by these forward-looking statements as a result of many factors, including but not limited to those described under "*Forward-Looking Statements*" and "*Risk Factors*". Investors are urged not to place undue reliance on any of the statements set forth above. See also "*Presentation of Financial and Other Information—Other Financial Measures*" for an explanation of EBITDA described above as well as certain factors investors should consider carefully before relying on this non-IFRS measure.**

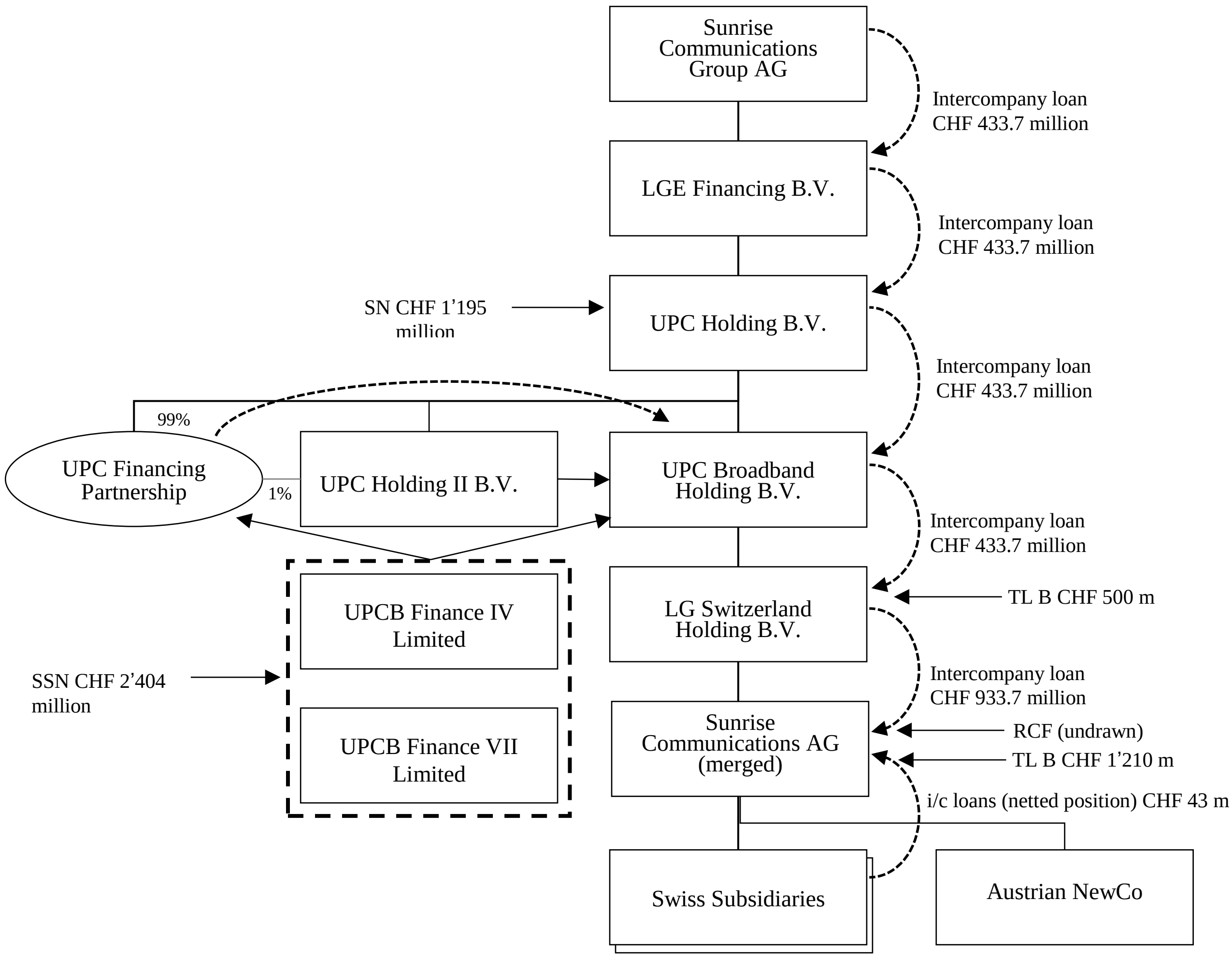
***Integration and Post-Closing Restructuring***

We estimate that the integration of the UPC Group will result in integration costs of CHF 230-250 million including approximately CHF 30 million of costs in relation to the integration of headquarters and approximately CHF 30 million of costs in relation to the transitional services agreement with Liberty Global. We estimate that the most of the integration costs will be incurred over the three full years following the completion of the Acquisition of the UPC Group, with a significant majority in the first two full years after the completion of the Acquisition.

As part of the integration of the UPC Group, we intend to simplify our post-closing corporate structure and financing arrangements. More specifically, we intend to collapse our current Luxembourg financing structure and transfer our existing Swiss operating company, Sunrise Communications AG below the newly acquired UPC Dutch financing structure. Following completion of this first step, we expect to further simplify the corporate structure by merging the two Swiss operating companies, Swiss Sunrise Communications AG and UPC Schweiz GmbH and by partially collapsing the acquired UPC financing structure.

For a description of the restructuring of certain financing arrangements, including the repayment of existing loan facilities of the Group and the redemption of the Group's currently outstanding CHF senior secured notes, see "*Description of Certain Financing Arrangements—General*".

The following diagram shows the currently expected simplified corporate structure of the Group following completion of all integration and post-closing restructuring steps, subject to changes.


Sunrise Communications Group AG
Intercompany loan CHF 433.7 million
LGE Financing B.V.
Intercompany loan CHF 433.7 million
SN CHF 1'195 million
UPC Holding B.V.
Intercompany loan CHF 433.7 million
99%
UPC Financing Partnership
1%
UPC Holding II B.V.
UPC Broadband Holding B.V.
Intercompany loan CHF 433.7 million
UPCB Finance IV Limited
LG Switzerland Holding B.V.
TL B CHF 500 m
SSN CHF 2'404 million
Intercompany loan CHF 933.7 million
UPCB Finance VII Limited
Sunrise Communications AG (merged)
RCF (undrawn)
TL B CHF 1'210 m
i/c loans (netted position) CHF 43 m
Swiss Subsidiaries
Austrian NewCo

## DIVIDENDS AND DIVIDEND POLICY

### Dividend Policy

Since our initial public offering, the Company has been, and remains, committed to a prudent capital structure and a dividend which is paid out of tax-free capital reserves, with guidance for increasing its dividend per share at an annual growth rate of 4%-6% between 2018 and 2020. The targeted payout ratio is subject to the availability of sufficient distributable reserves and the legal and contractual restrictions described under "—*Certain Swiss Law Considerations*".

Based on the significantly higher number of shares expected to be outstanding after completion of the proposed capital increase, the Company intends to distribute an increased absolute dividend amount in the range of CHF 350-370 million for the financial year ending December 31, 2019. This dividend is expected to be paid out in 2020, out of tax-free capital reserves. The Company expects to maintain a progressive dividend policy thereafter, with a 4%-6% dividend per share annual growth rate. The targeted dividend pay-out is subject to the availability of sufficient distributable reserves and the legal and contractual restrictions described under "—*Certain Swiss Law Considerations*". At the 2020 annual general meeting of shareholders, the Company's shareholders will be given a choice to receive the dividend for the financial year ending December 31, 2019 in cash, in newly issued Shares, or as a combination thereof. It is intended that through this cash-or-title-option, shareholders can avoid the recycling of proceeds from the capital increase and participate in the Company's future growth at favorable terms, while the Company accelerates its deleveraging profile. Subject to annual approval by the general meeting of shareholders, the Company will consider the application of the cash-or-title-option in future years.

The Company may pay dividends in the form of a distribution against reserves from capital contributions or as dividend payments. The Board of Directors retains authority to change the dividend policy and dividend payout ratio at any time, especially if unexpected events occur that would change its view as to the prudent level of cash and capital conservation as well as our financial goals and strategy.

The actual payment of future dividends, if any, and the amounts thereof, will depend upon a number of factors including, but not limited to, the amount of the Company's distributable profit and distributable reserves on an unconsolidated basis, our earnings, level of profitability and financial condition, capital requirements, applicable restrictions on the payment of dividends under Swiss law and such other factors as the Board of Directors may deem relevant. In addition, certain financing agreements that the Company and/or its subsidiaries may enter into in the future could limit their respective abilities to make any such distributions, see "*Description of Certain Financing Arrangements*". Accordingly, the Company's ability to pay dividends in the future may be limited or its dividend policy may change. In any case, no dividend is payable other than in accordance with the applicable provisions of Swiss law as more fully described below.

The Company is a holding company, which has no direct operations other than the holding of investments in other group companies. Apart from the Company's own capital resources, the only source of funds for the payment of dividends, if any, will, therefore, be dividends and other payments received from its subsidiaries in the form of dividends, interest, loan repayments, swap payments or repayments of capital. The ability of each subsidiary to pay dividends or make such other payments is determined individually and in accordance with applicable law, including capital requirements to which such subsidiary is subject.

### Distribution History

The table below shows the distributions per Share made to the Company's shareholders for each of the Company's business years since its incorporation in January 2015. The payout for each of the past business years was carried out through a distribution from reserves from capital contribution (*Reserven aus Kapitaleinlagen*).

| Business Year | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Dividend payout per Share (in CHF)................... | n/a | 3.00 | 3.33 | 4.00 | 4.20 |

### Certain Swiss Law Considerations

Dividends may be paid by the Company only if it has sufficient distributable profits from previous years or freely distributable reserves to allow the distribution of a dividend, in each case, as presented on the Company's annual statutory unconsolidated balance sheet prepared in accordance with Swiss law. In accordance with the requirements of Swiss law, the Company will retain at least 5% of annual consolidated group net income as general reserves for so long as these reserves amount to no less than 20% of the Company's paid-in nominal share capital (Article 671 CO). The Company's auditor must confirm that a proposal made by the Board of Directors to shareholders regarding the appropriation of the Company's available earnings conforms to the requirements of the CO and the Company's Articles of Incorporation.

Swiss law and the Company's Articles of Incorporation require that the distribution of any dividend proposed by the Board of Directors, including any distribution against reserves from capital contributions, be approved at a general meeting of shareholders by an absolute majority of the votes cast. In addition, the Company's auditor must confirm that the proposal of the Board of Directors conforms to statutory requirements and the Articles of Incorporation. Dividends and distributions against reserves from capital contributions are usually due and payable after the shareholders' resolution relating to the appropriation of profits and distribution against reserves from capital contributions (if applicable) has been passed by the general meeting of shareholders or at a later date as determined by the general meeting of shareholders. Under Swiss law, the statute of limitations with respect to dividend payments is five years. Dividends not collected within five years after their due date accrue to the Company and will be allocated to the Company's general reserves.

Dividends paid on the Shares are subject to Swiss withholding tax. Subject to the restrictions described above and any changes in tax laws and practice, including restrictions introduced by the Swiss corporate tax reform (the "**STAF"**), distributions against reserves from capital contributions can be made to the Company's shareholders without deducting any Swiss withholding tax.

A distribution of cash or property that is based upon a reduction of the Company's share capital requires a special audit report confirming that the claims of the Company's creditors remain fully covered by the Company's assets despite the reduction in the share capital recorded in the commercial register. Upon approval by a general meeting of shareholders of the capital reduction, the Board of Directors must give public notice of the capital reduction in the Swiss Official Gazette of Commerce (*Schweizerisches Handelsamtsblatt*) three times and notify the Company's creditors that they may request, within two months from the third date of publication, satisfaction of or security for their claims. Distributions of cash or property that are based on a capital reduction are not subject to Swiss withholding tax.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION

The tables below set forth the following selected financial information:

- Selected consolidated income statement, statement of financial position and cash flow information derived from the audited consolidated financial statements of Sunrise Communications Group AG as of and for the financial years ended December 31, 2016, 2017 and 2018, prepared in accordance with IFRS; and

- selected consolidated income statement, statement of financial position and cash flow information derived from the unaudited condensed consolidated interim financial statements of Sunrise Communications Group AG as of and for the six-month periods ended June 30, 2018 and 2019, prepared in accordance with IFRS.

The historical results of Sunrise Communications Group AG may not be indicative of our future results. You should read this section together with the information contained in "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations of Sunrise Communications*" and the consolidated financial statements of Sunrise Communications Group AG included elsewhere in this Shareholder Information Document.

### Selected Consolidated Income Statement Information of Sunrise Communications Group AG

| | For the financial year ended December 31, | | | For the six-month period ended June 30, | |
|---|---|---|---|---|---|
| | 2016 | 2017[1] | 2018 | 2018[2] | 2019 |
| | (audited) | | | (unaudited) | |
| | (CHF in millions) | | | | |
| **Revenue[3]** | **1,896.7** | **1,854.2** | **1,876.5** | **920.9** | **901.4** |
| Transmission costs and cost of goods sold | (704.0) | (661.5) | (657.3) | (324.3) | (284.8) |
| thereof intersegment costs | (40.5) | (1.2) | — | — | — |
| Other operating expenses | (382.2) | (395.8) | (425.5) | (208.5) | (207.6) |
| Wages, salaries and pension costs | (221.4) | (214.6) | (213.9) | (106.9) | (109.0) |
| Other income | 10.6 | 10.4 | 25.5 | 2.7 | 32.7 |
| Other expenses | (1.1) | (0.3) | (3.0) | 0.2 | (1.3) |
| **Income before depreciation, amortization and impairment losses, net financial items and income taxes** | **598.7** | **592.3** | **602.3** | **284.0** | **331.4** |
| Amortization | (252.3) | (253.5) | (256.2) | (126.5) | (131.7) |
| Depreciation and impairment losses | (207.3) | (174.7) | (169.5) | (85.8) | (101.1) |
| **Operating income** | **139.1** | **164.2** | **176.6** | **71.7** | **98.6** |
| Foreign currency (losses)/gains, net | 1.3 | 1.2 | 2.3 | 0.9 | 1.1 |
| Financial income | 2.1 | 0.1 | 15.1 | 15.1 | 0.1 |
| Financial expenses | (58.7) | (52.4) | (50.8) | (30.5) | (25.3) |
| **Net financial items** | **(55.3)** | **(51.2)** | **(33.4)** | **(14.5)** | **(24.2)** |
| Gain on disposal of subsidiary | — | 419.6 | — | — | — |
| **(Loss)/income before income taxes** | **83.9** | **532.6** | **143.2** | **57.2** | **74.4** |
| Income taxes | 3.2 | (27.8) | (36.3) | (16.4) | (13.5) |
| **Net (loss)/income** | **87.1** | **504.8** | **106.9** | **40.7** | **60.9** |

(1) The Company initially applied IFRS 15 and IFRS 9 as of January 1, 2018 using the modified retrospective method. Under this method, the comparative information is not restated.

(2) The Company initially applied IFRS 16 as of January 1, 2019, using the modified retrospective method. Under this method, the comparative information is not restated.

(3) We also report revenue along reportable segments and reconciling items as set forth in the table below:

| | For the financial year ended December 31, | | | For the six-month period ended June 30, | |
|---|---|---|---|---|---|
| | 2016 | 2017[a] | 2018 | 2018 | 2019 |
| | (audited) | | | (unaudited) | |
| | (CHF in millions) | | | | |
| Residential | 1,337.2 | 1,317.2 | 1,351.9 | 661.4 | 650.3 |
| Business | 284.3 | 267.6 | 285.3 | 135.1 | 150.2 |
| Wholesale[b] | 279.8 | 231.8 | 198.7 | 104.3 | 81.2 |
| thereof intersegment revenue | 40.5 | 1.2 | — | — | — |
| Head office activities | 35.9 | 38.9 | 40.5 | 20.1 | 19.7 |
| **Total** | **1,937.2** | **1,855.4** | **1,876.5** | **920.9** | **901.4** |

(a) The Company initially applied IFRS 15 and IFRS 9 as of January 1, 2018 using the modified retrospective method. Under this method, the comparative information is not restated.
(b) Includes hubbing revenue of CHF 33 million generated in the six-month period ended as of June 30, 2019, and CHF 54 million in the six-month period ended as of June 30, 2018.

## Selected Consolidated Statement of Financial Position Information of Sunrise Communications Group AG

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2016 | 2017 | 2018(1) | 2019 |
| | | (audited) | | (unaudited) |
| | | (CHF in millions) | | |
| **Non-current assets** | | | | |
| Intangible assets | 2,348.9 | 2,210.4 | 2,088.2 | 2,181.2 |
| Property, plant and equipment | 883.8 | 795.6 | 823.8 | 792.3 |
| Right-of-use assets | — | — | — | 290.0 |
| Non-current portion of trade and other receivables | 55.8 | 58.2 | 56.8 | 57.1 |
| Non-current portion of contract assets | — | — | 4.1 | 3.0 |
| Non-current portion of prepaid expenses | 0.6 | 0.2 | 0.6 | — |
| Deferred tax assets | 0.4 | — | — | — |
| Contract costs | — | — | 45.9 | 48.6 |
| **Total non-current assets** | **3,289.5** | **3,064.4** | **3,019.4** | **3.372.2** |
| **Current assets** | | | | |
| Inventories | 28.7 | 57.5 | 46.3 | 45.7 |
| Current portion of trade and other receivables | 393.9 | 435.2 | 326.0 | 305.4 |
| Current portion of contract assets | — | — | 99.7 | 81.7 |
| Current portion of prepaid expenses | 7.9 | 6.5 | 8.9 | 18.6 |
| Cash and cash equivalents | 214.2 | 272.5 | 420.9 | 239.8 |
| **Total current assets** | **644.7** | **771.7** | **901.8** | **691.2** |
| **Total assets** | **3,934.2** | **3,836.0** | **3,921.2** | **4,063.4** |
| **Non-current liabilities** | | | | |
| Non-current portion of loans and notes | 1,828.3 | 1,390.0 | 1,568.3 | 1,572.9 |
| Non-current portion of financial leases | 9.2 | 4.6 | 2.8 | 233.1 |
| Non-current portion of trade and other payables | 16.0 | 5.3 | 0.4 | 40.7 |
| Non-current portion of contract liabilities | — | — | 6.0 | 8.0 |
| Deferred tax liabilities | 184.9 | 160.7 | 155.7 | 134.6 |
| Non-current portion of provisions | 118.2 | 70.9 | 54.4 | 54.4 |
| Employee benefit obligations | 102.2 | 84.8 | 84.9 | 99.9 |
| Derivative financial liabilities | 10.4 | 9.1 | — | — |
| **Total non-current liabilities** | **2,269.4** | **1,725.3** | **1,872.4** | **2,143.6** |
| **Current liabilities** | | | | |
| Current portion of financial leases | 7.6 | 4.9 | 2.0 | 32.7 |
| Current portion of trade and other payables | 476.3 | 541.0 | 501.0 | 471.9 |
| Income tax payable | 3.9 | 23.9 | 26.7 | 36.4 |
| Current portion of provisions | 6.1 | 3.6 | 6.0 | 4.8 |
| Current portion of deferred income | 33.7 | 27.0 | — | — |
| Current portion of contract liabilities | — | — | 31.5 | 30.2 |
| Other current liabilities | 1.0 | 0.1 | 0.4 | 0.7 |
| **Total current liabilities** | 528.6 | 600.4 | 567.7 | 576.7 |
| **Total liabilities** | **2,797.9** | **2,325.8** | **2,440.0** | **2,720.4** |
| **Total equity** | **1,136.3** | **1,510.2** | **1,481.2** | **1,343.0** |

(1) The Company initially applied IFRS 16 as of January 1, 2019, using the modified retrospective method. Under this method, the comparative information is not restated.

## Consolidated Cash Flow Information of Sunrise Communications Group AG

| | For the financial year ended December 31, | | | For the six-month period ended June 30, | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2018(1) | 2019 |
| | | (audited) | | (unaudited) | |
| | | | (CHF in millions) | | |
| Total cash flow from operating activities | 446.0 | 553.3 | 463.9 | 209.5 | 282.8 |
| Total cash flow (used in)/from investing activities | (212.5) | 134.5 | (293.4) | (146.7) | (247.5) |

| | For the financial year ended December 31, | | | For the six-month period ended June 30, | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2018[(1)] | 2019 |
| | | (audited) | | (unaudited) | |
| | | | (CHF in millions) | | |
| Total cash flow (used in)/from financing activities | (265.1) | (627.5) | (23.9) | (15.9) | (217.3) |

(1) The Company initially applied IFRS 16 as of January 1, 2019, using the modified retrospective method. Under this method, the comparative information is not restated.

## Historical Combined Carve-out Financial Information and Other Financial and Operational Information of UPC Switzerland

The tables below set forth the following financial information:

- the audited combined carve-out financial statements of UPC Switzerland and its subsidiaries for the financial years ended December 31, 2018, 2017 and 2016; and
- the unaudited condensed combined interim financial statements of UPC Switzerland for the six-month period ended June 30, 2019, including comparative figures for the six-month period ended June 30, 2018.

Tables containing selected financial and other data for UPC Switzerland and its subsidiaries presented herein have been derived from the audited combined carve-out financial statements of UPC Switzerland and its subsidiaries for the financial years ended December 31, 2016, 2017 and 2018 and the unaudited condensed combined interim financial statements of UPC Switzerland for the six-month period ended June 30, 2019, including comparative figures for the six-month period ended June 30, 2018, each included elsewhere in this Shareholder Information Document.

The UPC Carve-out Financial Statements include the historical financial information of UPC Switzerland and are presented on a combined carve-out basis to include the historical results of operations, financial position, and cash flows applicable to UPC Switzerland. See also "*Presentation of Financial and Other Information*" and "*Acquisition*". The UPC Carve-out Financial Statements may not necessarily be indicative of the historical results that would have been obtained if UPC Switzerland had been a separate company during the periods presented or of the results that may be obtained in the future. You should read this section together with the information contained in "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations of UPC Switzerland*" and the UPC Carve-out Financial Statements included elsewhere in this Shareholder Information Document. UPC Switzerland's financial information contained in this Shareholder Information Document is prepared and presented in accordance with U.S. GAAP.

The UPC Combined Carve-out Financial Statements do not present the entire indebtedness of the UPC Group to be acquired by Sunrise, as the UPC Combined Carve-out Financial Statements only include UPC Switzerland and its subsidiaries. A significant amount of the indebtedness of the UPC Group, to be assumed by Sunrise as part of the Acquisition, has been incurred by entities of the UPC Group that sit above UPC Switzerland in the corporate structure of the UPC Group and were therefore excluded from the UPC Combined Carve-out Financial Statements below.

### Combined Carve-out Statements of Operations of UPC Switzerland

| | Year ended December 31, | | | Six-month period ended June 30, | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2018 | 2019 |
| | | | | (unaudited) | |
| | | | (CHF in millions) | | |
| Revenue | 1,356.7 | 1,348.7 | 1,296.1 | 654.0 | 630.8 |
| Operating costs and expenses: | | | | | |
| Programming and other direct costs of services | 182.7 | 207.7 | 247.1 | 127.4 | 128.0 |
| Other operating | 161.8 | 160.5 | 155.1 | 78.3 | 79.3 |
| Selling, general and administrative (SG&A) | 171.0 | 171.2 | 174.2 | 90.4 | 101.5 |
| Related-party fees and allocations, net | 218.2 | 244.0 | 75.8 | 80.9 | 84.0 |
| Depreciation and amortization | 272.6 | 273.6 | 257.4 | 127.7 | 129.4 |

| | Year ended December 31, | | | Six-month period ended June 30, | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2018 | 2019 |
| | | | | (unaudited) | |
| Impairment, restructuring and other operating items, net | (0.3) | 5.1 | 2.4 | 3.1 | 8.8 |
| | **1,006.0** | **1,062.1** | **912.0** | **507.8** | **531.0** |
| Operating income | **350.7** | **286.6** | **384.1** | **146.2** | **99.8** |
| Non-operating income (expense): | | | | | |
| Interest expense | (4.1) | (3.7) | (3.7) | (1.8) | (1.9) |
| Foreign currency transaction gains (losses), net | 1.2 | (7.2) | 3.3 | 0.4 | 1.0 |
| Other income, net | 22.5 | 12.7 | 8.0 | 5.8 | 4.5 |
| | **19.6** | **1.8** | **7.6** | **4.4** | **3.6** |
| Earnings before income taxes | 370.3 | 288.4 | 391.7 | 150.6 | 103.4 |
| Income tax expense | (62.3) | (56.0) | (70.3) | (30.4) | (20.6) |
| Net earnings | **308.0** | **232.4** | **321.4** | **120.2** | **82.8** |
| Net earnings attributable to non-controlling interests | (5.5) | (5.2) | (4.3) | (2.0) | (2.0) |
| Net earnings attributable to parent entity | **302.5** | **227.2** | **317.1** | **118.2** | **80.8** |

## Combined Carve-out Balance Sheets of UPC Switzerland

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 |
| | | | | (unaudited) |
| | (CHF in millions) | | | |
| **ASSETS** | | | | |
| **Current assets:** | | | | |
| Cash and cash equivalents | 1.5 | 0.4 | 0.4 | 0.7 |
| Trade receivables, net | 290.9 | 254.5 | 235.4 | 142.9 |
| Related-party receivables | 10.4 | 24.8 | 14.6 | 15.9 |
| Other current assets | 10.8 | 9.5 | 46.9 | 32.8 |
| **Total current assets** | **313.6** | **289.2** | **297.3** | **192.3** |
| Property and equipment, net | 1,237.4 | 1,215.3 | 1,210.5 | 1,218.9 |
| Goodwill | 2.853.9 | 2,853.9 | 2,853.9 | 2,853.9 |
| Other assets, net | 79.2 | 73.8 | 70.6 | 180.7 |
| **Total assets** | **4,484.1** | **4,432.2** | **4,432.3** | **4,445.8** |
| **LIABILITIES AND EQUITY** | | | | |
| **Current liabilities:** | | | | |
| Accounts payable | 65.2 | 55.2 | 52.3 | 39.3 |
| Related-party payables | 92.3 | 90.4 | 67.3 | 72.5 |
| Deferred revenue | 335.5 | 288.9 | 234.3 | 164.6 |
| Current portion of debt and capital lease obligations | 91.0 | 93.6 | 112.0 | 133.3 |
| Other accrued and current liabilities | 217.8 | 118.6 | 164.3 | 172.8 |
| **Total current liabilities** | **801.8** | **646.7** | **630.2** | **582.5** |
| Long-term debt and capital lease obligations | 19.6 | 17.8 | 15.2 | 12.8 |
| Other long-term liabilities | 89.5 | 65.0 | 46.6 | 139.6 |
| **Total liabilities** | **910.9** | **729.5** | **692.0** | **734.9** |
| **Equity:** | | | | |
| Net parent investment | 3,563.8 | 3,686.1 | 3,741.5 | 3,713.9 |
| Accumulated other comprehensive loss, net of taxes | (11.2) | (4.4) | (20.9) | (21.8) |
| **Total parent equity** | **3,552.6** | **3,681.7** | **3,720.6** | **3,692.1** |
| Non-controlling interests | 20.6 | 21.0 | 19.7 | 18.8 |
| **Total equity** | **3,573.2** | **3,702.7** | **3,740.3** | **3,710.9** |
| **Total liabilities and equity** | **4,484.1** | **4,432.2** | **4,432.3** | **4,445.8** |

## Combined Carve-out Statements of Cash Flows of UPC Switzerland

| | Year ended December 31, | | | Six-month period ended June 30, | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2018 | 2019 |
| | | | | (unaudited) | |
| | (CHF in millions) | | | | |
| Net cash provided by operating activities | 743.6 | 677.8 | 687.9 | 400.9 | 336.4 |
| Net cash used by investing activities | (189.4) | (165.6) | (176.7) | (79.7) | (102.9) |
| Net cash used by financing activities | (553.1) | (512.6) | (511.8) | (318.4) | (233.6) |

## Selected *Pro Forma* and Other Adjusted Financial Information

*The following Unaudited Pro Forma Combined Financial Information was prepared solely for the purpose of this Shareholder Information Document and in line with the requirements of the SIX Swiss Exchange "Directive on the Presentation of a Complex Financial History in the Listing Prospectus".*

*The historical financial information of Sunrise is derived from the Sunrise unaudited condensed consolidated interim financial statements as of and for the six-month period ended June 30, 2019 prepared in accordance with IAS 34 included elsewhere in this Shareholder Information Document. The unaudited condensed consolidated interim financial statements of Sunrise as of and for the six-month period ended June 30, 2019 prepared in accordance with IAS 34, have not been audited.*

*The historical financial information of Sunrise, as of and for the financial year ended December 31, 2018, is derived from the Sunrise audited consolidated financial statements as of and for the financial year ended December 31, 2018 prepared in accordance with IFRS included elsewhere in this Shareholder Information Document. The consolidated financial statements of Sunrise as of and for the financial year ended December 31, 2018 prepared in accordance with IFRS, have been audited by Ernst & Young AG.*

*The historical financial information of UPC Switzerland, presented under pro forma presentation is derived from the UPC Switzerland unaudited condensed combined carve-out interim financial statements as of and for the six-month period ended June 30, 2019 prepared in accordance with U.S. GAAP included elsewhere in this Shareholder Information Document. The unaudited condensed combined carve-out interim financial statements of UPC Switzerland as of and for the six-month period ended June 30, 2019 prepared in accordance with U.S. GAAP, have not been audited.*

*The historical financial information of UPC Switzerland is derived from the UPC Switzerland audited combined financial statements as of and for the financial year ended December 31, 2018 prepared in accordance with U.S. GAAP included elsewhere in this document. The combined carve-out financial statements of UPC Switzerland as of and for the financial year ended December 31, 2018 prepared in accordance with U.S. GAAP have been audited by KPMG AG.*

*The historical financial information of UPC Switzerland is presented in accordance with U.S. GAAP whereas Sunrise presents the historical financial information in accordance with IFRS. As a result, certain differences have been identified that resulted in adjustments to the historical UPC Switzerland financial statements in order to align with IFRS and to conform to the preliminary presentation of the Group. These adjustments are based on the information available that could be reasonably shared between Sunrise and UPC Switzerland prior to the completion of the Acquisition of the UPC Group.*

*There are also certain differences in the way in which Sunrise and UPC Switzerland present items on their respective historical statements of income and statements of financial position. As a result, certain items have been reclassified in the UPC Switzerland Unaudited Pro Forma Statements of Income and Statements of Financial Position for the six-month period ended June 30, 2019 to align the preliminary presentation of the Group. Those reclassifications, which have no effect on total net assets or net income, are detailed in the tables below.*

*Subsequent to the Acquisition of the UPC Group, further adjustments or reclassifications may prove to be necessary when the Group obtains full access to the information and finalizes the presentation of the financial statements as well as the alignment of accounting policies of the Group.*

### *Principles of Preparation*

*The Unaudited Pro Forma Combined Financial Information was prepared on the basis of a number of assumptions as outlined in the Notes to the Unaudited Pro Forma Combined Financial Information. The Unaudited Pro Forma Combined Financial Information does not reflect the operating results or financial position which Sunrise would have had if Sunrise had actually acquired the UPC Group prior to the carve-outs.*

*The Unaudited Pro Forma Combined Financial Information has been compiled and should be read in conjunction with the respective following documents:*

- *the unaudited condensed consolidated interim financial statements as of and for the six-month period ended June 30, 2019, of Sunrise Communications Group AG and its subsidiaries prepared in compliance with IAS 34 Interim Financial Reporting;*
- *the audited consolidated financial statements as of and for the financial year ended December 31, 2018, of Sunrise Communications Group AG and its subsidiaries prepared in accordance*

*with IFRS;*

- *the unaudited condensed combined carve-out interim financial statements as of and for the six-month period ended June 30, 2019, of UPC Switzerland prepared in accordance with U.S. GAAP; and*
- *the audited combined carve-out financial statements as of and for the financial year ended December 31, 2018, of UPC Switzerland prepared in accordance with U.S. GAAP;*
- *"Summary Consolidated Financial Data", "Risk Factors", "Acquisition and the Group Post Acquisition", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and all of the historical financial statements and the notes thereto included elsewhere in this Shareholder Information Document.*

*The pro forma adjustments are based upon available information and certain preliminary estimates and assumptions which Sunrise management believes to be reasonable.*

*The Unaudited Pro Forma Combined Financial Information is for illustrative purposes only. It should not be taken as indicative for future consolidated results of operations or financial position of the Group. The actual results may differ significantly from those reflected in the Unaudited Pro Forma Combined Financial Information for a number of reasons, including but not limited to, differences between the assumptions and estimates used to prepare the Unaudited Pro Forma Combined Financial Information and actual amounts.*

*Only pro forma adjustments that are factually supportable and can be reliably estimated at the date the Unaudited Pro Forma Combined Financial Information is prepared have been taken into account. For instance, the Unaudited Pro Forma Combined Financial Information does not reflect any restructuring, integration expenses, or non-forecastable expenses that may be incurred in connection with the Acquisition.*

*The Unaudited Pro Forma Combined Financial Information also does not reflect any cost savings potentially realizable from synergies that may be achieved from the Acquisition. Additionally, the Unaudited Pro Forma Combined Financial Information does not reflect any change in tax effect or saving that would result from the integration of UPC Group into the new tax consolidation structure of the Group.*

*Certain reclassifications have been made by Sunrise management to reclassify UPC Switzerland's unaudited and audited statements of income for the six-month period ended June 30, 2019 and the year ended December 31, 2018 and to the statements of financial position as of June 30, 2019 and December 31, 2018 in order to align the presentation of the UPC Switzerland's historical financial statements to the proposed presentation of the Group.*

*Subsequent to the effective date of the Acquisition, any transactions occurring between UPC Group and Sunrise will be considered as intercompany transactions and be eliminated. Balances and transactions between UPC Group and Sunrise as of and for the periods presented are not significant and therefore no eliminations have been made in this Unaudited Pro Forma Combined Financial Information.*

*Due to Sunrise's limited access to information relating to the components of UPC Switzerland's non- controlling interests, the Unaudited Pro Forma Combined Financial Information does not reflect any adjustments related to the UPC Switzerland's non-controlling interests.*

***Accounting for the Acquisition***

*The Unaudited Pro Forma Combined Financial Information reflects the acquisition of UPC Group under the acquisition method in accordance with IFRS 3 Business Combinations. For accounting purposes, Sunrise is deemed the acquirer.*

*All of the Unaudited Pro Forma Combined Financial Information has been prepared assuming the Acquisition of UPC Group and related financing had been completed on January 1, 2018. The acquisition method of accounting requires the purchase consideration to be allocated to the underlying acquired tangible and intangible assets and liabilities based on their respective fair values at the Acquisition date. The excess of the consideration transferred over the preliminary fair value of the acquired UPC Group identifiable net assets is recorded as goodwill on a preliminary basis. Definitive valuations will be performed and the purchase accounting will be finalized based upon valuations and other studies that will be performed with the services of outside valuation specialists after the effective date of the Acquisition. Accordingly, the purchase accounting pro forma adjustments are preliminary and have been made solely for the purpose of preparing the Unaudited Pro Forma Combined Financial Information. As such, these adjustments are* *hypothetical and are subject to revision based on the final determination of the fair value of the assets acquired and liabilities assumed on the date of the Acquisition.*

## Unaudited *Pro Forma* Condensed Statement of Financial Position as of June 30, 2019

| | Sunrise historical information | UPC Switzerland historical information | UPC Switzerland historical information U.S. GAAP to IFRS conversion adjustments | Transaction-related *pro forma* adjustments | *Pro forma* Combined Group |
|---|---|---|---|---|---|
| | | | (unaudited) | | |
| | | | (CHF in millions) | | |
| **Non-current assets** | | | | | |
| Goodwill | 1,147.8 | 2,853.9 | — | 1,363.4 | 5,365.1 |
| Intangible assets | 1,033.5 | 42.7 | — | 1,518.7 | 2,594.9 |
| Property, plant and equipment | 792.3 | 1,191.8 | — | — | 1,984.1 |
| Right-of-use assets | 290.0 | 127.8 | (0.7) | — | 417.1 |
| Non-current derivative assets | — | — | — | 277.6 | 277.6 |
| Non-current portion of trade and other receivables | 57.1 | 4.1 | — | — | 61.2 |
| Non-current portion of contract assets | 3.0 | — | — | — | 3.0 |
| Non-current portion of prepaid expenses | — | 4.2 | — | — | 4.2 |
| Non-current portion of contract costs | 48.6 | — | — | — | 48.6 |
| Investments | — | 31.0 | (7.2) | — | 23.8 |
| **Total non-current assets** | **3,372.2** | **4,255.5** | **(7.9)** | **3,159.7** | **10,779.6** |
| **Current assets** | | | | | |
| Inventories | 45.7 | 5.4 | — | — | 51.1 |
| Current portion of trade and other receivables | 305.4 | 168.7 | — | — | 474.1 |
| Current portion of contract assets | 81.7 | 5.0 | — | — | 86.7 |
| Current portion of derivative assets | — | — | — | 84.0 | 84.0 |
| Current portion of contract cost | — | 6.9 | — | — | 6.9 |
| Current portion of prepaid expenses | 18.6 | 3.6 | — | — | 22.2 |
| Cash and cash equivalents | 239.8 | 0.7 | — | 207.6 | 448.2 |
| **Total current assets** | **691.2** | **190.3** | — | **291.6** | **1,173.1** |
| **Total assets** | **4,063.4** | **4,445.8** | **(7.9)** | **3,451.4** | **11,952.7** |
| **Non-current liabilities** | | | | | |
| Non-current portion of loans and notes | 1,572.9 | — | — | 3,814.6 | 5,387.5 |
| Non-current derivative liabilities | — | — | — | 378.2 | 378.2 |
| Non-current portion of lease liabilities | 233.1 | 116.7 | 0.1 | — | 349.9 |
| Non-current portion of trade and other payables | 40.7 | — | — | 242.6 | 283.3 |
| Deferred tax liabilities | 134.6 | 20.5 | — | 259.8 | 414.8 |
| Non-current portion of provisions | 54.4 | — | — | — | 54.4 |
| Employee benefit obligations | 99.9 | 11.8 | — | — | 111.7 |
| Non-current portion of contract liabilities | 8.0 | 3.4 | — | — | 11.4 |
| **Total non-current liabilities** | **2,143.6** | **152.4** | **0.1** | **4,695.2** | **6,991.3** |
| **Current liabilities** | | | | | |
| Current portion of lease liabilities | 32.7 | 18.7 | — | — | 51.4 |
| Current portion of loans and notes | — | 129.3 | — | — | 129.3 |
| Current portion of trade and other payables | 471.9 | 111.8 | — | — | 583.7 |
| Current portion of derivative liabilities | — | — | — | 101.9 | 101.9 |
| Income tax payable | 36.4 | — | (0.9) | (32.0) | 3.5 |
| Current portion of provisions | 4.8 | 10.5 | — | — | 15.3 |
| Current portion of contract liabilities | 30.2 | 164.6 | — | — | 194.8 |
| Other current liabilities | 0.7 | 147.6 | — | 72.7 | 221.0 |
| **Total current liabilities** | 576.7 | 582.5 | (0.9) | 142.6 | 1,300.9 |
| **Total liabilities** | **2,720.4** | **734.9** | **(0.8)** | **4,837.8** | **8,292.2** |
| **Total equity** | **1,343.0** | **3,710.9** | **(7.0)** | **(1,386.4)** | **3,660.5** |
| **Total equity and liabilities** | **4,063.4** | **4,445.8** | **(7.9)** | **3,451.4** | **11,952.7** |

## Unaudited *Pro Forma* Condensed Statement of Income for the Six-Month Period ended June 30, 2019

| | Sunrise historical information | UPC Switzerland historical information | UPC Switzerland historical information U.S. GAAP to IFRS conversion adjustments | Transaction-related *pro forma* adjustments | *Pro forma* Combined Group |
|---|---|---|---|---|---|
| | | | (unaudited) | | |
| | | | (CHF in millions) | | |
| Revenue | **901.4** | **630.8** | **—** | **—** | **1,532.2** |
| Transmission costs, programming costs and cost of goods sold | (284.8) | (128.0) | 3.3 | — | (409.5) |
| Other operating expenses | (207.6) | (191.3) | 7.8 | 9.8 | (381.3) |
| Wages, salaries and pension costs | (109.0) | (73.5) | — | — | (182.5) |
| Other income | 32.7 | — | — | — | 32.7 |
| Other expenses | (1.3) | (8.8) | — | — | (10.1) |
| **Income before depreciation, amortization and impairment losses, net financial items and income taxes** | **331.4** | **229.2** | **11.2** | **9.8** | **581.5** |
| Amortization | (131.7) | (3.4) | — | (67.0) | (202.1) |
| Depreciation and impairment losses | (101.1) | (126.0) | (9.9) | — | (237.1) |
| Operating income | **98.6** | **99.8** | **1.2** | **(57.3)** | **142.3** |
| Foreign currency (losses)/gains, net | 1.1 | 1.0 | — | — | 2.1 |
| Financial income | 0.1 | 3.1 | — | — | 3.2 |
| Financial expenses | (25.3) | (1.9) | (5.5) | (55.9) | (88.5) |
| **Net financial items** | **(24.2)** | **2.2** | **(5.5)** | **(55.9)** | **(83.3)** |
| Share of (loss) profit of associates | — | 1.4 | (0.5) | — | 0.9 |
| **(Loss)/income before income taxes** | **74.4** | **103.4** | **(4.7)** | **(113.4)** | **60.0** |
| Income taxes | (13.5) | (20.6) | 0.9 | 22.7 | (10.5) |
| **Net (loss)/income** | **60.9** | **82.8** | **(3.8)** | **(90.4)** | **49.5** |

## Unaudited *Pro Forma* Condensed Statement of Income for the Financial Year ended December 31, 2018

| | Sunrise historical information | UPC Switzerland historical information | UPC Switzerland historical information U.S. GAAP to IFRS conversion adjustments | Transaction-related *pro forma* adjustments | *Pro forma* Combined Group |
|---|---|---|---|---|---|
| | | | (unaudited) | | |
| | | | (CHF in millions) | | |
| Revenue | **1,876.5** | **1,296.1** | **—** | **—** | **3,172.6** |
| Transmission costs, programming costs and cost of goods sold | (657.3) | (247.1) | — | — | (904.4) |
| Other operating expenses | (425.5) | (351.4) | — | — | (776.9) |
| Wages, salaries and pension costs | (213.9) | (149.9) | — | — | (363.8) |
| Other income | 25.5 | 97.3 | — | — | 122.8 |
| Other expenses | (3.0) | (3.5) | — | — | (6.5) |
| **Income before depreciation, amortization and impairment losses, net financial items and income taxes** | **602.3** | **641.5** | **—** | **—** | **1,243.8** |
| Amortization | (256.2) | (6.6) | — | (134.3) | (397.0) |
| Depreciation and impairment losses | (169.5) | (250.8) | — | — | (420.3) |
| Operating income | **176.6** | **384.1** | — | **(134.3)** | **426.5** |
| Foreign currency (losses)/gains, net | 2.3 | 3.3 | — | — | 5.6 |
| Financial income | 15.1 | 1.6 | — | — | 16.7 |
| Financial expenses | (50.8) | 5.9 | (9.9) | (113.4) | (168.2) |
| **Net financial items** | **(33.4)** | **10.8** | **(9.9)** | **(113.4)** | **(146.0)** |
| Share of (loss) profit of associates | — | (3.2) | 5.5 | — | 2.3 |
| **(Loss)/income before income taxes** | **143.2** | **391.7** | **(4.5)** | **(247.7)** | **282.8** |
| Income taxes | (36.3) | (70.3) | 0.9 | 49.7 | (56.0) |
| **Net (loss)/income** | **106.9** | **321.4** | **(3.6)** | **(198.0)** | **226.8** |

## *Pro Forma* Adjusted Financial Information

| | As of and for the twelve-month period ended June 30, 2019 |
|---|---|
| | CHF (in millions) |
| Adjusted EBITDA for Sunrise (excluding impact of IFRS 16)(1) | 613.2 |
| Adjusted EBITDA for UPC Switzerland(2) | 597.1 |
| *Pro forma* Adjusted EBITDA of combined Group (excluding impact of IFRS 16) | 1,210.3 |
| | |
| Net debt of Sunrise (excluding impact of IFRS 16)(3) | 1,372.9 |
| Net debt of UPC Group(4) | 3,554.6 |
| Transaction adjustments(5) | 151.0 |
| *Pro forma* net debt of combined Group (excluding impact of IFRS 16) | 5,078.9 |
| Net debt/Adjusted EBITDA (excluding impact of IFRS 16)(6) | 4.2x |

(1) Adjusted EBITDA for Sunrise (excluding impact of IFRS 16) consists of Adjusted EBITDA of Sunrise for the twelve-month period ended June 30, 2019 of CHF 635.0 million *less* CHF 21.8 million of the impact of IFRS 16 in the six-month period ended June 30, 2019. We present the *pro forma* adjusted financial information as it excludes the impact of IFRS 16 for purposes of comparability with prior periods where IFRS 16 was not applicable.

(2) Adjusted EBITDA for UPC Switzerland is the Adjusted EBITDA for UPC Switzerland for the twelve months ended June 30, 2019, calculated based on the carve-out financial statements of UPC Switzerland prepared in accordance with U.S. GAAP and standard ASC 842 which we believe to be a comparable standard to IFRS excluding the impact of IFRS 16. UPC Switzerland management believes Adjusted EBITDA is a meaningful measure because it represents a transparent view of UPC Switzerland's recurring operating performance that is unaffected by UPC Switzerland's capital structure and allows management to readily view operating trends, and identify strategies to improve operating performance. UPC Switzerland management believes that Adjusted EBITDA is a useful indicator of its ability to incur and service its indebtedness and can assist securities analysts, investors and other parties to evaluate UPC Switzerland. Adjusted EBITDA and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing Adjusted EBITDA as reported by UPC Switzerland to Adjusted EBITDA of other companies.

(3) Net debt of Sunrise (excluding impact of IFRS 16) consists of Sunrise Term Loan B Facility, Sunrise Senior Secured Notes and lease obligations (excluding IFRS 16 impact) *less* cash and cash equivalents. See "*Capitalization*" and "*Description of Certain Financing Arrangements*".

(4) Net debt of UPC Group consists of the indebtedness of UPC Group, to be assumed by Sunrise as part of the Acquisition, that has been incurred by entities of UPC Group that sit above UPC Switzerland in the corporate structure of UPC Group. This amount consists of indebtedness under the UPC Senior Secured Notes, the UPC Senior Notes and capital lease obligations (excluding IFRS 16 impact) *less* cash and cash equivalents. See "*Capitalization*" and "*Description of Certain Financing Arrangements*". UPC Group matches the denomination of its borrowings (denominated in euros and U.S. dollars) with the functional currency of the operations (*i.e.*, CHF for UPC Switzerland) or, when it is more cost effective, it provides for an economic hedge against foreign currency exchange rate movements by using derivative instruments to synthetically convert unmatched debt into CHF. As of June 30, 2019, substantially all of UPC Group's debt was either directly or synthetically matched to CHF for UPC Switzerland. The net debt amount presented herein is calculated based on the exchange rate determined by these hedging arrangements.

(5) Transaction adjustments consist of the redemption of the Sunrise Notes with the net proceeds received from an upsizing of the Sunrise Facilities loan and use of cash on the Sunrise balance sheet.

(6) Net debt/Adjusted EBITDA increases by up to 0.1x when impact of IFRS 16 is included..

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF SUNRISE**

*The following is a discussion and analysis of our results of operations and financial condition based on the audited consolidated financial statements of Sunrise Communications Group AG as of and for the financial years ended December 31, 2016, 2017 and 2018 and the unaudited condensed interim consolidated financial statements of Sunrise Communications Group AG as of and for the six-month period ended June 30, 2019, each prepared in accordance with IFRS.*

*Except as the context otherwise indicates, when discussing historical results of operations in this "Management's Discussion and Analysis of Financial Condition and Results of Operations of Sunrise", "Sunrise", "we", "our" and other similar terms are generally used to refer to the business of Sunrise Communications Group AG and its consolidated subsidiaries.*

*The consolidated financial statements of Sunrise Communications Group AG as of and for the financial years ended December 31, 2016, 2017 and 2018 have been audited by Ernst & Young Ltd. The condensed consolidated interim financial statements of Sunrise Communications Group AG as of and for the six-month period ended June 30, 2019 with comparative information as of and for the six-month period ended June 30, 2018, prepared in accordance with IFRS, have not been audited.*

*You should read this discussion in conjunction with the consolidated financial statements and condensed interim consolidated financial statements and the accompanying notes included elsewhere in this Shareholder Information Document. A summary of the critical accounting estimates that have been applied to the consolidated financial statements of Sunrise Communications Group AG is set forth below under "—Critical Accounting Estimates". You should also review the information in the section "Presentation of Financial and Other Information". This discussion also includes forward-looking statements which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties that could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of risks and uncertainties facing us as a result of various factors, see "Forward-Looking Statements" and "Risk Factors".*

**Overview**

We are the second-largest integrated telecommunications provider in Switzerland, based on revenue. We offer a broad range of services, including mobile voice and data, landline voice, landline internet and TV services to consumer and business customers across Switzerland, through our own mobile network and mainly wholesale access for landline services. We are the second-largest mobile telecommunications provider, and the third-largest provider of landline voice, internet and TV services in Switzerland.

Our customer base includes consumer, business and wholesale customers. We offer our consumer customers, who accounted for 72.0% of our revenue in the financial year ended December 31, 2018 and 72.1% for the six-month period ended June 30, 2019, mobile calling, landline voice, internet and TV services from a single source. Mobile voice and data services are provided on both a post-paid and prepaid basis. Our offering is tailored to meet our 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 whereby different products can be bundled together, *e.g.*, mobile and internet.

Our business customers can select from a comprehensive range of products and services, from mobile offers and landline voice, internet and data solutions, to systems integration and management of services. The specific needs of our customers are met with a portfolio of standardized products for small businesses, as well as customized, scalable and secure offers for large enterprises. Our wholesale operations provide mobile voice and data as well as internet services to other national and international carriers. We also offer voice hubbing services.

We categorize our products and services in three different groups, which are also our operating segments: mobile, landline voice and other (including hubbing) and landline internet and TV. For the financial year ended December 31, 2018, we generated total revenue of CHF 1,876.5 million and Adjusted EBITDA of CHF 601 million. During that period, our mobile, landline voice & other (including hubbing) and landline internet & TV businesses comprised 67.7%, 17.3% and 14.9% of our total revenue, respectively. We are headquartered in Zurich, Switzerland, and had 1,611 employees (full-time equivalents) as of December 31, 2018.

We believe that the Acquisition of the UPC Group will reinforce our position as the leading fully-integrated challenger in the Swiss telecommunications market. The Acquisition of the UPC Group is intended to create an even stronger, fully-integrated nationwide challenger across all elements of the 4P bundle, including mobile, landline voice, internet and TV. The combined Group will represent the second-largest telecommunications operator in Switzerland providing mobile calling, landline voice, internet and TV services. Following completion of the Acquisition of the UPC Group, we, together with UPC Switzerland, expect to have a combined customer base of approximately 3.0 million mobile customers (approximately 27% market share (including prepaid customers based on the 12-month activity rule and excluding MVNOs for Sunrise)), 1.2 million broadband internet customers (approximately 30% market share) and 1.3 million TV customers (approximately 31% market share). We believe that the scale of the combined Group will enable us to continue to drive innovation, invest in new services and pursue further growth by providing innovative and competitively priced service offerings. In the financial year ended December 31, 2018, UPC Switzerland generated revenues in the amount of CHF 1,296.1 million, an Adjusted EBITDA in the amount of CHF 629.4 million and an Adjusted Operating Free Cash Flow of CHF 384.6 million.

With the addition of UPC Switzerland's landline network, we will be able to offer a superior next-generation infrastructure that is unique in Switzerland. UPC Switzerland's advanced broadband cable network has access to 2.3 million Swiss homes, which equals approximately 60% of all Swiss households (excluding vacation homes). With the Acquisition of the UPC Group, we are able to acquire our own landline internet infrastructure, thus complementing our current internet offering via FTTH partnerships, Swisscom wholesale, local loop unbundling, and mobile broadband (4G/5G). In addition, there is a clear roadmap to increasing speeds on UPC Switzerland's cable network to 1 Gbps by way of the DOCSIS 3.1 upgrade, which was launched in September 2019. We expect the combined Group to be able to serve 90% of all Swiss households (excluding vacation homes) with internet speeds of 1 Gbps or higher by the end of 2021. We also expect that through further upgrades of this technology, speeds of up to 10 Gbps may be attained in the longer term, thus enabling us to further enhance our customer experience.

We estimate that the Acquisition of the UPC Group will generate significant value for our shareholders through cost and capital expenditure synergies as well as revenue synergies with an estimated net present value of approximately CHF 3.1 billion (after integration costs). These include cost and capital expenditures synergies with an estimated annual run-rate of approximately CHF 230 million to be achieved by 2023, which corresponds to an estimated net present value of approximately CHF 2.7 billion over time. With respect to revenue synergies, we estimate synergies at an annual run-rate of approximately CHF 50 million to be achieved by 2023, corresponding to an estimated net present value of approximately CHF 0.4 billion over time. Net present value is calculated as post-tax cash flows derived from the sum of revenue, cost and capital expenditures synergies less integration costs necessary to realize those synergies, assuming a tax rate of 19% and a weighted average of cost of capital of 6%. For a description of expected synergies and other effects of the Acquisition, see "*The Acquisition—Estimated Synergies and Other Effects of the Acquisition*".

For the financial year ended December 31, 2018, on a *pro forma* basis and assuming the Acquisition had been completed on January 1, 2018, the combined Group's revenues would have been CHF 3,172.6 million and EBITDA would have been CHF 1,243.8 million. For the six-months period ended June 30, 2019, on a *pro forma* basis and assuming the Acquisition had been completed on January 1, 2018, the combined Group's revenues would have been CHF 1,532.2 million and EBITDA would have been CHF 581.5 million. See "*Summary Financial and Operational Information—Pro Forma Combined Financial Information*".

**Certain Factors Affecting Our Business**

***General Economic Conditions***

We are focused on taking advantage of the affluent, quality-driven and data-savvy Swiss market which is supported by several attractive dynamics. According to the Swiss Federal Statistics Office, Switzerland had a population of 8.54 million as of December 31, 2018 (+0.7% compared to 8.48 million as of December 31, 2017). This corresponds to a population density of approximately 206.9 inhabitants per square kilometer in 2018 compared against 117.7 in the EU-28 according to Eurostat. The total population is expected to reach 9.16 million by 2025 according to the Swiss Federal Statistics Office, representing an expected CAGR of 1.0%. This population growth, which creates opportunities for further growth in subscription numbers, has largely been driven by immigration, with the number of foreign residents having grown at a CAGR of 2.5% (2010 to 2018), as compared to 0.6% for Swiss nationals, mainly as a result of Switzerland's attractiveness to young and highly-qualified immigrants. Switzerland is one of the wealthiest countries in Europe. According to the Economist Intelligence Unit ("**EIU**"), Switzerland had an estimated GDP per capita at purchasing power parity of approximately CHF 67,259 for 2018, which is significantly higher than the EU-15 average of approximately CHF 52,371. Moreover, unemployment has remained stable at low levels, with 3.2% in 2015, 3.3% in 2016 and 3.2% in 2017, before sharply improving to 2.6% in 2018. EIU projects the unemployment rate to stay in the range of 2.4% to 2.6% over the next five years. As a result of low unemployment rates and high levels of GDP per capita, we believe that the Swiss population generally accepts higher price levels as long as the quality of service justifies the higher prices. In addition to these favorable macroeconomic and demographic trends, Switzerland benefits from one of Europe's most attractive business environments, supported by a stable currency, low interest rate levels and attractive corporate and individual tax rates significantly below the EU-15 average.

Developments around instability in global markets, and market perceptions concerning these and related issues, could have adverse consequences for us with respect to the substantial amount of debt denominated in euro and U.S. dollars that we will acquire after the Acquisition. The uncertainty surrounding the United Kingdom's pending exit from the European Union could also have a negative impact on the European economy. As the European Union is Switzerland's main trading partner, unfavorable economic conditions in Europe may have an indirect impact on the general economic conditions in Switzerland. The telecommunications sector, however, is historically one of the industrial segments that has in comparison been less affected by global economic downturns. In addition, the Swiss economy also proved relatively robust through past downturns as compared to other European economies. However, recessionary conditions typically adversely impact Swiss consumer spending, including on telecommunications services and products, which in turn impacts our subscription numbers and customer spending. See "*Risk Factors—Risks Related to Our Market and Our Business—We operate exclusively in the Swiss market and as a result our growth prospects depend on economic developments in Switzerland*" and "*—Continuing uncertainties and challenging conditions in the European and global economy may adversely impact our business, financial condition and results of operations*".

***Swiss Regulatory Regime***

Our activities as a mobile and landline operator in Switzerland are subject to regulation and supervision by several regulators, including ComCom, OFCOM and ComCo. While Switzerland is not a member of the European Union or the European Economic Area and is, therefore, not subject to the EU telecommunications regulations, liberalization of the Swiss telecommunications market has moved largely in parallel with the deregulation in the European Union and, subject to some conceptual deviations, such as the lack of regulation of roaming tariffs, is expected to continue to further develop in line with the main EU developments.

In March 2019, the Swiss Parliament passed an amendment to the Swiss Telecommunications Act (the "**TCA**"). The new legislation has, however, not yet entered into force. It is currently expected that the revised TCA will come into effect during the second half of 2020. The revised TCA will provide for, *inter alia*, new rules on (i) international roaming and (ii) other consumer protection measures (*e.g.*, blocking of certain web sites and transparency obligations). See "*Regulation—Telecommunications Industry Regulation—The Swiss Federal Telecommunications Act*". In general, Switzerland benefits from a relatively stable regulatory regime for its telecommunications industry. The Swiss regulatory regime differs in certain areas from the regulatory regime in the European Union. For example, unlike the *ex ante* regime in the European Union, the Swiss LLU regime follows an *ex post* regulation approach, making it necessary for operators first to negotiate the conditions of access with competitors and only request an intervention by the regulator if such negotiations fail.

From time to time, the Swiss legislature may revisit the current access regime as adopted in the TCA and may further expand the liberalization. More specifically, under the revised TCA, the Swiss Federal Council is under an obligation to review, among others, the access regime and to prepare a report to the attention of the Swiss parliament. Such report shall include, if necessary, proposals on how to further advance competition in the Swiss telecommunications markets. We may be affected by such developments in two different ways: On the one hand, we may benefit from further liberalizations of the access regime, expanding our options to provide services on the most modern infrastructure without being subjected to excessive pricing by counterparties for interconnection. On the other hand, it is possible that we may be subject to certain obligations to grant access to other operators at regulated conditions on our own landline and mobile infrastructure, which might impact our margins adversely. See "*Risk Factors—Risks Related to Our Market and Our Business—We are subject to extensive regulation and have been, and may in the future be, adversely affected by regulatory measures applicable to us*".

***5G Spectrum Auction and Roll-Out of Network***

The mobile services that we provide rely on licenses to use certain radio frequencies. At the 5G spectrum auction that took place in January and February 2019, we acquired 100 MHz frequencies in the 700 MHz, 1.4 GHz and 3.5 GHz bands which enable us to secure our existing 4G coverage and to deliver our new 5G network. These licenses are assigned for 15 years. In June 2019, we paid CHF 89 million in fees for the 5G spectrum that we acquired in February 2019.

In June 2018, we put the first end-to-end standardized Swiss 5G network into operation. With "5G for People", consumer customers will be able to use 5G to replace ADSL/VDSL and benefit from UHD TV, surfing with up to 1 Gbit/s. For business customers, 5G-based mobile broadband solutions could be particularly important, as they can be obtained as "managed services" using wireless networks instead of fixed-line connections. "5G for People" benefits business and consumer customers, especially those outside of densely populated areas, since these locations usually do not have fiber optic connections. Consequently, we launched our second 5G network and the world's first standardized 5G network at a ski resort at Laax on Crap Sogn Gion Mountain (2,252 m above sea level). See "*—Liquidity and Capital Resources—Capital Expenditures and Investments*".

***Developments in Mobile Tariffs***

The Swiss mobile market has historically experienced pricing pressure and changes in consumer behavior that have resulted in a decrease in combined blended post-paid and pre-paid ARPU ("**Total Mobile Blended ARPU**") and increasing landline and mobile convergence.

A decrease in the Total Mobile Blended ARPU could have an impact on our financial results if we are not able to expand our subscriber base and manage our costs to remain profitable. See "*Risk Factors—Risks Related to Our Market and Our Business—Decline of ARPU in our mobile services and landline voice services may adversely affect our business, financial condition and results of operations.*" and "*Risk Factors—Risks Related to Our Market and Our Business—The success of our operations depends on our ability to attract new and retain existing subscriptions. If we are unable to successfully manage our level of customer turnover or otherwise lose subscriptions, we may face increased customer acquisition and retention costs and reduced revenues or lower cash flows.*"

In April 2014, we introduced our *Sunrise Freedom* offering which is based on a de-coupling of mobile services and devices. Through this offering, we sell mobile phones and other mobile devices (*e.g.*, tablets) to our customers for a fixed price either for immediate payment of the total purchase price or in monthly installments instead of subsidizing sales of mobile devices in return for increased rates in service rate plans. The launch of Sunrise *Freedom* was a key strategic decision which we believe enhanced our brand image and improved our competitive position as an innovative and customer-focused provider. In March 2018, with the relaunch of the *Freedom* portfolio, *MTV mobile Freedom* became Sunrise *Freedom Young*, following the same flexible principles as Sunrise *Freedom*, maintaining its positioning in the young segment and offering lower monthly fees and more data for high-speed surfing with 4G+, in addition to previous benefits popular with young customers, like unlimited WhatsApp messaging.

***Developments in Our Landline Offering and Convergence Trends***

Our profitability for landline and landline internet services historically depended primarily on the method used by customers to connect to our network and the terms we have negotiated with Swisscom and local utilities. In early 2017, we entered into a long-term fiber optics access agreement with EWZ (Elektrizitätswerk der Stadt Zürich). In 2018, we entered into long-term fiber optics access agreement with SFN (Swiss Fibre Net AG), IWB (Basel Industrial Works) and SIG (Geneva Industrial Services). In 2018, we also agreed with Swisscom to renew the existing commercial agreement for landline access. Based on broadly similar economic terms, the agreement will be valid from January 1, 2019 to June 30, 2022. It will allow us to continue using Swisscom broadband access, including FTTH and xDSL, to deliver connectivity, internet, voice and TV services. In addition to Swisscom broadband access and the long-term agreements with local utilities, we also offer our customers mobile broadband access via 4G and 5G. We also have unbundled local loops, which have lost their importance over time, as pure copper infrastructure offers relatively low speeds. See "*Business of Sunrise—Certain Contracts Relating to the Operation of Our Business*" and "*Risk Factors—Risks Related to Our Market and Our Business—We depend on third-party telecommunications providers over which we have no direct control for the provision of certain services*."

The Acquisition presents a unique opportunity for us and the Swiss telecommunications market: Our fiber partnerships will be combined with UPC Switzerland's advanced cable network and 18,000 km of fiber-optic in backbone and access to form a highly advanced digital infrastructure with a diverse range of access technologies. As a result, we believe that the combined group will be able to offer a superior next-generation infrastructure that is unique in Switzerland: high-speed broadband internet (in the gigabit range) across most Swiss households and companies, even in rural regions, with a broad footprint in Switzerland (with approximately 60% of households (excluding vacation homes) covered via UPC Switzerland's DOCSIS network, approximately 30% of households covered via fiber (some of which overlap with UPC Switzerland's DOCSIS network) and approximately 90% of households covered via VDSL by our wholesale agreement with Swisscom). Following the Acquisition, we will be the only nationwide Swiss operator with access to both FTTH and cable technology.

The combination of growth in mobile data traffic, higher speed requirements in broadband connections and growth in the TV offering have increasingly resulted in operators rewarding fixed and mobile convergence by offering customers attractive rate plans and benefits and a total of 289.1 thousand Sunrise customers who had subscribed to 2P-4P convergent services as of June 30, 2019. With our *Sunrise One* offering introduced in April 2017 and our *Sunrise Advantage* offering, we believe that we are providing attractive bundle and convergent offerings with distinct advantages over hard bundling offers that we expect to reduce churn as customers who have subscribed to convergent services are less likely to churn. For example, the churn rate for customers with both fixed internet and mobile subscriptions is approximately half the churn rate for non-convergent customers. The higher speeds under our partnerships with Swisscom, SFN, IWB, EWZ and SIG (and UPC Switzerland, following the Acquisition) also benefit convergence trends by driving landline internet and TV, which require higher speeds.

***Effectiveness of Our Capital Investment in Infrastructure***

We own our mobile network, which consists of 5G, LTE/4G/4G+, UMTS/HSPA and GSM/GPRS/EDGE network technologies. We have achieved competitive coverage and quality with our network in a market with difficult topographical circumstances and stringent environmental requirements that limit radiation from mobile antennas. As of June 30, 2019, our UMTS/HSPA population coverage was approximately 99.9% while our LTE/4G geographic and population coverage had reached approximately 96.0% and 99.9%, respectively. We have continued to invest in network and spectrum licenses, to build a long-term technologically advanced infrastructure, notably through the acquisition of spectrum licenses and our long-term partnership with our equipment and managed services provider Huawei which allows us to develop a technologically advanced integrated mobile and landline network at controlled cost. See "*Risk Factors—Risks Related to Our Market and Our Business—Our technology partner, Huawei, is subject to extensive scrutiny by the U.S. government for potential sanctions breaches, which could have a material adverse effect on our business*". At the 5G spectrum auction that took place in January and February 2019, we acquired 100 MHz frequencies in the 700 MHz, 1.4 GHz and 3.5 GHz bands which enable us to secure our existing 4G coverage and to deliver our new 5G network.

Based on our 12,400 km nationwide state-of-the-art fiber backbone, we operate integrated national mobile and landline access networks with more than 630 points of presence (local loop unbundling) and full access to Swisscom's last mile, combined with our partnerships with the local utilities SFN, IWB, SIG, and EWZ for the most advanced next-generation fiber technologies, such as vectoring, FTTS, FTTB and FTTH, we provide a full product portfolio to address the demand for high-speed connectivity. While our strategy in the landline network has historically been last mile capex-light and primarily relies on partnerships, we have undertaken considerable investments to further improve the quality and speed of our mobile network in order to provide a best-in-class convergent experience to our customers. Furthermore, through the Acquisition our fiber partnerships will be combined with UPC Switzerland's advanced cable network and 18,000 km of fiber-optic in backbone and access to form a highly advanced digital infrastructure with a diverse range of access technologies. During the period under review, our capital expenditures reached a peak at an aggregate amount of CHF 315.0 million in 2017 (17.0% of revenue). This aggregate amount includes significant investments in our ongoing LTE/4G roll-out. See "*—Liquidity and Capital Resources—Capital Expenditures and Investments*". See "*Risk Factors—Risks Related to Our Market and Our Business—Our business is capital intensive and depends on maintaining and continuously upgrading our networks. We cannot assure you that we will have sufficient liquidity to fund our capital expenditures programs or our ongoing operations in the future.*" and "*—The telecommunications industry is significantly affected by rapid technological change and we may not be able to effectively anticipate or react to these changes*."

***Multi-Brand and Multi-Segment Strategy***

Our current marketing strategy mirrors our multi-brand strategy with each brand targeted at a different market segment and addressing the specific needs of that market segment. We believe that this strategy is important for our financial performance and to protect our brand image. In line with this strategy, we market our mobile services through our *Sunrise Freedom* (mass market), *Sunrise Freedom Young* (youth segment), *yallo* (budget segment) and *Lebara* (ethnic segment) brands and *Business Sunrise* (business customers). Most recently in March 2018, we rebranded our product portfolio as part of our effort to reposition ourselves as providing the best convergent experience in the Swiss market. Our marketing strategy continues to aim at showcasing our *Sunrise* brand as "the smarter choice" to the mass market, based on the three pillars of our brand: fairness, transparency and customer orientation.

In line with our multi-brand strategy in the mobile market, we address the youth segment with the *Sunrise Freedom Young* brand by providing suitable offers to this segment (up to an age of 30). Additionally, we target the budget and the ethnic segments by offering simple and affordable mobile services under our *yallo* and *Lebara* brands, also associated with attractive rates for international destinations. We capture first-time subscriptions through our distinct youth and ethnic segments targeted at young people and immigrants, respectively, in order to create up-sell potential for the mass market segment once customers become older or more settled and increase the domestic usage of their devices. We generally offer similar services, such as mobile voice and data, under these brands as we do under our own *Sunrise Freedom* brand, although we use different rate plans combine with different levels of customer service access. Offerings through our *yallo* and *Lebara* brands focus on attractive international rate plans, targeting foreign residents, specifically the high number of foreigners living in Switzerland by offering better value for calls made to international destinations. Additionally, call costs for customers are reduced for calls made to other *yallo* and *Lebara* customers using the same brand which creates a "community" effect as it encourages mobile users outside these brands to subscribe to *yallo* and *Lebara*.

We also offer products through a variety of third-party distributors, including Mobilezone AG, Aldi Suisse AG and callExpert GmbH to market and sell our products under their wide net of sales points. We pay "airtime" share and marketing contributions to our distribution partners in exchange for the customers they provide. Our multi-brand strategy and branded resellers allow us to leverage our existing network infrastructure to provide additional revenue streams and reach a more diverse customer base. See *"Risk Factors—Risks Related to Our Market and Our Business—We depend on our reseller and multi-brand strategy to access a broader and more diverse base of subscriptions*."

***Operational Efficiencies***

We have improved, and plan to continue improving, our earnings and cash flow by reducing operating costs within our business through a number of measures, such as strict control on cash outflows, improved distribution, pricing and sales management, tighter steering of customer acquisition and retention costs and tighter control of workforce costs supported by continuously assessing further outsourcing opportunities. This strict cost focus offset selective investments into business growth during the period under review, but we managed to maintain steady organic operating expenses while the scale of our business increased. On August 3, 2017, we sold our subsidiary Swiss Towers AG ("**Swiss Towers**") to a consortium led by Cellnex Telecom S.A. for a total consideration of CHF 502 million. The sale and the related deconsolidation of assets and liabilities of the subsidiary resulted in higher operating expenses (due to network service fees to be paid to Swiss Towers) and reduced net debt and financing costs, as a portion of the proceeds was used to repay and cancel CHF 450 million of existing term loans.

In order to improve our profitability and cash flow by reducing operating expenses, we are increasingly focused on efficiency improvements throughout our company in particular, by focusing on network operating costs and improvements in our customer care department. We believe that these added efficiencies will permit us to continue to provide excellent quality products and services at reduced cost while experiencing improved profitability. We plan to continue reviewing our operations at all levels and implement efficiencies where appropriate. See "*Risk Factors— Risks Related to Our Market and Our Business—We plan to lower our cost base and improve our profitability through a series of efficiency measures that may be costly or difficult to implement, fail to be effective or otherwise disrupt our business.*"

### *Seasonality*

Although our businesses are not subject to significant seasonal effects, mobile revenue tends to increase during the Christmas holiday period, Easter and spring vacation periods, the summer months and Ramadan, particularly revenue from roaming fees from tourists travelling to Switzerland. Mobile revenue then tends to decrease in the first quarter of each year due to lower usage after the Christmas period and the smaller number of days in February. Post-paid mobile revenue is generally higher during the Swiss ski season than at other times. Landline voice revenue tends to be slightly lower during summer holiday months. Certain patterns, for example in bonus payments and a shift in receivables from the first to the second quarter, also result in seasonal effects on our cash flow and net working capital. Hardware revenue can also depend on handset innovation and launches and is volatile by nature. Our revenues from mobile hardware sales tend to increase when major mobile hardware companies launch new products, usually at the end of the third quarter or the beginning of fourth quarter.

Our cash flows in the first quarter of the year are impacted by certain annual payments, including annual lease payments and management and employee bonuses paid in March. We pay dividends in the second quarter which also has an impact on cash flows. Prior to the disposal of Swiss Towers, our cash flows in the first quarter were negatively impacted by lease payment for a large number of antenna sites.

### *The Acquisition*

On February 27, 2019, we, as buyer, entered into a share purchase agreement (the "**Share Purchase Agreement**") with Liberty Global CE Holding BV (the "**Seller**") and Liberty Global plc as guarantor regarding the sale and purchase of all shares in Liberty Global Europe Financing BV ("**LGEF**", and together with its subsidiaries, the "**UPC Group**"). Under the terms of the Share Purchase Agreement, we will acquire from the Seller all shares in LGEF for a total enterprise value of CHF 6.3 billion (such purchase of all shares in LGEF, the "**Acquisition**"). See "*Acquisition*".

In the financial year ended December 31, 2018, UPC Switzerland generated revenues in the amount of CHF 1,296.1 million. See "*Selected Consolidated Financial Information—Historical Combined Carve-out Financial Information and Other Financial and Operating Information of UPC Switzerland*". For a detailed discussion of UPC Switzerland's operations and financial results, see "*Business of UPC Switzerland*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations of UPC Switzerland*".

We believe that the Acquisition will reinforce our position as the leading fully-integrated challenger in the Swiss telecommunications market. The Acquisition is intended to create an even stronger, fully-integrated nationwide challenger across all elements of the 4P bundle, including mobile, landline voice, internet and TV. Following completion of the Acquisition of the UPC Group, we, together with UPC Switzerland, expect to have a combined customer base of approximately 3.0 million mobile customers (approximately 27% market share (including prepaid customers based on the 12-month activity rule and excluding MVNOs for Sunrise)), 1.2 million broadband internet customers (approximately 30% market share) and 1.3 million TV customers (approximately 31% market share). The scale of the Group will enable us to continue to drive innovation, to invest in new services and to pursue further growth by providing innovative and competitively priced service offerings.

With the addition of UPC Switzerland's network, we believe that we will be able to offer a superior next-generation infrastructure that is unique in Switzerland (see "*Business of Sunrise—Our Strengths—Superior next generation infrastructure*"). UPC Switzerland's advanced cable network has access to 2.3 million Swiss homes, which equals approximately 60% of all Swiss households (excluding vacation homes). With the Acquisition, we are able to acquire our own internet infrastructure, thus complementing our current offering of 4G, 5G and FTTH partnerships. In addition, there is a clear roadmap to increasing speeds on UPC Switzerland's cable network to 1 Gbps by way of the DOCSIS 3.1 upgrade, which was launched in September 2019. We expect the combined Group to be able to serve 90% of all Swiss households (excluding vacation homes) with internet speeds of 1 Gbps or higher by the end of 2021. We also expect that through further upgrades of this technology, speeds of up to 10 Gbps may be attained in the longer term, thus enabling us to further enhance customer experience.

Going forward, we expect that the Acquisition will enhance our cash flow generation, thus allowing the continuation of our existing dividend policy and supporting the contemplated de-leveraging profile of the Group. Further, the proposed financing of the Acquisition will result in an estimated combined *pro forma* net debt of CHF 5,078.9 million, which corresponds to an LTM June 2019 leverage ratio of 3.6x (post run-rate cost synergies) or an LTM June 2019 leverage ratio of 4.2x (before run-rate synergies and excluding IFRS 16 impact). We expect a leverage ratio below 3.0x after achieving the run-rate synergies and target a leverage ratio below 2.5x thereafter.

We estimate that the Acquisition of the UPC Group will generate significant value for our shareholders through cost and capital expenditure synergies as well as revenue synergies with an estimated net present value of approximately CHF 3.1 billion (after integration costs). These include cost and capital expenditures synergies with an estimated annual run-rate of approximately CHF 230 million to be achieved by 2023, which corresponds to an estimated net present value of approximately CHF 2.7 billion over time. The costs and capital expenditures synergies mostly relate to reduced fixed network access costs, MVNO savings, savings on content and interconnect costs, streamlining of central services and systems such as marketing, IT systems and network, customer care, sales and distribution. With respect to revenue synergies, we estimate synergies at an annual run-rate of approximately CHF 50 million to be achieved by 2023, corresponding to an estimated net present value of approximately CHF 0.4 billion over time. We estimate revenue synergies primarily in the areas of B2C cross-selling and leveraging of other B2C opportunities. Net present value is calculated as post-tax cash flows derived from the sum of revenue, cost and capital expenditures synergies less integration costs necessary to realize those synergies, assuming a tax rate of 19% and a weighted average of cost of capital of 6%. For a description of expected synergies and other effects of the Acquisition, see "*The Acquisition—Estimated Synergies and Other Effects of the Acquisition*". We estimate integration costs of CHF 230-250 million including approximately CHF 30 million of costs in relation to the integration of headquarters and approximately CHF 30 million of costs in relation to the transitional services agreement with Liberty Global.

**The financial goals described above constitute forward-looking statements. Forward-looking statements are not guarantees of future financial performance, and the Group's actual results and ratios could differ materially from those expressed or implied by these forward-looking statements as a result of many factors, including but not limited to those described under "*Forward-Looking Statements*" and "*Risk Factors*". Investors are urged not to place undue reliance on any of the statements set forth above. See also "*Presentation of Financial and Other Information—Other Financial Measures*" for an explanation of EBITDA as well as certain factors investors should consider carefully before relying on this non-IFRS measure.**

**Subscription Base**

The following table shows our total subscription base in mobile and internet and TV as of the dates indicated:

| | **Mobile and Landline Subscription Base** | | | | |
|---|---|---|---|---|---|
| | **As of December 31,** | | | **As of June 30,** | |
| | **2016** | **2017** | **2018** | **2018** | **2019** |
| | **(in thousands of subscriptions)** | | | | |
| | **(unaudited)** | | | | |
| **Mobile**[(1)] | | | | | |
| Post-paid | 1,485.2 | 1,594.0 | 1,728.8 | 1,655.4 | 1,812.3 |
| Primary | 1,240.4 | 1,313.3 | 1,406.5 | 1,355.0 | 1,463.1 |
| Secondary | 244.8 | 280.6 | 322.3 | 300.4 | 349.2 |
| Prepaid[(2)] | | | | | |
| 3-month rule | 841.7 | 755.6 | 627.5 | 687.0 | 591.7 |
| 12-month rule | 1,431.1 | 1,281.5 | 1,067.6 | 1,185.2 | 973.1 |
| **Landline** | | | | | |
| Landline voice | 416.7 | 440.9 | 468.2 | 453.1 | 491.4 |
| Internet | 371.8 | 422.2 | 457.3 | 441.8 | 483.3 |
| TV | 162.8 | 213.5 | 243.7 | 229.4 | 263.4 |
| **Total**[(3)] | **3,278.2** | **3,426.2** | **3,525.5** | **3,466.7** | **3,642.1** |

(1) Our mobile subscription numbers exclude MVNOs but include reseller-originated and *yallo* and *Lebara* subscriptions.

(2) Prepaid mobile subscriptions are counted in our subscription base if they have had an activity event, such as a usage or refill, within the last 91 days (3-month rule).

(3) The total subscription base only includes prepaid mobile subscriptions that have had an activity event, such as a usage or refill, within the last 91 days (3-month rule).

## Key Drivers of Our Mobile Revenue and Profitability

### *General*

Our mobile revenue is principally driven by the number of mobile subscriptions on our network, average revenue per user ("**ARPU**"), and mobile hardware sales.

Our subscription base is driven by our strategic focus on quality across networks, customer interfaces and innovative converged products. Further key drivers include our multi-brand strategy, our growing B2B business, prepaid to post-paid migration, and increasing usage of secondary data SIMs in addition to primary SIMs. Subscriptions are also impacted by market dynamics, competition, general macroeconomic conditions, and consumer trends. Against the background of these drivers, we managed to increase our post-paid subscription base between 2016 and 2018 from 1,485.2 thousand to 1,728.8 thousand. Our prepaid subscription base, where the ARPU is considerably lower than in post-paid, decreased mainly due to prepaid to post-paid migration.

ARPU includes monthly subscription fees for post-paid plans, usage fees for services that are incremental to the services included within our monthly subscription fees, and mobile termination rates ("**MTR**"), which are revenues generated from other operators for calls terminated on our mobile network. ARPU is driven by mix effects, dilution from above-average growth in secondary data SIMs that carry a lower ARPU than primary SIMs, roaming trends, and decreasing MTR trends. ARPU is also impacted by certain industry factors, such as competition-driven price evolution, general macroeconomic conditions impacting consumer spending and consumer trends. As a result of these drivers, ARPU decreased both in prepaid and post-paid between 2016 and 2018 from CHF 14.9 and CHF 44.5 to CHF 11.5 and CHF 40.3, respectively. A main driver for this development was MTR (primarily in 2017), where the ARPU decrease was largely offset at the gross profit level as both revenue and costs of mobile operators were similarly reduced. Another key driver in post-paid is the dilution effect of the rapid growth in secondary data SIMs. While at the ARPU level this represents dilution, secondary data SIM growth is positive on the revenue level as it increases revenue from existing individual customers.

Blended mobile ARPU combines post-paid and prepaid. While it decreased in 2017 due to MTR, it slightly increased in 2018 due to strong customer growth in post-paid, where ARPU is considerably higher than in prepaid.

Mobile hardware revenue depends on handset innovation, product launches, pricing and attachment rate. As such, hardware revenue is volatile by nature and hardware profitability is significantly below the average level of profitability. Further mobile revenue sources include revenues from MVNO agreements as well as general fees, such as late payment and legal interception fees.

### *Current Trends and Financial Implications*

Our mobile operations contributed 67.7% and 67.0% of our total revenue for the financial year ended December 31, 2018 and the six-month period ended June 30, 2019, respectively. We believe that key drivers for this development are as discussed below:

*Mobile Subscription Base*

Our mobile subscription base increased from 2,326.9 thousand subscriptions as of December 31, 2016 to 2,349.6 thousand as of December 31, 2017, 2,356.3 thousand as of December 31, 2018 and to 2,404.0 thousand as of June 30, 2019, excluding MVNOs but including reseller-originated and *yallo* and *Lebara* subscriptions.

The total number of our post-paid mobile subscriptions steadily increased by 108.7 thousand, or 7.3%, from December 31, 2016 to 1,594.0 thousand as of December 31, 2017 and by 134.8 thousand, or 8.5%, from December 31, 2017 to 1,728.8 million as of December 31, 2018. From December 31, 2018, the total number of our post-paid mobile subscriptions increased by 83.5 thousand, or 4.8%, to 1,812.3 thousand as of June 30, 2019. We believe that the increase was primarily driven by our strategic focus on quality across networks, customer interfaces and innovative converged products. Further key drivers include our multi-brand strategy, our growing B2B business, and prepaid to post-paid migration. We believe that customer demand for mobile data is also reflected in the increase of secondary subscriptions (*e.g.*, multi-SIM and data-SIM) used by customers in addition to their primary subscription.

The total number of our prepaid mobile subscriptions decreased from 841.7 thousand as of December 31, 2016, to 755.6 thousand as of December 31, 2017 and to 627.5 thousand as of December 31, 2018 and further decreased by 35.8 thousand, or 5.7%, as of June 30, 2019. We believe that this decrease was driven by several factors, including prepaid to post-paid migration as post-paid flat-rate plans provide similar cost control to prepaid mobile subscriptions. Furthermore, our post-paid Sunrise *Freedom* rate plans offer similar flexibility to customers with prepaid tariffs, in that the Sunrise *Freedom* service rate plans may be terminated upon one month's notice.

Our total mobile market share on our network, applying the 12-month rule for prepaid customers, increased marginally to 25.0% as of June 30, 2019. As of December 31, 2018, prepaid and post-paid subscriptions comprised approximately 26.6% and 73.4% respectively, of our mobile subscription base.

The table below sets forth selected subscription data for our mobile business for the periods indicated, including an analysis by type of subscription.

| | **Mobile Subscription Base** | | | | |
|---|---|---|---|---|---|
| | **As of and for the financial year December 31,** | | | **As of and for the six-month period ended June 30,** | |
| | **2016** | **2017** | **2018** | **2018** | **2019** |
| | **(in thousands of subscriptions, except percentages)** | | | | |
| **Subscriptions at end of period** | **2,326.9** | **2,349.6** | **2,356.3** | **2,342.4** | **2,404.0** |
| Subscription growth over prior period | N/A | 0.1% | — | — | 2.6% |
| *Of which:* | | | | | |
| Prepaid(1) | | | | | |
| Three-month rule | 841.7 | 755.6 | 627.5 | 687.0 | 591.7 |
| Twelve-month rule | 1,431.1 | 1,281.5 | 1,067.6 | 1,185.2 | 973.1 |
| Post-paid(2) | 1,485.2 | 1,594.0 | 1,728.8 | 1,655.4 | 1,812.3 |
| Primary(3) | 1,240.4 | 1,313.3 | 1,406.5 | 1,355.0 | 1,463.1 |
| Secondary(3) | 244.8 | 280.6 | 322.3 | 300.4 | 349.2 |
| **Net additions during period** | **N/A** | **22.7** | **6.7** | **0.8** | **61.6** |
| *Of which:* | | | | | |
| Prepaid(1) | N/A | (86.1) | (128.1) | (118.1) | (95.3) |
| Post-paid(2) | 85.7 | 108.7 | 134.8 | 118.9 | 156.9 |

(1) Prepaid mobile subscriptions are counted in our subscription base if they have had an activity event, such as a usage or refill, within the last 91 days.

(2) Post-paid mobile subscriptions are counted in our subscription base as long as they have an active contract.

(3) Primary post-paid subscriptions are rate plans customers use as the main subscription, whereas secondary post-paid subscriptions are rate plans used by customers in addition to their main subscription or as data only plans (*e.g.*, used for tablet mobile data usage).

*Mobile Churn*

"Churn" refers to the percentage of subscription deactivations during a given period. Churn affects other key performance indicators, including total subscriptions. We deem mobile post-paid subscriptions to have churned when customers voluntarily terminate their mobile subscription with us (and either move to a different provider or choose not to have a mobile service) or if we terminate their subscriptions for a misuse of our services, fraud or default on payment. Post-paid mobile subscriptions are also deemed to have churned if the customers have switched their post-paid subscription to a prepaid subscription with us using their same mobile number (post-paid to prepaid conversion). We calculate mobile churn by dividing the gross decrease in the number of mobile subscriptions for a period by the average number of subscriptions during that period.

After declining from 14.1% in the financial year ended December 31, 2016 to 13.3% in the financial year ended December 31, 2017, our post-paid mobile churn rate for the financial year ended December 31, 2018 increased to 13.8%. In the twelve-month period ended June 30, 2019, our post-paid mobile churn rate decreased to 12.9% as compared to 13.9% for the twelve-month period ended June 30, 2018. Churn can be driven by various factors, including competition NPS, customer satisfaction and quality of service. Furthermore, churn also depends on the mix among our *Sunrise* branded tariffs and our other brands (*e.g.*, *yallo*), with the latter having above-average churn. We intend to improve churn by having a strategic focus on quality across networks, customer interfaces and innovative converged products.

| | Post-paid Mobile Churn(1) | | | | |
|---|---|---|---|---|---|
| | For the financial year ended December 31, | | | For the twelve-month period ended June 30, | |
| | 2016 | 2017 | 2018 | 2018 | 2019 |
| | (in percentages) | | | | |
| **Mobile Churn** | | | | | |
| Post-paid mobile churn .............................. | 14.1% | 13.3% | 13.8% | 13.9% | 12.9% |

(1) Post-paid mobile subscriptions are counted in our subscription base as long as they have an active contract. Once the contract is terminated, these subscriptions are counted as churn.

*Mobile ARPU*

Mobile ARPU mainly consists of revenues generated from monthly subscription fees, usage fees for services that are incremental to the services allocated within the monthly subscription fees, and MTR paid to us by other operators for calls terminated on our mobile network.

Total Mobile Blended ARPU combines post-paid and prepaid. While it decreased in 2017 from CHF 33.1 to CHF 31.7 mainly due to an extraordinary reduction in MTR, it slightly increased in 2018 from CHF 31.7 to CHF 31.8 due to strong customer growth in post-paid, where ARPU is much higher than in prepaid. Total Mobile Blended ARPU remained stable at CHF 31.4 for the six-month periods ended June 30, 2018 and 2019.

Mobile Post-paid ARPU decreased by CHF 2.9, or 6.5%, to CHF 41.6 for the financial year ended December 31, 2017, from CHF 44.5 for the financial year ended December 31, 2016. We attribute this decrease primarily to an extraordinary reduction in MTR in 2017. Further drivers include mix effects, roaming trends, and dilution from above-average growth in secondary data SIMs that carry a lower ARPU than primary SIMs. Mobile Post-paid ARPU decreased by CHF 1.3, or 3.1%, to CHF 40.3 for the financial year ended December 31, 2018, from CHF 41.6 for the financial year ended December 31, 2017. This decrease was primarily driven by MTR reduction, mix effects, roaming trends and the fact that we count secondary subscriptions as separate subscriptions when calculating ARPU which has an negative effect on our ARPU while secondary SIM cards still result in incremental revenue. Mobile Post-paid ARPU decreased by CHF 1.7, or 4.2%, from CHF 40.2 in the six-month period ended June 30, 2018 to CHF 38.5 in the six-month period ended June 30, 2019. This decrease was primarily driven by the continued secondary SIM dilution, reduction in mobile termination rates (MTR), roaming and increased promotional intensity.

Mobile Prepaid ARPU decreased by CHF 2.2, or 14.5%, from CHF 14.9 for the financial year ended December 31, 2016 to CHF 12.7 for the financial year ended December 31, 2017. Mobile Prepaid ARPU decreased further by CHF 1.2, or 9.4%, to CHF 11.5 for the financial year ended December 31, 2018, from CHF 12.7 for the financial year ended December 31, 2017. Mobile Prepaid ARPU decreased by CHF 0.7, or 6.7%, from CHF 11.5 for the six-month period ended June 30, 2018 to CHF 10.8 for the six-month period ended June 30, 2019. We attribute this ongoing decrease primarily to the trend of high-value prepaid customers migrating to post-paid. Furthermore, some prepaid customers tend to increasingly use OTT solutions.

The following table shows our Mobile ARPU as of the dates indicated:

| | Mobile ARPU | | | | |
|---|---|---|---|---|---|
| | For the financial year ended December 31, | | | For the six-month period ended June 30, | |
| | 2016 | 2017 | 2018 | 2018 | 2019 |
| | (in CHF, except percentages) | | | | |
| **Total Mobile Blended ARPU**[(1)] ............................... | 33.1 | 31.7 | 31.8 | 31.4 | 31.4 |
| Increase/(decrease) from prior equivalent period ... | (3.8)% | (4.2)% | 0.3% | 6.4% | — |
| **Post-paid** .................................................................. | 44.5 | 41.6 | 40.5 | 40.2 | 38.5 |
| Increase/(decrease) from prior equivalent period ... | (6.5)% | (6.5)% | (3.1)% | (2.2)% | (4.2)% |
| **Prepaid** ..................................................................... | 14.9 | 12.7 | 11.5 | 11.5 | 10.8 |
| Increase/(decrease) from prior equivalent period ... | (9.7%) | (14.5)% | (9.4)% | (10.1)% | (6.7)% |

(1) We define mobile ARPU as the total mobile revenue in the period divided by the average number of mobile subscriptions in the period, which is subsequently divided by the number of months in the period. The average number of mobile subscriptions during a period is calculated by adding together the number of subscriptions at the beginning and end of each month during the period, dividing by two and then averaging the results from all months during the period.

*Mobile Termination Rates*

MTR contribute to our mobile revenue and costs as well as landline costs. We receive revenues from other operators for calls terminated on our mobile network and we pay fees to other operators for calls terminated on their mobile networks. Mobile-to-mobile and fixed-to-mobile termination rates were bilaterally agreed among Sunrise, Swisscom and Salt in January 2007 and have since undergone a number of changes. They were renegotiated in 2016 as set out below:

| MTR in CHF/minute | Termination on Swisscom Mobile Network | Termination on Sunrise or Salt Mobile Network |
|---|---|---|
| **Effective Date** | | |
| 2016 | 0.0595 | 0.0735 |
| 2017 | 0.0310 | 0.0430 |
| 2018 | 0.0295 | 0.0390 |
| 2019 | 0.0280 | 0.0350 |

Each of these rate decreases resulted in a corresponding decline in our revenue from mobile termination rates which were largely offset by reduced costs for terminating calls on another operator's network.

### Key Drivers of Our Landline Revenue and Profitability

***General***

We provide (i) landline services (consisting of voice, hubbing and other services) and (ii) landline internet and TV services, to both consumer and business customers.

We provide our landline services mainly indirectly through Swisscom's network for CPS, VDSL and fiber, as well as through SFN, IWB, EWZ, SIG and other local utilities for fiber access. To a lesser extent, we also use our own LLU infrastructure, where download and upload speeds are relatively low. Furthermore, through the Acquisition, our fiber partnerships will be combined with UPC Switzerland's advanced cable network and 18,000 km of fiber-optic in backbone and access to form a highly advanced digital infrastructure with a diverse range of access technologies.

Our landline subscription acquisition costs depend on the method of connectivity offered and the terms we have negotiated with Swisscom and local utilities. In 2017, we entered into a fiber optics agreement with EWZ. In early 2018, we entered into a fiber optics access agreement with SFN (Swiss Fibre Net AG) and IWB (Basel Industrial Works) and SIG (Geneva Industrial Services). In 2018, we also agreed with Swisscom to renew the existing commercial agreement for landline access. Based on broadly similar economic terms, the agreement will be valid from January 1, 2019 to June 30, 2022. It will allow us to continue using Swisscom broadband access, including FTTH and xDSL, and to deliver connectivity, internet, voice and TV services. In addition to payments to Swisscom and local utilities, landline expenses also include the cost of customer premises equipment, such as in-house wiring and installation and commissions paid to agents.

With our mobile market share exceeding internet and TV market shares, we are well positioned to benefit from the trend towards convergence. We therefore launched *Sunrise One* in April 2017, positioning ourselves 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 voice, internet and TV services in one convergent offer that consists of *Sunrise Mobile Unlimited* and *Sunrise Home Unlimited*. In response to the increasing demand for unlimited internet by itself, we launched *Sunrise One light* in November 2018. *Sunrise One light* combines mobile, landline, and internet services in one convergent offer, always with the highest possible connection speed. The *Sunrise One* and *Sunrise One light* portfolios were introduced to reinforce our strategy to further drive convergence. We believe that the ability to tailor the configuration, allowing customers to pay only for the services they need, has a distinct advantage over hard bundling.

*Landline Services*

***Landline Voice:*** We offer a variety of voice services to consumer and business customers throughout Switzerland. The substantial majority of our internet subscriptions are also landline voice subscriptions, as new internet subscribers get a voice telephone number automatically allocated to them. Landline voice revenue is principally driven by the number of subscriptions on our network and the services customers use. Our Landline voice ARPU consists of revenues generated from monthly subscription fees, usage fees for services that are incremental to the services allocated with our monthly subscription fees and landline termination rates. In addition, we generate revenue from large corporate customers based on the contractual terms of the relevant engagement.

***Hubbing and other:*** We also generate revenue by carrying voice and data traffic on our landline and mobile infrastructure on a wholesale basis. We offer hubbing services on the basis of excess capacity of our proprietary landline network. To provide these services, we rely on a number of platforms including third-party access lines, transmission networks and voice infrastructure. Voice hubbing services is a trading business in which we exchange voice services (minutes of international phone calls) with other carriers and charge a cost per minute. Voice hubbing profitability is significantly below the group average level of profitability, especially for calls terminating outside of Switzerland because for those we only have the role of an intermediary party. Our typical customers in this area are major and well-known international telecommunications operators, such as Deutsche Telekom, Orange and others. Our contracts with these other operators are typically based on interconnection agreements that allow us to interact with them in a framework to buy and sell from each other, subject to more specific service level agreements. Billing for such services usually occurs on a monthly basis by looking at the traded minutes as well as the rates. In this regard sell and buy rates represent the commercial conditions of the exchange and are reviewed regularly. The constant renegotiation of terms and conditions with our partners is necessary in order for us to be in line with global market trends as well as to reduce financial losses, maximize and optimize overall margins and revenues. The aggregate revenue generated by contracts for the provision of voice hubbing services was CHF 32.7 million for the six-month period ended June 30, 2019, as compared to CHF 53.9 million for the six-month period ended June 30, 2018, and CHF 95.6 million, CHF 128.3 million and CHF 132.4 million for the financial years ended December 31, 2018, 2017 and 2016, respectively.

*Landline Internet and TV*

***Internet:*** We offer internet services to consumer and business customers on monthly rate plans.

Our internet services revenue is principally driven by the number of subscriptions and the services customers use. Internet ARPU consists primarily of revenue generated from monthly subscription fees. In addition, we generate revenue from business customers based on the contractual terms of the engagement. Costs related to customer hardware installations for our current rate plans are capitalized and depreciated. In addition, access costs and line rental charges incurred in product bundling of internet with landline voice and TV are partially attributed to all these components.

***TV***: Our TV service, *Sunrise TV*, positions us as one of the first quadruple-play operators in Switzerland. Our TV service is targeted primarily at consumer customers.

Our TV services revenue is principally driven by the number of subscriptions and the services customers use. Our principal TV cost is content-related cost. Costs related to customer hardware installations for our current rate plans are capitalized and depreciated. In addition, access costs and line rental charges incurred in product bundling of internet with landline voice and TV are partially attributed to all these components.

***Current Trends and Financial Implications***

*Overview*

Our landline voice, internet and TV operations contributed 32.3% and 33.0% of our total revenue for the financial year ended December 31, 2018 and the six-month period ended June 30, 2019, respectively.

We believe key drivers are as discussed below:

*Landline Subscription Base*

As of December 31, 2018, we had 468.2 thousand landline voice subscriptions. Subscriptions increased by 5.8% and 6.2% in 2017 and 2018, respectively. Subscriptions further increased by 8.5% in the six-month period ended June 30, 2019 to 491.4 thousand compared to the six-month period ended June 30, 2018. Growth was driven by internet subscription growth, as new internet subscribers get a voice telephone number automatically allocated to them.

As of December 31, 2018, we had 457.3 thousand internet and 243.7 thousand TV subscriptions. While internet subscriptions reached 13.6% and 8.3% growth in 2017 and 2018, respectively, TV subscriptions grew by 31.1% and 14.1%, respectively. Internet and TV subscriptions further increased by 9.4% and 14.8% in the six-month period ended June 30, 2019 to 483.3 thousand and 263.4 thousand, respectively. Internet and TV growth was supported by 2-4P bundle offers, attractive TV content, focus on service excellence, and dedicated promotions.

| | Landline Subscription Base | | | | |
|---|---|---|---|---|---|
| | As of and for the financial year ended December 31, | | | As of and for the six-month period ended June 30, | |
| | 2016 | 2017 | 2018 | 2018 | 2019 |
| | (thousands of subscriptions, except percentages) | | | | |
| **Landline voice** | 416.7 | 440.9 | 468.2 | 453.1 | 491.4 |
| Increase/(decrease) over prior period | 5.7% | 5.8% | 6.2% | 5.7% | 8.5% |
| **Internet** | 371.8 | 422.2 | 457.3 | 441.8 | 483.3 |
| Increase/(decrease) over prior period | 8.9% | 13.6% | 8.3% | 10.9% | 9.4% |
| **TV** | 162.8 | 213.5 | 243.7 | 229.4 | 263.4 |
| Increase/(decrease) over prior period | 21.6% | 31.1% | 14.1% | 22.3% | 14.8% |
| **Total** | **951.3** | **1076.6** | **1,169.2** | **1,124.3** | **1,238.1** |

*Landline Churn*

Landline churn increased from 12.5% in 2016 to 15.6% in 2017 and subsequently decreased to 13.8% in 2018. The peak in 2017 was mainly related to Swisscom deactivating its analog landlines and us having had some legacy products on them. We intend to minimize churn by having a strategic focus on quality across networks, customer interfaces and innovative converged products. For the twelve-month period ended June 30, 2019, our landline churn rate was 13.2%, which was lower than the landline churn rate of 15.4% for the comparative period. We believe that the decrease in the churn was primarily attributable to enhanced TV content, higher speeds and focus on service excellence.

| | Landline Churn(1) | | | | |
|---|---|---|---|---|---|
| | For the financial year ended December 31, | | | For the twelve-month period ended June 30, | |
| | 2016 | 2017 | 2018 | 2018 | 2019 |
| | (in percentages) | | | | |
| **Landline Churn** | | | | | |
| Total | 12.5% | 15.6% | 13.8% | 15.4% | 13.2% |

(1) Churn refers to the percentage of subscription deactivations during the indicated period in relation to the average subscription base of the indicated period. Subscriptions have churned when customers voluntarily terminate their subscriptions with us or if we terminate their subscriptions for misuse of our services, fraud or default on payment.

*Landline ARPU*

In the financial year ended December 31, 2018, we had a landline voice ARPU of CHF 22.9. Landline voice ARPU decreased by 14.3% and 13.3% in 2017 and 2018, respectively. It further decreased by CHF 3.1, or 8.9%, from CHF 23.4 in the six-month period ended June 30, 2018 to CHF 21.3 in the six-month period ended June 30, 2019. We attribute the continuing decrease primarily to fixed-to-mobile and fixed-to-OTT substitution, as well as to migration to flat-rate packages.

In the financial year ended December 31, 2018, we had an internet ARPU of CHF 36.1 and a TV ARPU of CHF 26.1. While our internet ARPU experienced 1.4% and 2.3% growth in 2017 and 2018, respectively, our TV ARPU increased by 4.6% in 2017 and was flat in 2018. Internet ARPU increased slightly by CHF 0.1 to CHF 35.9 in the six-month period ended June 30, 2019 compared to the six-month period ended June 30, 2018. TV ARPU decreased by CHF 1.1 to CHF 25.1 in the six-month period ended June 30, 2019 compared to the six-month period ended June 30, 2018. Internet and TV ARPUs are impacted by price adjustments in rate plans, mix effects (*e.g.*, *Sunrise One* rate plan) as well as promotions.

| | Landline ARPU | | | | |
|---|---|---|---|---|---|
| | For the financial year ended December 31, | | | For the six-month period ended June 30, | |
| | 2016 | 2017 | 2018 | 2018 | 2019 |
| | (in CHF, except percentages) | | | | |
| **Landline voice**(1) | 30.8 | 26.4 | 22.9 | 23.4 | 21.3 |
| Increase/(decrease) over prior period | (12.1%) | (14.3%) | (13.3%) | (15.5)% | (8.9)% |
| **Internet** | 35.8 | 35.3 | 36.0 | 35.8 | 35.9 |
| Increase/(decrease) over prior period | (2.9%) | 1.4% | 2.3% | 1.7% | 0.3% |
| **TV** | 25.0 | 26.1 | 26.0 | 26.2 | 25.1 |
| Increase/(decrease) over prior period | 1.7% | 4.6% | — | 1.5% | (4.1)% |

(1) We define landline voice ARPU as the total landline voice revenue in the period divided by the average number of subscriptions in the period, which is subsequently divided by the number of months in the period. The average number of subscriptions in a period is

calculated by adding together the number of subscriptions at the beginning and end of each month during the period, dividing by two and then averaging the results from all months during the period.

## Key Drivers of Our Revenues Generated by Convergent Offerings

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* (10% discount on all basic fees each month), or they can select *Sunrise One*, the convenient combo package. We launched *Sunrise One* in April 2017, positioning ourselves 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 voice, internet and TV services in one convergent offer that comprises *Sunrise Mobile Unlimited* and *Sunrise Home Unlimited*. In response to the increasing demand for unlimited internet by itself, we launched *Sunrise One light* in November 2018. *Sunrise One light* combines mobile, landline, and internet services in one convergent offer, always with the highest possible connection speed. As a customer who has subscribed to convergent services is less likely to churn, such a customer is characterized by higher loyalty and higher life-time value compared to a non-convergent landline customer.

The table below presents the break-down of total billed customers into different categories, as of the dates indicated:

| | Billed Customer Base(1) | | | | |
|---|---|---|---|---|---|
| | As of December 31, | | | As of June 30, | |
| | 2016 | 2017 | 2018 | 2018 | 2019 |
| | (in thousands of billed customers) | | | | |
| **Non-convergent Mobile (1P Mobile)(2)** | **545.3** | **542.9** | **553.7** | **563.7** | **536.0** |
| 1P landline | 30.5 | 26.3 | 20.7 | 23.1 | 20.0 |
| 2P landline | 86.7 | 91.9 | 92.8 | 93.6 | 94.3 |
| 3P landline | 40.1 | 51.2 | 56.2 | 53.1 | 61.2 |
| **Non-convergent Landline(3)** | **157.3** | **169.4** | **169.7** | **169.7** | **175.5** |
| 2P convergent(3) | 5.2 | 5.1 | 4.3 | 4.8 | 4.6 |
| 3P convergent(4) | 103.0 | 97.0 | 97.3 | 97.3 | 100.8 |
| 4P convergent(5) | 107.6 | 144.0 | 171.9 | 159.4 | 183.7 |
| **Mobile and Landline Convergent** | **215.8** | **246.2** | **273.5** | **261.4** | **289.1** |
| **Billed Customers(1)** | **918.4** | **958.6** | **996.8** | **994.9** | **1,000.6** |

(1) For consumer segment only. Billed customer refers to billed customer accounts; each customer bill may include one or many (*i.e.*, bundling) subscriptions of mobile and/or landline products.

(2) Non-convergent customers refer to customers that either use only mobile products (non-convergent mobile, *i.e.*, 1P mobile) or only landline products (non-convergent landline, *i.e.*, 1P landline, 2P landline, 3P landline).

(3) 2P convergent refers to customers with a mobile post-paid subscription combined with a landline voice subscription (in rare cases, landline internet instead of landline voice).

(4) 3P convergent refers to customers with a mobile post-paid subscription with landline voice and internet (in rare cases, landline internet / TV instead of landline voice).

(5) 4P convergent refers to customers with a mobile post-paid subscription combined with landline voice, internet and TV.

## Presentation of Financial Statements

### *Revenue from Contracts with Customers*

Revenue comprises goods and services provided during the year after deduction of value added taxes ("**VAT**") and rebates relating directly to sales. We derive revenue primarily from the sale of services and from the sale of goods.

*Revenue from Sale of Services*

Revenue from services consists of revenue from:

- mobile services, including revenue from voice and data traffic, subscription and connection fees for mobile devices and interconnection traffic as well as roaming revenue from subscribers traveling abroad;

- landline services, including revenue from traffic, subscription and connection for PSTN/ISDN and voice over internet protocol and other revenue from services, which primarily relate to business services; and

- internet services which consists of revenue from subscription fees for xDSL, related traffic charges for internet traffic and TV services.

*Revenue from Sale of Goods*

Revenue from sale of goods mainly relates to the sale of mobile 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.

*Segment reporting*

We report our revenue by consumer, business, wholesale and head office segments. Consumer segment refers to the residential segment described in the Sunrise Consolidated Financial Statements.

The consumer segment generates revenue from mobile calling, landline, internet and TV services from a single source. Mobile voice and data services are provided on both a post-paid and prepaid basis. Contracts for mobile subscriptions have no contract duration, whereas home products have a minimal contract duration of twelve months. The majority of the contracts do not contain a bundle arrangement of hardware and service. For this segment, we recognize the revenue on a contract-by-contract basis.

The business segment generates revenue from a range of products and services, 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 offers for large enterprises. For part of this segment, a portfolio approach is applied in which the most significant adjustments reallocate a portion of the revenue to be received over the contract duration related to mobile hardware delivered at contract inception.

The wholesale segment generates revenue from voice, data, internet and infrastructure services, such as carrier and roaming services, which are marketed to national and international telecommunication service providers as well as mobile virtual network operators.

The head office segment is comprised of support units such as network, IT and operations (customer care) as well as staff functions, such as finance, human resources and strategy. In addition, certain fees and various revenue and payments of reminder fees are allocated to this operating segment.

***Transmission Costs and Cost of Goods Sold***

Transmission costs and cost of goods sold primarily includes:

- interconnection traffic costs relating to the costs incurred to connect our subscriptions to other networks;

- costs associated with SIM cards, mobile and landline devices and related accessories;

- costs associated with providing connectivity to business customers, such as leased lines; and

- costs related to the acquisition of IT and telecommunication products and the rendering of consulting and maintenance services.

***Other Operating Expenses***

Other operating expenses include:

- subscription acquisition costs mainly relating to mobile device subsidies (other than our *Sunrise Freedom* offerings), commissions to agents and dealers, customer premise equipment, in-house wiring and installation costs;

- lease and rental costs, which include lease of civil and technical sites, lease of telecommunications circuits and lease of local access network (with the adoption of IFRS 16 effective January 1, 2019, expenses related to operating leases of properties, mobile sites and transmission equipment are recognized as a depreciation charge for right-of-use assets and interest expenses on lease liabilities instead of other operating expenses and transmission costs and costs of goods sold);

- advertising and promotional services;
- other costs incurred in the provisions of services, including maintenance costs for network and information systems, costs for raw, ancillary and consumable materials and goods and costs for outsourced services (*e.g.*, call center services, invoice delivery and credit collection);
- write-down of trade receivables and current assets, annual contribution for license fees, gifts, provision for charges, provision for risks and other operating expenses;
- taxes that are not based on income, such as property or capital taxes; and
- costs related to personnel, such as travel expenses and training.

With the introduction of IFRS 15, which we have adopted for the first time for the financial year starting on January 1, 2018, our operating expenses relating to commissions to agents decreased as they are now capitalized as costs to obtain a contract. With the introduction of IFRS 16 (effective January 1, 2019), our lease and rental costs are expected to be significantly lower than in prior periods. We recognize new assets and liabilities for our operating leases of properties *(e.g.*, offices and retail shops), mobile sites (*e.g.*, antennas and tunnels), transmission equipment (*e.g.*, leased lines) and cars. The nature of expenses related to those leases will now change as we will recognize a depreciation charge for right-of-use assets and interest expense on lease liabilities instead of other operating expenses and transmission costs and costs of goods sold. See *"—Critical Accounting Estimates—New Accounting Standards*".

***Wages, Salaries and Pension Costs***

Wages, salaries and pension costs primarily consist of wages, social security, pensions and certain employees' termination benefits.

***Other Income and 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. For the financial years ended December 31, 2016, 2017 and 2018, the reversals of provisions and accruals related to reversals of assets retirement obligations and reversals of good receipt and invoice receipt items.

***Depreciation, Amortization and Impairment Losses***

Depreciation and amortization relate to property, plant and equipment and intangible assets, respectively. Impairment losses include losses related to the impairment of property, plant and equipment and intangible assets, and the reversal of impairment losses on property, plant and equipment and intangible assets (other than goodwill).

***Net Foreign Currency Gains/(Losses)***

Foreign exchange gains/(losses) arise primarily from differences between exchange rates on the date of a transaction and on the date of its settlement. Unrealized gains/(losses) are primarily due to revaluations of accounts payables and accounts receivable.

***Finance Income and Expenses***

Finance income includes cash flows related to interest income from banks and from receivables classified as non-current assets. Finance expense includes interest expense on bonds, bank borrowings, capital leases, shareholder loans, discounting of provisions and asset retirement obligations and credit card fees.

### *Income Taxes*

Income tax consists of current income tax expense, offset by deferred tax benefits or expenses. Changes between tax accounts and IFRS accounts will give rise to deferred taxes.

### Results of Operations

The table below shows our results of operations for the financial years ended December 31, 2016, 2017 and 2018 as well as the six-month periods ended June 30, 2018 and 2019.

### Consolidated Income Statement Information of Sunrise Communications Group AG

| | For the financial year ended December 31, | | | For the six-month period ended June 30, | |
|---|---|---|---|---|---|
| | **2016** | **2017[(1)]** | **2018** | **2018[(2)]** | **2019** |
| | | **(audited)** | | **(unaudited)** | |
| | | | **(CHF in millions)** | | |
| **Revenue** | **1,896.7** | **1,854.2** | **1,876.5** | **920.9** | **901.4** |
| Transmission costs and cost of goods sold | (704.0) | (661.5) | (657.3) | (324.3) | (284.8) |
| thereof intersegment costs | (40.5) | (1.2) | — | — | — |
| Other operating expenses | (382.2) | (395.8) | (425.5) | (208.5) | (207.6) |
| Wages, salaries and pension costs | (221.4) | (214.6) | (213.9) | (106.9) | (109.0) |
| Other income | 10.6 | 10.4 | 25.5 | 2.7 | 32.7 |
| Other expenses | (1.1) | (0.3) | (3.0) | 0.2 | (1.3) |
| **Income before depreciation, amortization and impairment losses, net financial items and income taxes** | **598.7** | **592.3** | **602.3** | **284.0** | **331.4** |
| Amortization | (252.3) | (253.5) | (256.2) | (126.5) | (131.7) |
| Depreciation and impairment losses | (207.3) | (174.7) | (169.5) | (85.8) | (101.1) |
| **Operating income** | **139.1** | **164.2** | **176.6** | **71.7** | **98.6** |
| Foreign currency (losses)/gains, net | 1.3 | 1.2 | 2.3 | 0.9 | 1.1 |
| Financial income | 2.1 | 0.1 | 15.1 | 15.1 | 0.1 |
| Financial expenses | (58.7) | (52.4) | (50.8) | (30.5) | (25.3) |
| **Net financial items** | **(55.3)** | **(51.2)** | **(33.4)** | **(14.5)** | **(24.2)** |
| Gain on disposal of subsidiary | — | 419.6 | — | — | — |
| **(Loss)/income before income taxes** | **83.9** | **532.6** | **143.2** | **57.2** | **74.4** |
| Income taxes | 3.2 | (27.8) | (36.3) | (16.4) | (13.5) |
| **Net (loss)/income** | **87.1** | **504.8** | **106.9** | **40.7** | **60.9** |

(1) The Company initially applied IFRS 15 and IFRS 9 as of January 1, 2018 using the modified retrospective method. Under this method, the comparative information is not restated.

(2) The Company initially applied IFRS 16 as of January 1, 2019, using the modified retrospective method. Under this method, the comparative information is not restated.

### Six-Month Period Ended June 30, 2019 as Compared to the Six-Month Period Ended June 30, 2018

### *Revenue*

Our total revenue decreased from CHF 920.9 million in the six-month period ended June 30, 2018 by CHF 19.5 million, or 2.1%, to CHF 901.4 million in the six-month period ended June 30, 2019. The revenue decrease was attributable to the decrease in mobile hardware and hubbing revenue, both of which are characterized by low margins. Total revenue excluding mobile hardware and hubbing revenue, also referred to as “service revenue”, increased by 2.9% year-over-year from CHF 736.2 million during the six-month period ended June 30, 2018 to CHF 757.9 million during the six-month period ended June 30, 2019.

The table below sets forth our revenue by segment for the six-month period ended June 30, 2019 as compared to the six-month period ended June 30, 2018.

| | For the six-month period ended June 30, | | | | Change | |
|---|---|---|---|---|---|---|
| | **2018** | **% of total revenue** | **2019** | **% of total revenue** | **(amount)** | **(%)** |
| | | | **(unaudited)** | | | |
| | | | **(CHF in millions, except for percentages)** | | | |
| **Revenue:** | | | | | | |
| Consumer | 661.4 | 71.8% | 650.3 | 72.1% | (11.1) | (1.7)% |
| Business | 135.1 | 14.7% | 150.2 | 16.7% | 15.1 | 11.2% |
| Wholesale | 104.3 | 11.3% | 81.2 | 9.0% | (23.1) | (22.1)% |

| | For the six-month period ended June 30, | | | | Change | |
|---|---|---|---|---|---|---|
| | 2018 | % of total revenue | 2019 | % of total revenue | (amount) | (%) |
| | (unaudited) | | | | | |
| | (CHF in millions, except for percentages) | | | | | |
| Head Office Activities | 20.1 | 2.2% | 19.7 | 2.2% | (0.4) | (2.0)% |
| **Total revenue** | **920.9** | **100.0%** | **901.4** | **100.0%** | **(19.5)** | **(2.1)%** |

The table below sets forth our revenue by services for the six-month period ended June 30, 2019 as compared to the six-month period ended June 30, 2018.

| | For the six-month period ended June 30, | | | | Change | |
|---|---|---|---|---|---|---|
| | 2018 | % of total revenue | 2019 | % of total revenue | (amount) | (%) |
| | (CHF in millions, except for percentages) | | | | | |
| **Revenue:** | | | | | | |
| Mobile services | 617.0 | 70.0% | 604.0 | 67.0% | (13.0) | (2.1)% |
| *Thereof mobile post-paid* | 392.2 | 42.6% | 408.8 | 45.4% | 16.6 | 4.2% |
| *Thereof mobile prepaid* | 50.0 | 5.4% | 39.0 | 4.3% | (11.0) | (22.0)% |
| *Thereof mobile hardware* | 130.8 | 14.2% | 110.8 | 12.3% | (20.0) | (15.3)% |
| *Thereof other* | 43.9 | 4.8% | 45.4 | 5.0% | 1.5 | 3.4% |
| Landline services | 167.8 | 18.2% | 145.2 | 16.1% | (22.6) | (13.5)% |
| *Thereof landline voice* | 63.1 | 6.9% | 62.2 | 6.9% | (0.9) | (1.4)% |
| *Thereof hubbing* | 53.9 | 5.9% | 32.7 | 3.6% | (21.2) | (39.3)% |
| *Thereof other* | 50.6 | 5.5% | 50.3 | 5.6% | (0.3) | (0.6)% |
| Landline Internet and TV | 136.1 | 14.8% | 152.2 | 16.9% | 16.1 | 11.8% |
| **Total revenue** | **920.9** | **100.0%** | **901.4** | **100.0%** | **(19.5)** | **(2.1)%** |
| Service revenue excluding hubbing & mobile hardware | 736.2 | 79.9% | 757.9 | 84.0% | 21.7 | 2.9% |

### *Mobile Revenue*

Mobile revenue decreased by CHF 13.0 million, or 2.1%, from CHF 617.0 million for the six-month period ended June 30, 2018 to CHF 604.0 million for the six-month period ended June 30, 2019. This decrease was mainly driven by the decrease in low margin mobile hardware revenue of CHF 20.0 million and the decrease in mobile prepaid revenue by CHF 11.0 million which were partially offset by the increase in mobile post-paid revenue of CHF 16.6 million.

Mobile post-paid revenue increased by CHF 16.6 million, or 4.2 %, from CHF 392.2 million for the six-month period ended June 30, 2018 to CHF 408.8 million for the six-month period ended June 30, 2019. This increase was driven by the increase in our mobile post-paid subscription base which increased by approximately 157,000 subscribers, or 9.5%, from approximately 1,655,000 subscribers for the six-month period ended June 30, 2018 to approximately 1,812,000 subscribers for the six-month period ended June 30, 2019. The increase in subscribers was partially offset by a decrease in ARPU of CHF 1.8. The decrease in ARPU was primarily due to secondary SIM dilution, further reduction of mobile termination rates, roaming and increased promotional intensity.

Mobile prepaid revenue decreased by CHF 11.0 million, or 22.0%, from CHF 50.0 million for the six-month period ended June 30, 2018 to CHF 39.0 million for the six-month period ended June 30, 2019. This decrease was primarily due to a decrease in our prepaid subscription base by 212.1 thousand subscribers, or 17.9%, and lower ARPU of CHF 0.7 in the six-month period ended June 30, 2019. Increased OTT usage as well as high-value prepaid customers migrating to post-paid subscriptions were the main drivers behind the decrease in our prepaid subscription base and ARPU.

Mobile hardware revenue decreased by CHF 20.0 million, or 15.3%, from CHF 130.8 million for the six-month period ended June 30, 2018 to CHF 110.8 million for the six-month period ended June 30, 2019. While average hardware prices slightly increased, the decrease was due to the decrease in volume of devices sold as a result of fewer customers buying devices together with a mobile subscription. In addition, we observe that the replacement cycle of handsets has become longer as a consequence of the increased prices together with better quality. Hardware revenue can also depend on handset innovation and launches and is volatile by nature.

*Landline Voice and Other Revenue*

Landline services revenue decreased by CHF 22.6 million, or 13.5%, from CHF 167.8 million in the six-month period ended June 30, 2018 to CHF 145.2 million in the six-month period ended June 30, 2019. This decrease was mainly driven by lower hubbing revenue.

Landline voice revenue decreased by CHF 0.9 million, or 1.4%, from CHF 63.1 million for the six-month period ended June 30, 2018 to CHF 62.2 million for the six-month period ended June 30, 2019, caused by continued fixed-to-mobile substitution, voice flat rates and the increased use of OTT services. The revenue generated by hubbing decreased by CHF 21.2 million, or 39.3%, from CHF 53.9 million for the six-month period ended June 30, 2018 to CHF 32.7 million for the six-month period ended June 30, 2019 mainly due to our increased focus on profitability, which is also reflected in a roughly stable hubbing gross profit.

*Landline Internet and TV Revenue*

Landline internet and TV revenue increased by CHF 16.1 million, or 11.8%, from CHF 136.1 million for the six-month period ended June 30, 2018 to CHF 152.2 million for the six-month period ended June 30, 2019. This increase was primarily driven by the increase in our total internet subscription base by 9.4% for the six-month period ended June 30, 2018 to approximately 263,000 subscriptions. Internet and TV customer growth was supported by convergence 2-4P bundle offers, attractive TV offerings, such as the launch of *Sunrise TV neo* in the second quarter of 2019, enhanced TV content, focus on service excellence and dedicated promotions. The revenue increase was also supported by a 0.3% growth of Internet ARPU, which is attributable to the increase of internet prices in the third quarter of 2018 accompanied by higher speeds. TV ARPU decreased by CHF 1.1 to CHF 25.1 in the six-month period ended June 30, 2019 which was mainly caused by promotion activities.

***Transmission Costs and Cost of Goods Sold***

Transmission costs and cost of goods sold decreased by CHF 39.5 million, or 12.2%, from CHF 324.3 million for the six-month period ended June 30, 2018 to CHF 284.8 million for the six-month period ended June 30, 2019. This decrease was mainly driven by lower handset expenses and the reduced hubbing costs of goods sold in parallel with lower volumes of goods sold.

***Other Operating Expenses***

Other operating expenses were stable at CHF 208.5 million for the six-month period ended June 30, 2018 and CHF 207.6 million for the six-month period ended June 30, 2019. The initial application of IFRS 16 as of January 1, 2019, had a positive impact of CHF 22.2 million on other operating expenses for the six-month period ended June 30, 2019. Additional costs related to the acquisition of UPC Switzerland of CHF 14.0 million, higher 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 are the main factors for other operating expenses remaining stable. Furthermore, the relocation of our headquarters led to a one-time additional increase in other operating expenses of CHF 2.1 million.

***Wages, Salaries and Pension Costs***

Wages, salaries and pension costs increased by CHF 2.1 million, or 1.9%, from CHF 106.9 million for the six-month period ended June 30, 2018 to CHF 109.0 million for the six-month period ended June 30, 2019. The increase was due to one-time early employee contract termination costs of CHF 1.4 million in addition to a slightly higher full-time employee base.

As of June 30, 2019, we reported an employee benefit obligation of CHF 99.9 million which increased by CHF 15.0 million, or 17.7%, compared to our employee benefit obligation of CHF 84.9 million as of December 31, 2018 mainly due to the change in the discount rate. Under Swiss GAAP FER 26, our pension fund was overfunded as of December 31, 2018 and covered 116% of our pension obligations under the basic and the supplemental pension plans. 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. We believe that Swiss GAAP FER 26 is the more appropriate way to determine the funded status of our basic and supplemental pension plans as we would typically not be required to make additional payments until the funding level drops below 90% as calculated in accordance with Swiss law and we maintain flexibility to adjust benefit levels under the plans that would mitigate any cash liability.

***Other Income and Other Expenses***

Other income increased by CHF 30.0 million from CHF 2.7 million for the six-month period ended June 30, 2018 to CHF 32.7 million for the six-month period ended June 30, 2019. This increase was mainly attributable to higher income related to the sale of 133 telecom towers to Swiss Towers in January 2019, which is treated as a non-recurring gain and therefore has no impact on Adjusted EBITDA.

Other expenses decreased by CHF 1.5 million from CHF 1.3 million for the six-month period ended June 30, 2019 to positive CHF 0.2 million for the six-month period ended June 30, 2018. In the six-month period ended June 30, 2018, other expenses were positive due to release of an accrual. In the six-month period ended June 30, 2019, other expenses related mainly to the work in progress cost related to the build-to-suit sites.

***Amortization and Depreciation and Impairment Losses***

Amortization increased by CHF 5.2 million, or 4.1%, from CHF 126.5 million for the six-month period ended June 30, 2018 to CHF 131.7 million the six-month period ended June 30, 2019. Depreciation and impairment losses increased by CHF 15.3 million, or 17.8%, from CHF 85.8 million for the six-month period ended June 30, 2018 to CHF 101.1 million for the six-month period ended June 30, 2019. This was mainly attributable to the additional depreciation of the new right-of-use assets related to the implementation of IFRS 16, that totalled CHF 18.6 million for the six-month period ended June 30, 2019 as well as the continued investments in access deals and network rollout slightly offset by lower depreciations on IT and network equipment. For the six-month periods ended June 30, 2019 and 2018, CHF 63.2 million related to the amortization of purchased intangibles and are related to the acquisition of Sunrise by MCG in October 2010. Those intangibles were created in 2010 and are amortized over ten years.

***Net Financial Items***

Net financial items in the six-month periods ended June 30, 2018 and June 30, 2019 consisted of foreign currency gains, financial income and financial expenses.

Foreign currency gains remained stable at CHF 0.9 million for the six-month period ended June 30, 2018 and CHF 1.1 million for the six-month period ended June 30, 2019.

Financial income for the six-month period ended June 30, 2019 decreased by CHF 15.0 million partially set off by lower financial expenses of CHF 5.1 million. The financial income for the six-month period ended June 30, 2018 of CHF 15.1 million related to the refinancing transaction carried out in June 2018. IFRS 9 requires us to book financial gains due to debt modifications at the time of the event, hence, the gain due to lower interest rates was recognized in June 2018. Financial expenses were CHF 5.1 million, mainly as a result of CHF 9.3 million expenses in June 2018 caused by the refinancing transaction. This decrease in financial expenses was partially offset by CHF 6.3 million of lease related expenses in 2019 due to the application of IFRS 16. Net of both effects, financial expenses decreased year-over-year by CHF 2.1 million mainly relating to lower average interest expenses, partially offset by higher borrowings.

***Income Taxes***

Net income tax expense decreased by CHF 2.9 million, or 17.7%, from CHF 16.4 million for the six-month period ended June 30, 2018 to CHF 13.5 million for the six-month period ended June 30, 2019. For the six-month period ended June 30, 2019, net income tax expense consisted of CHF 32.0 million tax expense related to current income taxes and a tax benefit of CHF 18.5 million related to the change in deferred taxes. The deferred tax rate used for the calculation of the deferred tax liabilities has been lowered and led to a deferred tax liability reduction of CHF 4.2 million as of June 30, 2019. This was due to the reduction of income tax rates which were approved by some cantons during the first half of 2019 and which will enter into force as of January 2020 and can be considered as enacted or substantively enacted.

***Historically reported EBITDA***

Our historically reported EBITDA increased by CHF 47.4 million, or 16.7%, from CHF 284.0 million for the six-month period ended June 30, 2018 to CHF 331.4 million for the six-month period ended June 30, 2019.

The initial application of IFRS 16 as of January 1, 2019, positively impacted historically reported EBITDA by CHF 22.3 million driven by the reduction of lease expenses as a consequence of the cost shift within our income statement. In addition, the realized gain on the disposal of property, plant and equipment related to the sale of 133 telecom towers to Swiss Towers in January 2019 (CHF 24.5 million) had a positive impact on historically reported EBITDA. This was offset by increased expenses related to the acquisition of UPC Switzerland (CHF 14.0 million).

Adjusted EBITDA excluding IFRS 16 impact increased year-over-year by CHF 12.1 million, driven by higher service revenue as a result of higher post-paid, internet and TV revenue.

**Financial Year Ended December 31, 2018 as Compared to the Financial Year Ended December 31, 2017**

***Revenue***

Our total revenue increased from CHF 1,854.2 million in the prior year by CHF 22.3 million, or 1.2%, and amounted to CHF 1,876.5 million in the financial year ended December 31, 2018. Revenue growth was mainly attributable to customer growth in mobile post-paid, landline internet and TV as well as higher mobile hardware revenue. Total revenue excluding low margin mobile hardware and hubbing revenue, also referred to as “service revenue”, increased by 2.1% year-over-year from CHF 1,470.2 million in the financial year ended December 31, 2017 to CHF 1,501.5 million in the financial year ended December 31, 2018. primarily driven by customer growth. The revenue impact from the adoption of IFRS 15 was immaterial. We have applied IFRS 15 and IFRS 9 for the first time starting as of January 1, 2018. Application of IFRS 15 mainly related to the capitalization of costs to obtain a contract and therefore impacted operational expenses positively.

The table below sets forth our revenue by segment for the financial year ended December 31, 2018 as compared to the financial year ended December 31, 2017.

| | **For the financial year ended December 31,** | | | | **Change** | |
|---|---|---|---|---|---|---|
| | **2017**[(1)] | **% of total revenue** | **2018** | **% of total revenue** | **(amount)** | **(%)** |
| | **(audited)** | | | | | |
| | **(CHF in millions, except for percentages)** | | | | | |
| **Revenue:** | | | | | | |
| Consumer | 1,317.2 | 71.0% | 1,351.9 | 72.0% | 34.7 | 2.6% |
| Business | 267.6 | 14.4% | 285.3 | 15.2% | 17.7 | 6.6% |
| Wholesale | 231.8[(2)] | 12.5% | 198.7 | 10.6% | (33.1) | (14.3)% |
| Head Office Activities | 38.9 | 2.1% | 40.5 | 2.2% | 1.6 | 4.1% |
| **Total revenue** | **1,855.4**[(3)] | **100.0%** | **1,876.5** | **100.0%** | **22.3** | **1.2%** |

(1) The Company initially applied IFRS 15 and IFRS 9 as of January 1, 2018 using the modified retrospective method. Under this method, the comparative information is not restated.

(2) Includes CHF 1.2 million of inter-segment revenue. Most of the inter-segment revenue and costs are related to YOL Communications GmbH which has been retrospectively merged into Sunrise Communications AG as of January 1, 2017.

(3) Includes CHF 1.2 million of inter-segment revenue for the wholesale segment.

The table below sets forth our revenue by services for the financial year ended December 31, 2018 as compared to the financial year ended December 31, 2017.

| | **For the financial year ended December 31,** | | | | **Change** | |
|---|---|---|---|---|---|---|
| | **2017** | **% of total revenue** | **2018** | **% of total revenue** | **(amount)** | **(%)** |
| | **(CHF in millions, except for percentages)** | | | | | |
| **Revenue:** | | | | | | |
| Mobile services | 1,231.0 | 66.4% | 1,270.9 | 67.7% | 39.9 | 3.2% |
| *Thereof mobile post-paid* | 767.8 | 41.4% | 802.2 | 42.8% | 34.4 | 4.5% |
| *Thereof mobile prepaid* | 122.3 | 6.6% | 96.3 | 5.1% | (26.0) | (21.3)% |
| *Thereof mobile hardware* | 255.7 | 13.8% | 279.4 | 14.9% | 23.7 | 9.3% |
| *Thereof other* | 85.2 | 4.6% | 93.0 | 4.9% | 7.8 | 9.3% |
| Landline services | 378.3 | 20.4% | 325.3 | 17.3% | (53.0) | (14.0)% |
| *Thereof landline voice* | 137.4 | 7.4% | 126.0 | 6.7% | (11.4) | (8.3)% |
| *Thereof hubbing* | 128.3 | 6.9% | 95.6 | 5.1% | (32.7) | (25.5)% |
| *Thereof other* | 112.7 | 6.1% | 103.8 | 5.5% | (8.9) | (7.9)% |
| Landline Internet and TV | 244.9 | 13.2% | 280.2 | 14.9% | 35.3 | 14.5% |
| **Total revenue** | **1,854.2** | **100.0%** | **1,876.5** | **100.0%** | **22.3** | **1.2%** |
| Service revenue excluding hubbing & mobile hardware | 1,470.2 | 79.3% | 1,501.5 | 80.0% | 31.3 | 2.1% |

***Mobile Revenue***

Mobile revenue increased by CHF 39.9 million, or 3.2%, from CHF 1,231.0 million for the financial year ended December 31, 2017 to CHF 1,270.9 million for the financial year ended December 31, 2018. This increase was mainly driven by an increase in mobile post-paid and mobile hardware revenues, partially offset by a decrease in mobile prepaid revenue. The mobile revenue for the financial year ended December 31, 2018 experienced a CHF 0.2 million, or 0.1%, negative impact, due to the adoption of IFRS 15 as of January 1, 2018.

Mobile post-paid revenue increased by CHF 34.4 million, or 4.5 %, from CHF 767.8 million for the financial year ended December 31, 2017 to CHF 802.2 million for the financial year ended December 31, 2018. This increase was driven by a larger mobile post-paid subscription base which increased by approximately 135,000 subscribers, or 8.5%, from approximately 1,594,000 subscribers for the financial year ended December 31, 2017 to approximately 1,729,000 subscribers for the financial year ended December 31, 2018. ARPU decreased CHF 1.3 year-over-year in the financial year ended December 31, 2018, primarily due to secondary SIM dilution, roaming outside of Switzerland and a continued reduction in mobile termination rates.

Mobile prepaid revenue decreased by CHF 26.0 million, or 21.3%, from CHF 122.3 million for the financial year ended December 31, 2017 to CHF 96.3 million for the financial year ended December 31, 2018. This decrease was primarily due to a decrease in the prepaid subscription base by 128,100 subscribers, or 17%, and lower ARPU of CHF 1.2 for the financial year ended December 31, 2018. The decrease in the prepaid subscription base and ARPU was due to the migration of high-value prepaid customers to post-paid subscriptions, fewer international prepaid calls related to more attractive post-paid offers and increased OTT usage.

Mobile hardware revenue increased by CHF 23.7 million, or 9.3%, from CHF 255.7 million for the financial year ended December 31, 2017 to CHF 279.4 million for the financial year ended December 31, 2018. The increase was driven by the higher hardware prices due to the launch of higher priced handsets and was offset by the decrease in the volume of hardware sold.

*Landline Voice and Other Revenue*

Landline services revenue decreased by CHF 53.0 million, or 14.0%, from CHF 378.3 million for the financial year ended December 31, 2017 to CHF 325.3 million for the financial year ended December 31, 2018. This decrease was mainly due to the decrease in hubbing and landline voice revenues.

Landline voice revenue decreased by CHF 11.4 million, or 8.3%, from CHF 137.4 million for the financial year ended December 31, 2017 to CHF 126.0 million for the financial year ended December 31, 2018, mainly due to fixed-to-mobile substitution, voice flat rates and the increased use of OTT services. The revenue generated by hubbing decreased by CHF 32.7 million, or 25.5%, from CHF 128.3 million for the financial year ended December 31, 2017 to CHF 95.6 million for the financial year ended December 31, 2018 mainly due to consciously reduced low-margin trading.

*Landline Internet and TV Revenue*

Landline internet and TV revenue increased by CHF 35.3 million, or 14.5%, from CHF 244.9 million for the financial year ended December 31, 2017 to CHF 280.2 million for the financial year ended December 31, 2018. This increase was primarily driven by the increase in our total internet subscription base by 8.3% for the financial year ended December 31, 2018 to approximately 457,000 subscriptions. The subscription base for our TV product, which can be purchased together with the internet service, increased by 14.1% for the financial year ended December 31, 2018, to approximately 244,000 subscribers. Subscription base growth was supported by convergence benefits including the *Sunrise One* offer, and by enhanced TV sports content. ARPU for the landline internet and TV services was broadly stable.

***Transmission Costs and Cost of Goods Sold***

Transmission costs and cost of goods sold decreased by CHF 4.2 million, or 0.6%, from CHF 661.5 million for the financial year ended December 31, 2017 to CHF 657.3 million (CHF 653.1 million excluding the impact of IFRS 15) for the financial year ended December 31, 2018. This decrease was mainly driven by the reduced costs of goods sold in parallel with lower volume of goods sold.

***Other Operating Expenses***

Other operating expenses increased by CHF 29.7 million, or 7.5%, from CHF 395.8 million for the financial year ended December 31, 2017 to CHF 425.5 million (CHF 434.8 million excluding the impact of IFRS 15) for the financial year ended December 31, 2018. This increase was mainly due to higher network service fees after the disposal of Swiss Towers in 2017. Furthermore there were higher marketing costs and higher customer service investments in brands and segments.

***Wages, Salaries and Pension Costs***

Wages, salaries and pension costs decreased by CHF 0.7 million, or 0.3%, from CHF 214.6 million for the financial year ended December 31, 2017 to CHF 213.9 million for the financial year ended December 31, 2018. Wages, salaries and pension costs were stable due to one-time early employee contract termination costs of CHF 3.3 million being offset by a reduced number of full-time employees and higher capitalization of wages due to a large number of employees working on projects (which constitute capital expenditures).

As of December 31, 2018, we reported an employee benefit obligation of CHF 84.9 million, which remained stable compared to the employee benefit obligation that we reported for the financial year ended December 31, 2017. However, under Swiss GAAP FER 26, our pension fund was overfunded as of December 31, 2018 and covered 116% of our pension obligations under the basic and the supplemental pension plans. 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. We believe that Swiss GAAP FER 26 is the more appropriate way to determine the funded status of our basic and supplemental pension plans as we would typically not be required to make additional payments until the funding level drops below 90% as calculated in accordance with Swiss law and we maintain flexibility to adjust benefit levels under the plans that would mitigate any cash liability.

***Other Income and Other Expenses***

Other income increased by CHF 15.1 million, or 144.3%, from CHF 10.4 million for the financial year ended December 31, 2017 to CHF 25.5 million for the financial year ended December 31, 2018. This increase was mainly attributable to higher income related to the sale of telecom towers based on the build-to-suit ("**BTS**") agreements with Swiss Towers, early termination fees and a reduction of the asset retirement obligation due to a lower cost assumption which amounted to CHF 10.2 million.

Other expenses increased by CHF 2.6 million, or 933.9%, from CHF 0.3 million for the financial year ended December 31, 2017 to CHF 3.0 million for the financial year ended December 31, 2018. This increase was mainly due to costs related to the sale of telecom towers based on the BTS agreements.

***Amortization and Depreciation and Impairment Losses***

Amortization increased by CHF 2.7 million, or 1.1%, from CHF 253.5 million for the financial year ended December 31, 2017 to CHF 256.2 million for the financial year ended December 31, 2018. Depreciation and impairment losses decreased by CHF 5.2 million, or 2.9%, from CHF 174.7 million for the financial year ended December 31, 2017 to CHF 169.5 million for the financial year ended December 31, 2018. Depreciation and amortization were relatively stable compared to the prior year. Both for the financial year ended December 31, 2017 and 2018, CHF 126.4 million of the amortization and depreciation and impairment losses related to the amortization of purchased intangibles and are related to the acquisition of Sunrise by MCG in October 2010. Those intangibles were created in 2010 and are amortized over ten years.

***Net Financial Items***

Net financial items for the financial year ended December 31, 2018 and December 31, 2017 consisted of foreign currency gains, financial income and financial expenses.

Foreign currency gains increased by CHF 1.1 million, or 91.7%, from CHF 1.2 million for the financial year ended December 31, 2017 to CHF 2.3 million for the financial year ended December 31, 2018.

There was a one-off increase of CHF 15.0 million in the financial income from CHF 0.1 million for the financial year ended December 31, 2017 to CHF 15.1 million for the financial year ended December 31, 2018. This increase was due to the effect of IFRS 9 which we applied for the first time as of January 1, 2018. IFRS 9 requires immediate recording of the difference resulting from a debt modification related to differences between the present value of the cash flows under the original and modified terms discounted by the original effective interest rate.

Financial expenses decreased by CHF 1.6 million, or 3.1%, from CHF 52.4 million for the financial year ended December 31, 2017 to CHF 50.8 million for the financial year ended December 31, 2018, of which CHF 5.3 million were related to early redemption of bonds. Financial income increased by CHF 15.0 million for the financial year ended December 31, 2018 compared to the financial year ended December 31, 2017 due to the implementation of IFRS 9 debt modification adjustments related to the repricing of the Sunrise Facilities. The interest expense decreased by CHF 7.0 million from CHF 52.4 million for the financial year ended December 31, 2017 to CHF 45.4 million for the financial year ended December 31, 2018 due to lower interest expenses following the refinancing in June 2018.

### *Gain on Disposal of Subsidiary*

Gain on disposal of subsidiary was nil for the financial year ended December 31, 2018 as no material disposal of a subsidiary occurred during this period. For the financial year ended December 31, 2017, gain of disposal of a subsidiary was CHF 419.6 million, which related to the disposal of our interest in Swiss Towers.

### *Income Taxes*

Net income tax expense increased by CHF 8.5 million, or 30.6%, from CHF 27.8 million for the financial year ended December 31, 2017 to CHF 36.3 million for the financial year ended December 31, 2018, primarily due to the fact that income before income taxes for the financial year ended December 31, 2017 contained a CHF 419.6 million tax-exempt gain on disposal of Swiss Towers. For the financial year ended December 31, 2018, net income tax expense consisted of a CHF 52.9 million tax expense related to current income taxes and a tax benefit of CHF 16.6 million related to the change in deferred taxes. For the financial year ended December 31, 2017, current income tax expense was CHF 54.0 million and the tax benefit related to deferred taxes was CHF 25.9 million.

### *Historically reported EBITDA*

Our historically reported EBITDA increased by CHF 10.0 million, or 1.7%, from CHF 592.3 million for the financial year ended December 31, 2017 to CHF 602.3 million for the financial year ended December 31, 2018. The adoption of IFRS 15 had a positive impact of CHF 6.6 million on our historically reported EBITDA in 2018. A reduction in the asset retirement obligation due to a lower cost assumption led to a CHF 10.2 million positive effect on historically reported EBITDA. On the other hand, higher network service fees, after the disposal of Swiss Towers, had a negative year-over-year effect on historically reported EBITDA.

Adjusted EBITDA excluding IFRS 15 impact increased year-over-year by CHF 7.0 million, or 1.2%, driven by higher service revenue as a result of higher post-paid, internet and TV revenue.

## Financial Year Ended December 31, 2017 as Compared to the Financial Year Ended December 31, 2016

### *Revenue*

Our total revenue decreased by CHF 42.5 million, or 2.2%, from CHF 1,896.7 million in the financial year ended December 31, 2016 to CHF 1,854.2 million in the financial year ended December 31, 2017. The decrease in revenue was mainly attributable to reduced mobile termination rates (MTR). The MTR-adjusted underlying revenue slightly increased by 0.3% year-over-year. Total revenue excluding low margin mobile hardware and hubbing revenue, also referred to as "service revenue", increased by 0.5% year-over-year (MTR-adjusted), driven by customer growth in mobile post-paid and internet.

The table below sets forth our revenue by segments for the financial year ended December 31, 2017 as compared to the financial year ended December 31, 2016.

| | For the financial year ended December 31, | | | | Change | |
|---|---|---|---|---|---|---|
| | 2016 | % of total revenue | 2017 | % of total revenue | (amount) | (%) |
| | (audited) | | | | | |
| | (CHF in millions, except for percentages) | | | | | |
| **Revenue:** | | | | | | |
| Consumer | 1,337.2 | 69.0 | 1,317.2 | 71.0 | (20.0) | (1.5) |

| | For the financial year ended December 31, | | | | Change | |
|---|---|---|---|---|---|---|
| | 2016 | % of total revenue | 2017 | % of total revenue | (amount) | (%) |
| | (audited) | | | | | |
| | (CHF in millions, except for percentages) | | | | | |
| Business | 284.2 | 14.7 | 267.6 | 14.4 | (16.6) | (5.8) |
| Wholesale | 279.8(1) | 14.4 | 231.8(3) | 12.4 | (48.0) | (17.2) |
| Head Office Activities | 35.9 | 1.9 | 38.9 | 2.1 | 3.0 | 8.4 |
| **Total revenue** | **1,937.2(2)** | **100.0** | **1,855.4(4)** | **100.0** | **(81.8)** | **(4.2)** |

(1) Includes CHF 40.5 million of inter-segment revenue.

(2) Includes CHF 40.5 million of inter-segment revenue for the wholesale segment.

(3) Includes CHF 1.2 million of inter-segment revenue. Most of the inter-segment revenue and costs are related to YOL Communications GmbH which has been retrospectively merged into Sunrise Communications AG as of January 1, 2017.

(4) Includes CHF 1.2 million of inter-segment revenue for the wholesale segment.

The table below sets forth our revenue by services for the financial year ended December 31, 2017 as compared to the financial year ended December 31, 2016.

| | For the financial year ended December 31, | | | | Change | |
|---|---|---|---|---|---|---|
| | 2016 | % of total revenue | 2017 | % of total revenue | (amount) | (%) |
| | (CHF in millions, except for percentages) | | | | | |
| **Revenue:** | | | | | | |
| Mobile services | 1,263.7 | 66.6 | 1,231.0 | 66.4 | (33.0) | (2.6) |
| *Thereof mobile post-paid* | 767.5 | 40.5 | 767.8 | 41.4 | (0.2) | — |
| *Thereof mobile prepaid* | 161.0 | 8.5 | 122.3 | 6.6 | (38.7) | (24.0) |
| *Thereof mobile hardware* | 253.3 | 13.3 | 255.7 | 13.8 | 2.7 | 1.1 |
| *Thereof other* | 81.9 | 4.3 | 85.2 | 4.6 | 3.3 | 4.0 |
| Landline services | 418.6 | 22.1 | 378.3 | 20.4 | (40.3) | (9.6) |
| *Thereof landline voice* | 151.8 | 8.1 | 137.4 | 7.4 | (14.4) | (9.7) |
| *Thereof hubbing* | 132.4 | 7.0 | 128.3 | 6.9 | (4.2) | (3.2) |
| *Thereof other* | 134.4 | 7.1 | 112.7 | 6.1 | (21.7) | (16.1) |
| Landline Internet and TV | 214.3 | 11.3 | 244.9 | 13.2 | 30.9 | 14.2 |
| **Total revenue** | **1,896.7** | **100.0** | **1,854.2** | **100.0** | **(42.5)** | **(2.2)** |
| Service revenue excluding hubbing & mobile hardware | 1,510.9 | 79.7 | 1,470.2 | 79.3 | (40.7) | (2.7) |

*Mobile Revenue*

Mobile revenue decreased by CHF 33.0 million, or 2.6%, from CHF 1,263.7 million for the financial year ended December 31, 2016 to CHF 1,231.0 million for the financial year ended December 31, 2017. This decrease was mainly due to reduced MTR. Adjusted for MTR, mobile services revenue increased by 0.8% due to mobile post-paid growth exceeding the decline in prepaid revenue.

Mobile post-paid revenue remained stable and was CHF 767.5 million for the financial year ended December 31, 2016 and CHF 767.8 million for the financial year ended December 31, 2017. While our post-paid subscription base increased by 7.3% in the financial year ended December 31, 2017 compared to the financial year ended December 31, 2016, lower ARPU led to a stable total post-paid revenue. The year-over-year post-paid ARPU reduction of CHF 2.9 was mainly driven by lower MTR which had a CHF 2.0 impact on ARPU. Furthermore, growth of secondary data SIMs, which are sold at below-average price levels, had a diluting effect on ARPU. Adjusted for MTR, post-paid revenue increased by 4.1% in the financial year ended December 31, 2017, driven by subscriber growth.

Mobile prepaid revenue decreased by CHF 38.7 million, or 24.0%, from CHF 161.0 million for the financial year ended December 31, 2016 to CHF 122.3 million for the financial year ended December 31, 2017. This decrease was due to a decrease in the prepaid subscription base and lower ARPU. The year-over-year prepaid ARPU reduction of CHF 2.2 was partially driven by lower MTR which had a CHF 0.9 impact on ARPU. Furthermore ARPU and subscribers were affected by high-value prepaid customers migrating to post-paid, fewer international prepaid calls related to more attractive post-paid offers and increased OTT usage. Adjusted for MTR, prepaid revenue decreased by 17.0% in the financial year ended December 31, 2017 compared to the financial year ended December 31, 2016.

Mobile hardware revenue increased by CHF 2.7 million, or 1.1%, from CHF 253.3 million for the financial year ended December 31, 2016 to CHF 255.7 million for the financial year ended December 31, 2017. The increase was driven by the higher hardware prices due to the launch of higher priced handsets and was offset by the decrease in the volume of hardware sold.

*Landline Voice and Other Revenue*

Landline services revenue decreased by CHF 40.3 million, or 9.6%, from CHF 418.6 million for the financial year ended December 31, 2016 to CHF 378.3 million for the financial year ended December 31, 2017. Adjusted for MTR, landline services revenue decreased by 8.1%. This decrease was driven by lower landline voice revenues.

Landline voice revenue decreased by CHF 14.4 million, or 9.7%, from CHF 151.8 million for the financial year ended December 31, 2016 to CHF 137.4 million for the financial year ended December 31, 2017, due to fixed-to-mobile substitution, voice flat rates and the increased use of OTT services. The revenue generated by hubbing (international trading business) decreased by CHF 4.2 million, or 3.2%, from CHF 132.4 million for the financial year ended December 31, 2016 to CHF 128.3 million for the financial year ended December 31, 2017.

*Landline Internet and TV Revenue*

Landline internet and TV revenue increased by CHF 30.9 million, or 14.2%, from CHF 214.3 million for the financial year ended December 31, 2016 to CHF 244.9 million for the financial year ended December 31, 2017. This increase was driven by the increase in our total internet subscription base by 13.6% for the financial year ended December 31, 2017 to approximately 422,000 subscriptions. The subscription base for our TV product, which can be purchased together with the internet service, increased by 31.1% to approximately 214,000 subscribers. Subscription base growth was supported by convergence benefits including the *Sunrise One* offer, and by enhanced TV sports content. Blended ARPUs for the landline internet and TV services increased by 3.5%.

***Transmission Costs and Cost of Goods Sold***

Transmission costs and the cost of goods sold decreased by CHF 42.4 million, or 6.0%, from CHF 703.9 million for the financial year ended December 31, 2016 to CHF 661.5 million for the financial year ended December 31, 2017. This decrease was mainly driven by the reduced mobile termination rates.

***Other Operating Expenses***

Other operating expenses increased by CHF 13.6 million, or 3.6%, from CHF 382.2 million for the financial year ended December 31, 2016 to CHF 395.8 million for the financial year ended December 31, 2017. This increase was mainly attributable to CHF 14.7 million higher network service fees due to the disposal of Swiss Towers in August 2017. Furthermore, we reinvested cost savings into revenue growth initiatives.

***Wages, Salaries and Pension Costs***

Wages, salaries and pension costs decreased by CHF 6.8 million, or 3.1%, from CHF 221.4 million for the financial year ended December 31, 2016 to CHF 214.6 million for the financial year ended December 31, 2017. This decrease was mainly driven by a reduced number of full-time employees due to a streamlining of mid-level management.

The pension liability decreased by CHF 17.5 million, or 17.1%, from CHF 102.2 million for the financial year ended December 31, 2016 to CHF 84.8 million for the financial year ended December 31, 2017. This decrease was mainly driven by the positive return on plan assets which led to an overall actuarial gain of CHF 22.3 million. The positive effect was offset by a loss of CHF 4.7 million due to extended life expectancy.

Under Swiss GAAP FER 26, our pension fund was overfunded as of December 31, 2017 and covered 121.9% of our pension obligations under the basic and the supplemental pension plans. 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. We believe that Swiss GAAP FER 26 is the more appropriate way to determine the funded status of our basic and supplemental pension plans as we would typically not be required to make additional payments until the funding level drops below 90% as calculated in accordance with Swiss law and we maintain flexibility to adjust benefit levels under the plans that would mitigate any cash liability.

***Other Income and Other Expenses***

Other income remained stable with a small decrease of CHF 0.2 million, or 1.9%, from CHF 10.6 million for the financial year ended December 31, 2016 to CHF 10.4 million for the financial year ended December 31, 2017. Other expenses decreased by CHF 0.8 million, or 72.7%, from CHF 1.1 million for the financial year ended December 31, 2016 to CHF 0.3 million for the financial year ended December 31, 2017. The changes in other income and other expenses were mainly attributable to the sale of assets in the amount of CHF 3.2 million, partially offset by lower subleases as well as a lower gain related to the reversal of provisions and accruals.

***Amortization and Depreciation and Impairment Losses***

Amortization remained stable with a small increase of CHF 1.2 million, or 0.5%, from CHF 252.3 million for the financial year ended December 31, 2016 to CHF 253.5 million for the financial year ended December 31, 2017. Depreciation and impairment losses decreased by CHF 32.6 million, or 15.7%, from CHF 207.3 million for the financial year ended December 31, 2016 to CHF 174.7 million for the financial year ended December 31, 2017. The decrease in depreciation and impairment losses was mainly due to the disposal of our interest in Swiss Towers. Both for the financial year ended December 31, 2016 and 2017, CHF 126.4 million of the amortization and depreciation and impairment losses related to the amortization of purchased intangibles and are related to the acquisition of Sunrise by MCG in October 2010. These intangibles were created in 2010 and are being amortized over ten years.

***Net Financial Items***

Net financial items for the financial years ended December 31, 2017 and December 31, 2016 consisted of foreign currency gains, financial income and financial expenses.

Foreign currency gains decreased by CHF 0.1 million, or 13.7%, from CHF 1.3 million for the financial year ended December 31, 2016 to CHF 1.2 million for the financial year ended December 31, 2017. Financial income decreased by CHF 2.0 million, or 95.2%, from CHF 2.1 million for the financial year ended December 31, 2016 to CHF 0.1 million for the financial year ended December 31, 2017.

Financial expenses decreased by CHF 6.3 million, or 10.7%, from CHF 58.7 million for the financial year ended December 31, 2016 to CHF 52.4 million for the financial year ended December 31, 2017. The reduction was due to a lower debt balance following the repayment of existing term loans after the disposal of Swiss Towers in mid 2017. Furthermore, the refinancing at the end of 2016 reduced the cost of our indebtedness.

***Gain on Disposal of Subsidiary***

Gain on disposal of subsidiary was nil for the financial year ended December 31, 2016 as no material disposal of a subsidiary occurred during this period. For the financial year ended December 31, 2017, gain of disposal of a subsidiary was CHF 419.6 million, which related to the disposal of our interest in Swiss Towers.

***Income Taxes***

Net income tax expense increased by CHF 31.0 million from a net income tax benefit of CHF 3.2 million for the financial year ended December 31, 2016 to a net income tax expense of CHF 27.8 million for the financial year ended December 31, 2017. For the financial year ended December 31, 2017, net income tax expense consisted of a CHF 54.0 million tax expense related to current income taxes and a tax benefit of CHF 25.9 million related to the change in deferred taxes. For the financial year ended December 31, 2016, income tax expense was CHF 23.0 million and the tax benefit related to change in deferred tax income was CHF 26.6 million. The higher income tax expense for the financial year ended December 31, 2017 was mainly due to a higher taxable profit of the main operating company. For the financial year ended December 31, 2016, we presented a tax benefit due to a tax-deductible impairment on investments.

### *Historically reported EBITDA*

Our historically reported EBITDA decreased by CHF 6.4 million, or 1.1%, from CHF 598.7 million for the financial year ended December 31, 2016 to CHF 592.3 million for the financial year ended December 31, 2017. The decrease was mainly attributable to higher other operating expenses (network service fees) following the sale of Swiss Towers, which could only be partially offset by lower wages, salaries and pension costs. The impact of reduced MTR on historically reported EBITDA was not material because its negative impact on revenue was largely offset by a similar reduction on cost of goods sold.

Adjusted EBITDA, adjusted for higher network service fees after the disposal of Swiss Towers, increased year-over-year by CHF 4.9 million, or 0.8%. This increase was driven by higher service revenue as a result of post-paid, internet and TV customer growth.

## Liquidity and Capital Resources

### *Historical Cash Flow*

Our historical liquidity needs have arisen primarily from the need to finance capital expenditures for the maintenance and expansion of our operations, including deployment of new technologies, expansion of network coverage and efforts to maintain our quality of service as well as liquidity needs for tax, interest payments and mandatory repayments of existing credit facilities. We have invested heavily in the development of our network over the last decade. For example, we paid CHF 89 million in fees for the 5G spectrum that we acquired in the spectrum auction in the beginning of 2019. Our capital expenditure plans are subject to change depending, among other things, on the evolution of market conditions, the cost and availability of funds and the availability of internal resources. See "*Business of Sunrise—Network and Infrastructure—Construction, Maintenance and Development*". Our principal source of funds has been cash flow from operating activities. Our ability to generate cash from our operations will depend on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control.

In August 2017, we sold Swiss Towers to a consortium led by Cellnex Telecom S.A. Swiss Towers had a portfolio of 2,239 telecom towers across Switzerland. In conjunction with the sale, we entered into a long-term service agreement regarding the provision of tower infrastructure services by Swiss Towers, which has led to higher operating expenses, thus affecting operating cash flow.

The table below sets out certain information related to our cash flows.

| | **For the financial year ended December 31,** | | | **For the six-month period ended June 30** | |
|---|---|---|---|---|---|
| | **2016** | **2017** | **2018** | **2018(1)** | **2019** |
| | | **(audited)** | | **(unaudited)** | |
| | | | **(CHF in millions)** | | |
| Income before income taxes | 83.9 | 532.6 | 143.2 | 57.2 | 74.4 |
| Amortization | 252.3 | 253.5 | 256.2 | 126.5 | 131.7 |
| Depreciation and impairment losses | 207.3 | 174.7 | 169.5 | 85.8 | 101.1 |
| Gain on disposal of property, plant and equipment | (0.1) | (3.5) | (0.8) | — | (25.2) |
| Gain on disposal of subsidiary | — | (419.6) | — | | |
| Movement in pension | 4.7 | 3.5 | 4.2 | 2.0 | 1.2 |
| Movement in provisions | (9.2) | (3.9) | (12.6) | (0.6) | (1.6) |
| Change in net working capital | (67.9) | 32.3 | (48.9) | (30.6) | 19.8 |
| **Cash flow from operating activities before net financial items and tax** | **470.9** | **569.6** | **510.8** | **240.4** | **301.4** |
| Financial income | (2.1) | (0.1) | (15.1) | (15.1) | — |
| Financial expense | 58.7 | 52.4 | 50.8 | 30.5 | 25.3 |
| Foreign currency gains/(losses), net | (1.3) | 2.0 | (2.3) | (0.9) | (1.1) |
| Interest received | — | 0.1 | — | — | — |
| Interest paid | (50.6) | (39.5) | (30.2) | (17.5) | (20.9) |
| Corporate income and withholding taxes paid | (29.6) | (31.2) | (50.1) | (27.9) | (21.8) |
| **Total cash flow from operating activities** | **446.0** | **553.3** | **463.9** | **209.5** | **282.8** |
| Purchase of property, plant and equipment | (141.4) | (207.5) | (181.8) | (83.2) | (89.0) |
| Purchase of intangible assets | (71.2) | (107.5) | (121.3) | (71.1) | (188.2) |
| Sale of property, plant and equipment | 0.1 | — | 9.6 | (7.5) | 29.8 |
| Net proceeds from subsidiary disposal | — | 449.5 | — | — | — |
| **Total cash flow used in investing activities** | **(212.5)** | **134.5** | **(293.4)** | **(146.7)** | **(247.5)** |
| Proceeds from long-term loans and notes | (0.2) | (0.3) | 690.2 | 692.0 | — |

| | For the financial year ended December 31, | | | For the six-month period ended June 30 | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2018(1) | 2019 |
| | | (audited) | | (unaudited) | |
| | | | (CHF in millions) | | |
| Repayments of long-term loans and notes | — | (450.0) | (500.0) | (500.0) | — |
| Fees in connection with repricing and extension of credit facilities | (7.6) | — | — | — | — |
| Cost of early debt redemption | — | — | (5.3) | (5.3) | — |
| Costs relating to capital increase | — | — | (0.1) | — | — |
| Repayments of capital leases | (6.3) | (7.3) | (7.0) | (2.5) | (22.5) |
| Payment of third installment of mobile spectrum license | (108.3) | — | — | — | — |
| Dividend payment | (135.0) | (149.9) | (180.3) | (180.3) | (189.3) |
| Other financing activities | (7.6) | (20.0) | (21.5) | (19.8) | (5.5) |
| **Total cash flow used in financing activities** | **(265.1)** | **(627.5)** | **(23.9)** | **(15.9)** | **(217.3)** |
| **Total cash flow** | **(31.5)** | **60.3** | **146.6** | **46.8** | **(181.9)** |
| Cash and cash equivalents as of January 1 | 244.4 | 214.2 | 272.5 | 272.5 | 420.9 |
| Foreign currency impact on cash | 1.3 | — | 1.9 | 0.8 | 0.8 |
| **Cash and cash equivalents at end of period** | **214.2** | **272.5** | **420.9** | **320.1** | **239.8** |

(1) The Company initially applied IFRS 16 as of January 1, 2019, using the modified retrospective method. Under this method, the comparative information is not restated.

### ***Total Cash Flow from Operating Activities***

*Six-Month Period Ended June 30, 2019 as Compared to Six-Month Period Ended June 30, 2018*

Total cash flow from operating activities increased by CHF 73.3 million, or 34.9%, from CHF 209.5 million for the six-month period ended June 30, 2018 to CHF 282.8 million for the six-month period ended June 30, 2019. The period-on-period increase included an impact related to IFRS 16 of CHF 20.4 million as shown under note 4 in the condensed interim financial statements as of June 30, 2019. Excluding this effect, the increase in cash flow from operating activities would amount to CHF 53.0 million, which is mainly explained by the reduction in net working capital (CHF 46.0 million change excluding the impact of IFRS 16) as well as lower corporate income tax payments, which relate to timing differences compared to prior year period.

*Financial Year Ended December 31, 2018 as Compared to Financial Year Ended December 31, 2017*

Total cash flow from operating activities decreased by CHF 89.4 million, or 16.2%, from CHF 553.3 million for the financial year ended December 31, 2017 to CHF 463.9 million for the financial year ended December 31, 2018. The decrease was primarily due to an outflow of net working capital due to roaming discount settlements, the disposal of Swiss Towers in the financial year ended December 31, 2017 and the adoption of IFRS 9 and IFRS 15 and higher income tax payments.

*Financial Year Ended December 31, 2017 as Compared to Financial Year Ended December 31, 2016*

Total cash flow from operating activities increased by CHF 107.3 million, or 24.1%, from CHF 446.0 million for the financial year ended December 31, 2016 to CHF 553.2 million for the financial year ended December 31, 2017. The increase was primarily attributable to an improved net working capital of CHF 100.2 million driven by discontinued use of factoring facilities in 2016 and roaming discounts in 2017 as well as a CHF 11.1 million decrease in interest (repayment of CHF 450 million Term Loan with the proceeds from the Swiss Tower sale).

### ***Total Cash Flow Used in Investing Activities***

*Six-Month Period Ended June 30, 2019 as Compared to Six-Month Period Ended June 30, 2018*

Total cash flow used in investing activities increased by CHF 100.8 million, or 68.7%, from CHF 146.7 million for the six-month period ended June 30, 2018 to CHF 247.5 million for the six-month period ended June 30, 2019. The increase was due to higher payments for the purchase of intangible assets, mainly stemming from the purchase of the new 5G mobile licenses (CHF 91.0 million including consultancy fees) as well as from higher payments for access deals (year-over-year increase: CHF 29.9 million). In contrast, the cash flow from investing activities was positively impacted by the net proceeds from asset disposals, which mainly related to the sale of 133 telecom towers to Swiss Towers in January 2019.

*Financial Year Ended December 31, 2018 as Compared to Financial Year Ended December 31, 2017*

Total cash flow used in investing activities increased by CHF 427.9 million, or 318.1%, from a positive cash flow from investing activities of CHF 134.5 million for the financial year ended December 31, 2017, to CHF 293.4 million for the financial year ended December 31, 2018. The cash flow in the financial year ended December 31, 2017 was positively impacted by the net proceeds from the disposal of Swiss Towers for CHF 449.5 million. The cash outflow in the year ended December 31, 2018 was primarily due to the purchase of intangible assets and property, plant and equipment.

*Financial Year Ended December 31, 2017 as Compared to Financial Year Ended December 31, 2016*

Total cash flow used in investing activities decreased by CHF 347.0 million, or 163.3%, from CHF 212.5 million used in investing activities for the financial year ended December 31, 2016 to a positive cash flow from investing activities of CHF 134.5 million for the financial year ended December 31, 2017. The cash flow in the financial year ended December 31, 2017 was positively impacted by the net proceeds from the disposal of Swiss Towers for CHF 449.5 million and was only partially offset by a CHF 102.4 million of purchase of property, plant and equipment and intangible assets, mainly related to investments in network, upfront investments in fiber and shop expansions as well as shop upgrades.

***Total Cash Flow Used in Financing Activities***

*Six-Month Period Ended June 30, 2019 as Compared to Six-Month Period Ended June 30, 2018*

Total cash flow used in financing activities increased by CHF 201.4 million from CHF 15.9 million for the six-month period ended June 30, 2018 to CHF 217.3 million for the six-month period ended June 30, 2019. The main reason for this development was the refinancing, including related costs, in 2018, generating a prior year cash inflow of CHF 186.7 million. The cash flow used in financing activities for the six-month period ended June 30, 2019 was negatively impacted by IFRS 16, reflected in the CHF 20.4 million increase in repayments of lease liabilities.

*Financial Year Ended December 31, 2018 as Compared to Financial Year Ended December 31, 2017*

Total cash flow used in financing activities decreased by CHF 603.6 million, or 96.2%, from CHF 627.5 million for the financial year ended December 31, 2017 to CHF 23.9 million for the financial year ended December 31, 2018. In the financial year ended December 31, 2017, the cash flow was negatively impacted by the partial repayment of the existing term loans of CHF 450.0 million. In the financial year ended December 31, 2018, the issuance of CHF 200.0 million of Sunrise Notes and the refinancing of CHF 500.0 million senior secured notes resulted in a net cash inflow of CHF 184.5 million after applicable redemption premium and related fees and expenses for the refinancing and new issuance, offset by a CHF 30.4 million higher dividend payment.

*Financial Year Ended December 31, 2017 as Compared to Financial Year Ended December 31, 2016*

Total cash flow used in financing activities increased by CHF 362.4 million from CHF 265.1 million for the financial year ended December 31, 2016 to CHF 627.5 million for the financial year ended December 31, 2017. The increase was primarily due to the repayment of the existing term loans of CHF 450.0 million in August 2017 and a CHF 14.9 million higher dividend payment in the financial year ended December 31, 2017 compared to the dividend payment in the financial year financial year ended December 31, 2016.

**Net Working Capital Development**

The following table shows changes in our net working capital position on a quarterly basis during each of the financial years ended December 31, 2016, 2017 and 2018 and the six-month period ended June 30, 2019:

| | Net Change in Working Capital (unaudited) (CHF in millions) | | | | |
|---|---|---|---|---|---|
| | **First Quarter** | **Second Quarter** | **Third Quarter** | **Fourth Quarter** | **Full Year** |
| 2016 | (63.9) | 43.3 | (13.7) | (33.6) | (67.9) |
| 2017 | (14.1) | 31.7 | 26.1 | (11.4) | 32.3 |
| 2018 | (15.3) | (15.3) | 6.9 | 25.3 | (48.9) |
| 2019 | 39.6 | 19.8 | — | — | — |

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

Throughout the periods under review, the positive changes in our net working capital were attributable to increase in trade and other payables, roaming settlements and lower prepaid expenses. The negative changes were attributable to reduction in trade and other payables, adoption of IFRS 15, roaming discounts and payables to handset suppliers and other items related to prepayment of network service fees to Swiss Towers.

Our net working capital in the first quarter of the year are impacted by certain annual payments, including annual lease payments as well as management and employee bonuses paid in March. We pay dividends in the second quarter which also has an impact on our net working capital. Prior to the disposal of Swiss Towers, our net working capital in the first quarter was negatively impacted by lease payment for a large number of antenna sites.

### Long-Term Financing Arrangements

As of December 31, 2018, our total indebtedness, consisting of the Sunrise Facilities, the Sunrise Notes and finance leases amounted to CHF 1,573.0 million. We intend to redeem the Sunrise Notes as soon as practicable after the Acquisition.

The following table shows our long-term financial arrangements as of December 31, 2018.

| **Payments due by period (as of December 31, 2018)** | **Less than 1 year** | **1-2 years** | **2-5 years** | **More than 5 years** | **Total** |
|---|---|---|---|---|---|
| **(CHF in millions)** | | | | | |
| Sunrise Facilities | — | — | 1,369.2 | — | 1,369.2 |
| Sunrise Notes | — | — | — | 199.0 | 199.0 |
| Finance Leases | 2.0 | 0.5 | 0.8 | 1.5 | 4.7 |
| **Total** | **2.0** | **0.5** | **1,370.0** | **200.5** | **1,573.0** |

As of June 30, 2019, on a *pro forma basis* after giving effect to the proposed capital increase and the Acquisition, the *pro forma* total financial liabilities of the Group would have been CHF 8,292.2 million (equivalent). As a result of this increased indebtedness, our interest expenses are expected to increase in future periods. For the expected impact of the Acquisition on our long-term financing arrangements, see "*Risk Factors—Risks Related to Our Financial Profile*".

For a description of the material terms of our existing long-term financing arrangements and our anticipated long-term financing arrangements, see "*Description of Certain Financing Arrangements*".

### Certain Other Contractual Commitments

The following tables summarize our contractual obligations as of December 31, 2018 and June 30, 2019, excluding those contractual obligations as set forth above under "*—Long-Term Financing Arrangements*". The information presented in this table reflects, in part, our management's estimates of the contractual maturities of our obligations, which may differ significantly from the actual maturities of these obligations:

| **Payments due by period (as of December 31, 2018)** | **Less than 1 year** | **1-2 years** | **2-5 years** | **More than 5 years** | **Total** |
|---|---|---|---|---|---|
| **(CHF in millions)** | | | | | |
| Operating lease obligations(1) | 48.6 | 25.6 | 53.4 | 75.8 | 203.4 |
| Contractual and purchase commitments(2) | 468.9 | — | — | — | 468.9 |
| **Total contractual obligations** | **517.5** | **25.6** | **53.4** | **75.8** | **672.3** |

(1) Operating lease obligations primarily relate to leases of real property, mobile sites, machinery, equipment, computers and other equipment, and are included as other operating expenses above operating income.

(2) Contractual and purchase commitments include purchase orders relating to property, plant and equipment and intangible assets.

| **Payments due by period (as of June 30, 2019)** | **Less than 1 year** | **1-2 years** | **2-5 years** | **More than 5 years** | **Total** |
|---|---|---|---|---|---|
| **(CHF in millions)** | | | | | |
| Contractual and purchase commitments(1) | 237.2 | 34.5 | 50.2 | 10.9 | 332.8 |
| **Total contractual obligations** | **237.2** | **34.5** | **50.2** | **10.9** | **332.8** |

(1) Contractual and purchase commitments include purchase orders relating to property, plant and equipment and intangible assets.

## Capital Expenditures and Investments

The following table shows our capital expenditures defined as additions of property, plant and equipment and intangible assets for the financial years ended December 31, 2016, 2017 and 2018 and the six-month periods ended June 30, 2018 and 2019:

| | For the financial year ended December 31, | | | For the six-month period ended June 30 | |
|---|---|---|---|---|---|
| | (adjusted, unaudited) | (audited) | | (unaudited) | |
| | **2016** | **2017** | **2018** | **2018** | **2019** |
| | | | (CHF in millions) | | |
| Property, plant and equipment | 141.4 | 207.5 | 181.8 | 83.2 | 89.0 |
| Intangible assets | 71.2 | 107.5 | 121.3 | 71.1 | 188.2 |
| **Total capital expenditure(1)** | **212.6** | **315.0** | **303.0** | **154.3** | **277.2** |

(1) Capital expenditures reported here exclude asset retirement obligations, capitalized interest and additions from the acquisition of subsidiaries.

For the six-month period ended June 30, 2019, our capital expenditures amounted to CHF 277.2 million, of which CHF 89.0 million related to property, plant and equipment and CHF 188.2 million related to intangible assets. Capital expenditures during the six-months ended June 30, 2019 were primarily attributable to Swisscom access deal (CHF 60.5 million) and acquisition of 5G Mobile license (CHF 89.2 million).

For the financial year ended December 31, 2018, our capital expenditures amounted to CHF 303.0 million, of which CHF 181.8 million related to property, plant and equipment and CHF 121.3 million related to intangible assets. Capital expenditures during the financial year ended December 31, 2018 were primarily attributable to infrastructure driven by network investments, fixnet access and customer growth, and product innovation.

For the financial year ended December 31, 2017, our capital expenditures amounted to CHF 315.0 million, of which CHF 207.5 million related to property, plant and equipment and CHF 107.5 million related to intangible assets. Capital expenditures during the financial year ended December 31, 2017 were primarily attributable to infrastructure driven by network investments, customer growth, product innovation and fixnet access.

For the financial year ended December 31, 2016, our capital expenditures amounted to CHF 212.6 million, of which CHF 141.4 million related to property, plant and equipment and CHF 171.2 million related to intangible assets. Capital expenditures during the financial year ended December 31, 2016 were primarily attributable to infrastructure driven by network investments, customer growth and product innovation.

Our capital expenditures for the financial year ending December 31, 2019 are expected to be in the range of CHF 420 million to CHF 460 million. This estimate includes CHF 91 million for the 5G spectrum payment (including CHF 89 million license fees and CHF 2 million consultancy fees), CHF 61 million upfront payment to Swisscom for landline access and a CHF 16 million upfront payment for landline access scope extensions at local utility companies.

On a *pro forma* basis, we expect capital expenditures for the financial year ending December 31, 2019 to remain at elevated levels, mainly driven by one-off investments related to the new UPC TV box roll-out, digitisation and the 1 Gbps roll-out at UPC Switzerland, spectrum, as well as landline access fee payments by Sunrise to Swisscom. Thereafter, *pro forma* capital expenditures are expected to gradually moderate towards more normalized levels, excluding the impact from integration-related capital expenditures(see "*Acquisition—The Corporate Structure of the Group following the Acquisition—Integration and Post-Closing Restructuring*"). The level of capital expenditures in the future may also be affected by innovation cycles in the telecommunications industry.

## Off-Balance Sheet Arrangements

The following table summarizes our off-balance sheet arrangements for the periods presented:

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 |
| | (CHF in millions) | | | |
| Non-cancellable lease commitments for operating leases[(1)] | 239.5 | 216.3 | 203.4 | —[(2)] |
| Contractual and purchase commitments | 92.9 | 87.7 | 468.9 | 332.8[(3)] |

(1) Presentation in accordance with IAS 17.

(2) As operating leases are considered as liabilites in accordance with IFRS 16 there are no off-balance sheet lease commitments as of June 30, 2019.

(3) The total contractual and purchase commitments as of June 30, 2019 amounted to CHF 332.8 million consisting of future investments in property, plant and equipment and intangible assets, of which CHF 118.0 million relate to access deals.

## Quantitative and Qualitative Disclosures about Market Risk

We are exposed to various market risks, including interest rate, foreign currency exchange rate, credit and liquidity risks associated with our underlying assets, liabilities, forecast transactions and firm commitments. Our treasury department is responsible for managing exposure to market risk that arises in connection with operations and financial activities, including interest rate and foreign currency exchange.

The following sections discuss our significant exposures to market risk. The following discussions do not address other risks that we face in the normal course of business, including country risk and legal risk.

### *Interest Rate Risk*

As of the date of this Shareholder Information Document, interest-bearing liabilities consisted of the Sunrise Notes bearing a fixed coupon and the Sunrise Facilities with a variable interest rate (CHFLIBOR plus margin with ratchets depending on leverage ratio). We are exposed to market risks as a result of changes in interest rates, particularly in relation to floating-rate indebtedness, including, as of the date of this Shareholder Information Document, borrowings under the Sunrise Facilities. Financial liabilities issued at floating rates will expose us to cash-flow interest rate risk, while financial liabilities issued at fixed rates expose us to fair value interest rate risk.

We estimate that an increase in interest rates of 10 basis points, or 0.1%, would have resulted in an approximate decrease in profit before tax on a *pro forma* basis of CHF 1.5 million for the financial year ended December 31, 2018.

### *Foreign Currency Exchange Rate Risk*

We are predominantly active in the domestic Swiss market and a significant percentage of our cash flow is generated in Swiss francs. For the financial year ended December 31, 2018, we estimate that an increase or decrease in the exchange rate between the Swiss francs and the euro of 10% would have resulted in an effect on profit before tax of CHF 0.6 million. The impact on our profit before tax would be mainly driven by foreign exchange gains/losses of euro- and U.S. dollar-denominated cash and cash equivalents, trade and other receivables as well as trade and other payables. As of June 30, 2019, we have no other material exposure to foreign currencies.

All outstanding Sunrise financial debt is denominated in CHF; however, following the Acquisition, we expect to acquire a substantial amount of indebtedness of the UPC Group which is denominated in euros and U.S. dollars. In order to manage the negative impact of a reduction in the value of the Swiss franc relative to the euro and the U.S. dollar on its financial profile, the UPC Group has entered into hedging arrangements in respect of such euro- and U.S. dollar-denominated indebtedness. See "*Description of Certain Financing Arrangements*" and "*Risk Factors—Risks Related to the Group's Financial Profile—Exchange rate fluctuations could adversely affect our financial results*".

### *Credit Risk*

Our credit risk is principally associated with gross trade receivables, billed and unbilled, which, as of December 31, 2018 and June 30, 2019, amounted to CHF 486.5 million and CHF 447.1 million, respectively. We seek to minimize credit risk through a preventive credit check process that ensures that all customers requesting new products and services or changes to existing services are reliable and solvent. We also seek to minimize credit risk by preferring contracts that provide for the use of automatic payment methods with the aim of reducing the underlying credit risk. This control is carried out at the customer acceptance phase through the use of internal and external information.

Additionally, we exercise timely pre- and post-subscription acquisition measures for the purpose of credit collection, such as the following:

- sending reminders to customers;
- employing measures for the collection of overdue receivables, separated by strategy, portfolio and customer profiles; and
- measuring and monitoring debt status through reporting tools.

The result of this effective action is that we have a limited amount of credit losses. Additionally, as a general rule, we have a limited level of credit concentration as a result of diversifying our product and services portfolio to our customers.

Concentration of credit risk relating to accounts receivable from customers is limited due to the large number of customers. For accounts receivable from foreign telecommunications operators, the concentration of credit risk is also limited due to netting agreements with accounts payable to these companies, prepayment obligations, imposed bank guarantees and credit limits delivered by credit insurers.

Credit risk relating to cash and cash equivalents, and financial deposits arises from the risk that the counterparty becomes insolvent and, accordingly, is unable to return the deposited funds as a result of the insolvency. To mitigate this risk, we conduct transactions and deposit funds with investment-grade rated financial institutions.

As of December 31, 2018 and June 30, 2019, we had cash in bank accounts amounting to CHF 420.9 million and CHF 239.8 million, respectively, which is included in cash and cash equivalents.

***Liquidity Risk***

Liquidity risk arises mostly in connection with cash flows generated and used in financing activities, and particularly by servicing debt, in terms of both interest and capital, and from all of our payment obligations that result from business activities.

In general, we manage our liquidity risk by monitoring our cash flow and rolling liquidity reserve forecast in order to ensure that we have sufficient committed facilities to meet our liquidity needs. Mandatory repayments under the Sunrise Facilities and the Sunrise Notes may occur in certain circumstances. We maintain a CHF 200 million Sunrise Revolving Credit Facility which may be used for general corporate purposes, including to manage our liquidity. See "*Description of Certain Financing Arrangements*".

**Critical Accounting Estimates**

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

Our significant accounting estimates are set forth in note (3) to our consolidated financial statements as of and for the financial year ended December 31, 2018 included elsewhere in this Shareholder Information Document. The following describes estimates and judgments that are considered important when portraying our financial position.

***Determination of Useful Lives and Recovery of Long-Lived Assets***

Useful lives for intangible assets and property, plant and equipment, as shown in note (4) to our consolidated financial statements for the financial year ended December 31, 2018 included elsewhere in this Shareholder Information Document, are assigned based on periodic studies of actual useful lives and the intended use for those assets. Such studies are completed annually or updated when new events occur that have the potential to impact the determination of the useful life of the asset, such as when events or circumstances have occurred which 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 lives of these assets is recognized in the financial statements as soon as any such change is determined.

### *Intangible Assets*

Intangible assets comprise a significant portion of our total assets. Impairment tests on goodwill are performed at least annually and, if necessary, when events or changes in circumstances indicate that their carrying value may not be recoverable. 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 in future periods. The assumptions for significant goodwill amounts are set forth in note (15) to our consolidated financial statements as of and for the financial year ended December 31, 2018 included elsewhere in this Shareholder Information Document.

### *Defined Benefit Plans*

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 (23) to our consolidated financial statements as of and for the financial year ended December 31, 2018 included elsewhere in this Shareholder Information Document, the assumed discount rate reflects changes in market conditions. We believe these assumptions illustrate current market conditions.

Although we reports an employee benefit obligation of CHF 85 million in our consolidated financial IFRS financial statement as of December 31, 2018, our pension fund is overfunded according to Swiss law. The different results are mainly driven by differences in valuation methods. Swiss law prescribes a static valuation method whereas IFRS (IAS 19) requests the usage of a dynamic valuation method. Therefore, the IFRS employee benefit obligation should not be regarded as a cash liability based on current facts and circumstances.

### *Deferred Taxes*

Estimates of deferred taxes and significant items giving rise to the deferred assets and liabilities are shown in note (13) to our consolidated financial statements as of and for the financial year ended December 31, 2018 included elsewhere in this Shareholder Information Document. 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 could 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 our tax returns by tax authorities.

### *Asset Retirement Obligations*

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. For more details regarding asset retirement obligations, see note (27) to our consolidated financial statements as of and for the financial year ended December 31, 2018 included elsewhere in this Shareholder Information Document.

### *Costs to Obtain a Contract*

Costs to obtain a contract consist of costs directly related to the acquisitions and retention of contracts with customers (*e.g.*, commission paid to vendor or retailers). Management judgment is required to determine if costs are directly attributable and incremental and to define the appropriate amortization period consistent with the type of the underlying service contract (mobile pre- or post-paid, fixnet). See note (8) to our consolidated financial statements as of and for the financial year ended December 31, 2018 included elsewhere in this Shareholder Information Document.

### *Assessment of service agreement related to Swiss Towers*

In the context of the sale of one subsidiary to a third party (see note 12 to our consolidated financial statements as of and for the financial year ended December 31, 2018 included elsewhere in this Shareholder Information Document) 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 services, as the criteria for a lease agreement are not fulfilled.

### *New Accounting Standards*

We have adopted the following new accounting standards (IFRS) for the first time for the financial year beginning January 1, 2018:

- *IFRS 15 "Revenue from Contracts with Customers".* IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces old revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. We have adopted the new standard on the required effective date using the modified retrospective method through a corresponding adjustment to equity as of January 1, 2018 (cumulative method). According to IFRS 15 "*Revenue from Contracts with Customers*", revenue is recognized to depict the transfer of control over goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard provides for a single, principles-based, five-step model which is to be applied to all contracts with customers and where the transaction price is generally allocated to each separate performance obligation in proportion to the stand-alone selling prices. Also, revenue is recognized when the customer obtains control of the promised goods or services.

  Due to the adoption of IFRS 15 we have capitalized costs to obtain a contract, reallocated the revenue of hardware sales and recognized activation fees and uneven discounts. The impact of IFRS 15 on our consolidated financial position, consolidated income statement and the consolidated statement of cash flow and is presented in note (5) to the consolidated financial statements as of and for the financial year ended December 31, 2018 included elsewhere in this Shareholder Information Document.

- *IFRS 9 "Financial Instruments".* IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments Recognition and Measurement. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model (ECL) for calculating impairment of financial assets (including accrued income/credit notes and contract assets regarding IFRS 15) as well as new general hedge accounting requirements. We have applied the modified retrospective method and accordingly did not restate comparative figures. We have determined that the application of impairment requirements of IFRS 9 as of January 1, 2018, results in additional impairment allowances amounting to CHF 2.4 million (CHF 1.9 million net of tax), consisting of CHF 1.8 million for trade and other receivables and CHF 0.6 million for contract assets.

  Furthermore, IFRS 9 includes new guidance relating to non-substantial modifications or exchanges of financial liabilities. A gain or loss resulting from non-substantial modifications in debt must be recognized through profit and loss at the time of the modification. The gain is equal to the difference between the present value of the cash flows under the original and modified terms discounted by the original effective interest rate. Since the approach related to debt modification adjustments needs to be applied retrospectively, we have recognized an adjustment of CHF 10.7 million (CHF 8.5 million net of tax) linked to the refinancing from December 2016 (25 bp reduction) in accumulated deficit on January 1, 2018. The adjustment resulted in an increase in equity. The refinancing transactions in June 2018 that included a refinancing of the Sunrise Facilities had a total effect of CHF 11.4 million on the consolidated statements of income for the financial year ended December 31, 2018 and is reflected in net financial items.

  The impact of IFRS 9 on our consolidated financial position, consolidated income statement and the consolidated statement of cash flow and is presented in note (5) to the consolidated financial statements as of and for the financial year ended December 31, 2018 included elsewhere in this Shareholder Information Document.

We have adopted the following new accounting standards (IFRS) for the first time for the financial year beginning January 1, 2019:

- IFRS 16 "*Leasing*" effective for accounting periods beginning on or after January 1, 2019. We have adopted IFRS 16 "*Leases*" as of January 1, 2019. 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 to make lease payments. There are optional exemptions for short-term leases and leases of low value items. IFRS 16 replaces the previous leases standard, IAS 17 Leases, and related interpretations.

We have adopted IFRS 16 initially on January 1, 2019, using the modified retrospective method. Therefore, the cumulative effect of adopting IFRS 16 is recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

We will recognize new assets and liabilities for our operating leases of properties *(e.g.*, offices, retail shops), mobile sites (*e.g.*, antennas, tunnels), transmission equipment (*e.g.*, leased lines) and cars. The nature of expenses related to those leases will now change as we will recognize a depreciation charge for right-of-use assets and interest expense on lease liabilities instead of other operating expenses and transmission costs and costs of goods sold.

We have assessed the estimated impact that adoption of IFRS 16 will have on our consolidated financial statements. As part of the transition to IFRS 16, as of January 1, 2019, we have recognized right-of-use assets and additional lease liabilities in the amount of CHF 279.6 million (total lease liabilities as of January 1, 2019: CHF 284.4 million). The first-time adoption of IFRS 16 did not have an impact on our equity. The positive impact on EBITDA for the six-month period ended June 30, 2019 was CHF 22.3 million (thereof CHF 22.2 million as a reduction of other operating expenses and a negligible effect in the cost of sales), is related to the shift of costs within Condensed Consolidated Interim Statement of Income (from originally above EBITDA to depreciation and interest expenses). It was offset by the increase in depreciation (CHF 18.6 million) and interest expenses (CHF 6.2 million). This led to a negative income before tax impact of CHF 2.5 million for the six-month period ended June 30, 2019.

The following new or amended standards are not expected to have a significant impact on our consolidated financial statements:

- IFRIC 23 Uncertainty over Income Tax Treatments, effective January 1, 2018
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle – various standards
- Amendments to References to Conceptual Framework in IFRS Standards
- IFRS 17 Insurance Contracts

Other than as described in this section "*Management's Discussion and Analysis of Financial Condition and Results of Operations of Sunrise* ", no material changes in the assets and liabilities, financial position and results of operations of the Company have occurred since June 30, 2019.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF UPC SWITZERLAND

*The following is a discussion and analysis of the results of operations and financial condition of UPC Schweiz GmbH and its consolidated subsidiaries ("UPC Switzerland") based on the audited historical combined carve-out financial statements as of and for the financial years ended December 31, 2016, 2017 and 2018 and the unaudited interim condensed combined carve-out financial statements of UPC Switzerland as of and for the six-month period ended June 30, 2019 with comparative information as of and for the six-month period ended June 30, 2018. UPC Switzerland's financial information contained in this Shareholder Information Document is prepared in accordance with U.S. GAAP.*

*The historical combined carve-out financial statements of UPC Switzerland as of and for the financial years ended December 31, 2016, 2017 and 2018 have been audited by KPMG AG. The interim condensed combined carve-out financial statements of UPC Switzerland as of and for the six-month period ended June 30, 2019 with comparative information as of and for the six-month period ended June 30, 2018, prepared in accordance with U.S. GAAP, have not been audited.*

*You should read this discussion in conjunction with the historical combined carve-out financial statements and interim condensed combined carve-out financial statements and the accompanying notes included elsewhere in this Shareholder Information Document. A summary of the critical accounting estimates that have been applied to the combined carve-out financial statements of UPC Switzerland is set forth below under "—Critical Accounting Policies, Judgments and Estimates". You should also review the information in the section "Presentation of Financial and Other Information". This discussion also includes forward-looking statements which, although based on assumptions that UPC Switzerland considers reasonable, are subject to risks and uncertainties that could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of risks and uncertainties facing us as a result of various factors, see "Forward-Looking Statements" and "Risk Factors".*

### Key Factors Affecting UPC Switzerland's Results of Operations

Over the past years, UPC Switzerland has been experiencing significant competition from its competitors at multiple levels, which has contributed to a declining trend in UPC Switzerland's revenue, RGUs and average monthly subscription revenue per average cable RGU, most notably in its B2C residential fixed-line business, partially offset by UPC Switzerland's growth in Mobile and B2B business, as described in more detail in "*Presentation of Financial Statements*". Overall, UPC Switzerland's revenue decreased from CHF 1,356.7 million for the financial year ended December 31, 2016 to CHF 1,296.1 million for the financial year ended December 31, 2018 and its RGUs decreased from approximately 2.5 million as of December 31, 2016 to approximately 2.2 million as of June 30, 2019.

UPC Switzerland has been implementing a strategy to return to growth since July 2018. In line with this strategy, UPC Switzerland launched in the fourth quarter of 2018 its new UPC TV proposition which includes a new set-top box, has increased fixed-to-mobile convergence by deploying a new MVNO service with Swisscom in January 2019 which has led to increasing growth of mobile subscribers, and is expected to increase its download speed to 1 Gbps networkwide with the DOCSIS 3.1 upgrade. UPC Switzerland believes that these changes have had or will have, as the case may be, a positive impact on its financial and operating results. The declining trend in RGU net adds has improved by 1.6 percentage points in the six-month period ended June 30, 2019 and the declining trend in revenue has improved by 0.5 percentage points in in the six-month period ended June 30, 2019 compared to in the six-month period ended June 30, 2018.

*Price Development*

The Swiss telecommunications industry has experienced considerable price pressure over recent years, also driven by new entrants into the market. Most notably with Sunrise's and Salt's entry to the video market and Salt's entry into the fixed-line market in early 2018 via network sharing agreements with SFN and Swisscom, the market has become increasingly promotion-driven with higher levels of promotional discounts.

UPC Switzerland also experienced pricing pressure from increased convergence as customers look to receive all of their fixed and mobile media and communication services from a single provider in a 4P bundle. UPC Switzerland's key competitor for the provision of converged services is Swisscom.

UPC Switzerland's ability to offer triple-play or quad-play bundles and fixed-mobile convergence bundles is one of its key strategies to attract and retain customers. UPC Switzerland closely monitors market developments and offers bundles and promotions in an effort to remain competitive. Furthermore, it continues to harmonize its existing customer base, by offering customers on legacy plans upgrades into new plans, which generally provide more value for money. Overall, UPC Switzerland seeks to distinguish itself primarily through broadband download speeds, its TV entertainment and attractive 4P bundling propositions.

*Infrastructure Competition*

UPC Switzerland has been recognized in the past as the "speed leader" for broadband services as its hybrid fiber-coaxial ("**HFC**") internet speeds were significantly above the DSL and VDSL infrastructures of its competitors. In the past few years, Swisscom, municipalities and utilities have challenged UPC Switzerland's "speed leadership" proposition by building FTTS/FTTH networks and upgrading existing copper networks, primarily in larger cities offering internet speeds of up to 10 Gbps. Today, approximately 35% of Swiss households are connected to the FTTS/FTTH infrastructure.

Mobile operators that provide high-speed mobile data, often in unlimited plans, are also increasingly perceived as potential competitors to fixed broadband services. With the demand for mobile internet services increasing, Swisscom, Sunrise and Salt are currently making investments to build 5G networks.

UPC Switzerland aims at differentiating itself in this competitive environment by its download speed. In areas where FTTS/FTTH infrastructure is not available and UPC Switzerland's HFC infrastructure is available, UPC Switzerland has an advantage in delivering higher broadband speeds of up to 600 Mbps as of June 30, 2019 and up to 1 Gbps in September 2019 compared to its competitors which operate on VDSL infrastructure in these areas. There is a clear roadmap to increasing speeds on UPC Switzerland's cable network to 1 Gbps by way of the DOCSIS 3.1 upgrade, which was launched in September 2019. UPC Switzerland also expects that through further upgrades and new technology, speeds of up to 10 Gbps and faster may be attained in the longer term, thus enabling UPC Switzerland to further enhance customer experience.

The video, broadband internet and fixed-line telephony businesses in which UPC Switzerland operates are capital-intensive. UPC Switzerland closely monitors its network capacity and customer usage. Where necessary, it increases its capacity incrementally, for instance by splitting nodes in its cable network. UPC Switzerland also continues to explore improvements to its services and new technologies that will enhance its customers' connected entertainment experience, such as converting linear TV channels to nonlinear IP channels in order to increase DOCSIS capacity, moving from DOCSIS 3.0 to DOCSIS 3.1, bringing optic fiber deeper into the network (*i.e.,* closer towards the home) within the node split projects. In addition, in October 2018, UPC Switzerland started to roll out its new set-top box and modems to increase customer satisfaction. Significant additions to its property and equipment are required to add customers to networks and to upgrade broadband communications networks and customer premises equipment to enhance its service offerings and improve the customer experience, including expenditures for equipment and labor costs. For the financial year ended December 31, 2018 and for the six-month period ended June 30, 2019, UPC Switzerland's property and equipment additions represented 18.9% and 21.5% of UPC Switzerland's revenue, respectively. For information regarding UPC Switzerland's property and equipment additions, see "—*Liquidity and Capital Resources—Consolidated Statements of Cash Flows*".

*TV Experience*

UPC Switzerland's video service has been, and continues to be, one of the key foundations of its product offerings. However, UPC Switzerland's competitors' investment in the recent years in high-technology set-top-boxes, which ranked higher in customer perception (measured by NPS), has put pressure on UPC Switzerland. To improve its NPS and to become more competitive, UPC Switzerland enhanced its set-top box and launched the new video platform in late 2018. This has improved UPC Switzerland's NPS scores significantly.

With telecommunication companies increasingly offering similar services, programming and content are among the decisive factors for customers in selecting a video services provider. Programming refers to the selection of TV channels such as SRF, RTL and ProSiebenSat1, whereas content refers to the "on demand" selection of offerings, such as movies, sports, documentaries or adult content.

In both programming and content, traditional TV service providers face increased competition from OTT providers which provide catch-up television and linear channels from various broadcasters, such as Zattoo, Teleboy and Wilma and from content aggregators, such as Amazon Prime, Netflix and Sky. OTT propositions are often provided at attractive commercial terms or even free-of-charge and respond to the increased trend of mobile entertainment consumption, as well as customer demand for seamless interplay between at home and on-the-go consumption.

In response to the increased trend of mobile entertainment consumption, UPC Switzerland launched its UPC TV app in 2013, which provides the full TV experience including linear TV services, VoD, replay, and on-the-go recording options to its customer base, and is available on mobile devices, browsers and through third-party devices, such as Chromecast and AppleAirplay.

UPC Switzerland licenses almost all of its programming and on-demand offerings from content providers and third-party rights holders, including broadcasters and cable programming networks. For such licenses, it generally pays a monthly fee on a per channel or per subscriber basis, with minimum pay guarantees in certain cases. UPC Switzerland generally enters into long-term programming licenses with volume discounts and marketing support. For on-demand programming and streaming services, it generally enters into shorter-term agreements.

Exclusive content is another element of UPC Switzerland's content strategy. To support this approach, it invests in specific content assets. For example, UPC Switzerland launched the premium sports network, *MySports*, in 2017, after the Swiss Ice Hockey Federation awarded the media distribution rights to UPC for five seasons starting with the 2017/2018 season. In addition, UPC Switzerland is commissioning its own dramas, such as The Rook, Die Lehrer and Stand-Up Comedy Show.

Investment in exclusive content, most notably *MySports*, is a major cost driver for UPC Switzerland's operations. UPC Switzerland's programming and other direct costs of services increased from CHF 182.7 million for the financial year ended December 31, 2016 to CHF 247.1 million for the financial year ended December 31, 2018. However, UPC Switzerland believes that access to exclusive content has a positive effect on its revenues and tends to reduce customer churn.

*Mobile and Fixed-line Telephony Services and Convergent Offerings*

Switzerland is experiencing increased convergence as customers look to receive all of their media and communication services from a single provider. Fixed-to-mobile convergence is gaining importance in the Swiss market and consumers are increasingly moving to mobile for telephony and internet services. In response to this trend, and in order to increase customer satisfaction and ultimately decrease churn, UPC Switzerland has entered the mobile market in 2014 as an MVNO.

UPC Switzerland faces significant competition from other mobile providers, many of whom offer LTE services and are making significant advances in obtaining customers. UPC Switzerland's mobile business is small compared to the existing business of the incumbent mobile providers (Swisscom, Sunrise and Salt), that remain UPC Switzerland's key competitors, including their secondary brands, such as Wingo (Swisscom) and Yallo (Sunrise). Further competitors include other MVNOs such as Swiss retailers (Coop, Migros and Aldi) and other smaller service providers. Generally, UPC Switzerland expects mobile markets to remain extremely competitive.

UPC Switzerland's strategy is to further enhance fixed-to-mobile convergence and to increase the percentage of subscribers that purchase both a broadband and mobile subscription from UPC Switzerland. As of June 30, 2019, 16% of UPC Switzerland's broadband customers had also a mobile subscription with UPC Switzerland.

The market for fixed-line telephony services is mature in Switzerland. Changes in market share are driven by the combination of price and quality of services provided and the inclusion of telephony services in bundled offerings. The incumbent telecommunication operator Swisscom has long-standing relationships with customers who might be reluctant to change their service provider. UPC Switzerland also competes with other VoIP operators offering services across broadband lines. OTT telephony is also a competitive factor.

***Growth in Business Services***

In addition to its residential services, UPC Switzerland offers business services. UPC Switzerland's total B2B revenue increased from CHF 144.6 million in the financial year ended December 31, 2016 to CHF 169.3 million in the financial year ended December 31, 2018.

For business and public sector organizations, UPC Switzerland provides a range of voice, advanced data, video, wireless and cloud-based services, as well as mobile and converged fixed-mobile services. UPC

Switzerland's business customers include small offices and home offices consisting of one to four employees, small businesses and medium and large enterprises including large retailers, cantonal banks, hospitals and public administrations. It also provides business services on a wholesale basis to other operators.

UPC Switzerland's intermediate to long-term strategy is to continue to enhance its capabilities and offerings in the business sector to become a preferred provider in the business market. UPC Switzerland is expecting continued growth within this segment.

***Macroeconomic and Political Developments***

Switzerland is an attractive market with a growing population in one of the wealthiest countries in Europe. See "*Industry—Overview—Macroeconomic Overview*". In addition to these favorable macroeconomic and demographic factors, Switzerland benefits from one of Europe's most attractive business environments, supported by a stable currency, low interest rate levels and attractive corporate and individual tax rates significantly below the EU-15 average.

However, UPC Switzerland's operations are subject to macroeconomic, political and other risks that are outside of its control. Developments around instability in global markets, and market perceptions concerning these and related issues, could have adverse consequences for UPC Switzerland with respect to the substantial amount of debt denominated in euro and U.S. dollars. For example, high levels of sovereign debt in the United States and certain European countries, combined with weak growth and high unemployment, could potentially lead to fiscal reforms (including austerity measures), tax increases, sovereign debt restructurings, currency instability, increased counterparty credit risk, high levels of volatility and disruptions in the credit and equity markets, as well as other outcomes that might adversely impact UPC Switzerland. The occurrence of any of these events could have an adverse impact on, among other matters, UPC Switzerland's liquidity and cash flows.

In order to manage the negative impact of a reduction in the value of the Swiss franc relative to euro and the U.S. dollars on its financial profile, the UPC Group has entered into hedging arrangements in respect of such euro- and U.S. dollar denominated indebtedness. If the UPC Group is not able to enter into hedging arrangements to the extent necessary and on commercially reasonable terms, its exchange rate risk could be significantly exacerbated. The significant recent appreciation of the Swiss franc against the euro and increased volatility in the exchange rates may increase the cost of hedging its exposure to currencies other than the Swiss franc.

The uncertainty surrounding the United Kingdom's pending exit from the European Union could also have a negative impact on the European economy. As the European Union is Switzerland's main trading partner, unfavorable economic conditions in Europe may have an indirect impact on the general economic conditions in Switzerland. The telecommunications sector, however, is historically one of the industrial segments that has in comparison been less affected by global economic downturns. In addition, the Swiss economy also proved relatively robust through past downturns as compared to other European economies. However, recessionary conditions typically adversely impact Swiss consumer spending, including on telecommunications services and products, which in turn impacts UPC Switzerland's subscription numbers and customer spending.

## Revenue by Major Category

UPC Switzerland's revenue by major category is set forth below:

| | Year ended December 31, | | | Six-month period ended June 30, | |
|---|---|---|---|---|---|
| | **2016** | **2017** | **2018** | **2018** | **2019** |
| | | | | **(unaudited)** | |
| | | | **(CHF in millions)** | | |
| **Residential revenue:** | | | | | |
| ***Residential cable revenue***[1] | | | | | |
| Subscription revenue[2] | | | | | |
| Video | 588.0 | 561.2 | 515.5 | 261.2 | 239.0 |
| Broadband internet | 368.9 | 358.9 | 344.5 | 173.7 | 166.4 |
| Fixed-line telephony | 136.8 | 123.9 | 112.9 | 57.8 | 51.5 |
| **Total subscription revenue** | **1,093.7** | **1,044.0** | **972.9** | **492.7** | **456.9** |
| Non-subscription revenue | 77.8 | 97.5 | 82.9 | 43.0 | 39.5 |
| **Total residential cable revenue** | **1,171.5** | **1,141.5** | **1,055.8** | **535.7** | **496.4** |

| | | | | | |
|---|---|---|---|---|---|
| ***Residential mobile revenue***[3] | | | | | |
| Subscription revenue[2] | 23.2 | 36.1 | 50.8 | 23.4 | 30.7 |
| Non-subscription revenue | 17.4 | 15.8 | 16.5 | 7.5 | 13.7 |
| **Total residential mobile revenue** | **40.6** | **51.9** | **67.3** | **30.9** | **44.4** |
| **Total residential revenue** | **1,212.1** | **1,193.4** | **1,123.1** | **566.6** | **540.8** |
| **B2B revenue:**[4] | | | | | |
| Subscription revenue | 15.8 | 18.2 | 19.8 | 9.6 | 10.7 |
| Non-subscription revenue | 128.8 | 137.1 | 149.5 | 76.8 | 78.2 |
| **Total B2B revenue** | **144.6** | **155.3** | **169.3** | **86.4** | **88.9** |
| Other revenue | — | — | 3.7 | 1.0 | 1.1 |
| **Total** | **1,356.7** | **1,348.7** | **1,296.1** | **654.0** | **630.8** |

(1) Residential cable subscription revenue includes amounts received from subscribers for ongoing services. Residential cable non-subscription revenue includes, among other items, channel carriage fees, late fees and revenue from the sale of equipment. As described in note 2 to the historical condensed combined carve-out financial statements included elsewhere in this Shareholder Information Document, UPC Switzerland adopted ASU 2014-09 on January 1, 2018 using the cumulative effect transition method. For periods subsequent to its adoption of ASU 2014-09, installation revenue is generally deferred and recognized over the contractual period as residential cable subscription revenue. For periods prior to the adoption of ASU 2014-09, installation revenue is included in residential cable non-subscription revenue.

(2) Residential subscription revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the standalone price for each individual service. As a result, changes in the standalone pricing of UPC Switzerland's cable and mobile products or the composition of bundles can contribute to changes in its product revenue categories from period to period.

(3) Residential mobile subscription revenue includes amounts received from subscribers for ongoing services. Residential mobile non-subscription revenue includes, among other items, interconnect revenue and revenue from sales of mobile handsets and other devices.

(4) B2B subscription revenue represents revenue from services to certain small or home office (SOHO) subscribers. SOHO subscribers pay a premium price to receive expanded service levels along with video, broadband internet, fixed-line telephony or mobile services that are the same or similar to the mass marketed products offered to its residential subscribers. B2B non-subscription revenue includes business broadband internet, video, fixed-line telephony, mobile and data services offered to medium to large enterprises and, on a wholesale basis, to other operators.

## Presentation of Financial Statements

### *Revenue*

Revenue consists of:

- *Residential revenue including residential cable revenue and residential mobile revenue*. Residential cable revenue includes revenue from video, broadband internet and fixed-line telephony subscriptions and non-subscription revenue consisting of channel carriage fees & interconnect, installation fees, late charges, cancellation charges, advertising revenue, sale of equipment, revenue from partner networks, revenue from affiliates and other residential network related revenue. Residential mobile subscription revenue includes amounts received from subscribers for ongoing services. Residential mobile non-subscription revenue includes, among other items, interconnect revenue and revenue from sales of mobile handsets and other devices.

- *B2B revenue including subscription revenues and non-subscription revenue*. Non-subscription revenue consists of channel carriage fees & interconnect, wholesale business, installation fees, late charges, cancellation charges, advertising revenue, sale of equipment, centrally managed program, lease fees and access revenue, revenue from affiliates and other B2B revenue.

- *Other revenue*. Other revenue primarily includes property sublet income.

### *Programming and Other Direct Costs of Services*

UPC Switzerland's programming and other direct costs of services include programming and copyright costs, mobile access, B2B related leased line costs, interconnect costs, partner network revenue share and mobile handset costs. Direct costs are directly attributable to a specific product line and create added value to the customer's experience.

### *Other Operating Expenses*

UPC Switzerland's other operating expenses include personnel costs, network-related expenses including network maintenance costs and rental fees, bad debt and collection expenses, vehicle expenses and outsourced labor and professional fees of the technology, customer care and billing and collection departments.

### *Selling, General & Administrative Expenses*

UPC Switzerland's selling, general and administrative expenses ("**SG&A expenses**") include personnel costs and sales and marketing costs, facility costs and maintenance of certain internal departments such as IT, management, finance, legal, human resources and facility management.

### *Related-Party Fees and Allocations, Net*

Certain Liberty Global subsidiaries charge fees and allocate costs and expenses to UPC Switzerland, and UPC Switzerland charges fees and allocate costs and expenses to certain Liberty Global subsidiaries. These include revenue, programming and other cost of services, other operating expenses, SG&A, allocated share-based compensation expense, fees and allocations, net, property and equipment transfers. For additional information, see note 9 to the historical combined carve-out financial statements included elsewhere in this Shareholder Information Document.

### *Depreciation and Amortization Expense*

UPC Switzerland's depreciation expense relates to depreciation of UPC Switzerland's tangible assets, primarily network assets, which are depreciated on a straight-line basis over periods of useful lives depending on the type of asset. UPC Switzerland's amortization expense relates to amortization of UPC Switzerland's definite-lived intangible assets, consisting of customer relationships established in acquisition accounting, which are amortized on a straight-line basis over their respective useful lives. For additional information, see note 6 to the historical combined carve-out financial statements included elsewhere in this Shareholder Information Document.

### *Impairment, Restructuring and Other Operating Items, Net*

Impairment, restructuring and other operating items include (i) impairment charges related to the write-off of certain long-lived assets, (ii) restructuring charges related to employee severance and termination costs associated with certain reorganization activities, and (iii) other operating charges or credits.

### *Interest Expense*

Interest expense relates to UPC Switzerland's outstanding debt and leases obligations. For additional information, see note 7 to the historical combined carve-out financial statements included elsewhere in this Shareholder Information Document.

### *Foreign Currency Transaction Gains (Losses), Net*

UPC Switzerland's foreign currency transaction losses, net relate to gains or losses associated with transactions denominated in currencies other than the Swiss franc, UPC Switzerland's functional currency.

### *Other Income, Net*

Other income, net, includes actuarial gains and losses associated with UPC Switzerland's defined benefit plans. For additional information, see note 10 to the historical combined carve-out financial statements included elsewhere in this Shareholder Information Document.

### *Income Tax Expense*

Each of UPC Switzerland's combined carve-out entities files separate income tax returns in accordance with applicable Swiss tax law. The income taxes of these entities are reflected on a separate return basis for each tax-paying entity. For additional information, see note 8 to the historical combined carve-out financial statements included elsewhere in this Shareholder Information Document.

## Results of Operations

The table below shows UPC Switzerland's results of operations for the financial years ended December 31, 2016, 2017 and 2018 as well as the six-month periods ended June 30, 2018 and 2019.

| | Year ended December 31, | | | Six-month period ended June 30, | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2018 | 2019 |
| | | | | (unaudited) | |
| | (CHF in millions) | | | | |
| Revenue | 1,356.7 | 1,348.7 | 1,296.1 | 654.0 | 630.8 |
| **Operating costs and expenses:** | | | | | |
| Programming and other direct costs of services | 182.7 | 207.7 | 247.1 | 127.4 | 128.0 |
| Other operating | 161.8 | 160.5 | 155.1 | 78.3 | 79.3 |
| Selling, general and administrative (SG&A) | 171.0 | 171.2 | 174.2 | 90.4 | 101.5 |
| Related-party fees and allocations, net | 218.2 | 244.0 | 75.8 | 80.9 | 84.0 |
| Depreciation and amortization | 272.6 | 273.6 | 257.4 | 127.7 | 129.4 |
| Impairment, restructuring and other operating items, net | (0.3) | 5.1 | 2.4 | 3.1 | 8.8 |
| | **1,006.0** | **1,062.1** | **912.0** | **507.8** | **531.0** |
| Operating income | **350.7** | **286.6** | **384.1** | **146.2** | **99.8** |
| **Non-operating income (expense):** | | | | | |
| Interest expense | (4.1) | (3.7) | (3.7) | (1.8) | (1.9) |
| Foreign currency transaction gains (losses), net | 1.2 | (7.2) | 3.3 | 0.4 | 1.0 |
| Other income, net | 22.5 | 12.7 | 8.0 | 5.8 | 4.5 |
| | **19.6** | **1.8** | **7.6** | **4.4** | **3.6** |
| Earnings before income taxes | 370.3 | 288.4 | 391.7 | 150.6 | 103.4 |
| Income tax expense | (62.3) | (56.0) | (70.3) | (30.4) | (20.6) |
| Net earnings | **308.0** | **232.4** | **321.4** | **120.2** | **82.8** |
| Net earnings attributable to non-controlling interests | (5.5) | (5.2) | (4.3) | (2.0) | (2.0) |
| Net earnings attributable to parent entity | **302.5** | **227.2** | **317.1** | **118.2** | **80.8** |

## Six-Month Period Ended June 30, 2019 as compared to the Six-Month Period Ended June 30, 2018

### *Revenue*

The table below sets forth UPC Switzerland's revenue by services for the six-month period ended June 30, 2019 as compared to the six-month period ended June 30, 2018.

| | For the six-month period ended June 30, | | | | Change | |
|---|---|---|---|---|---|---|
| | 2018 | % of total revenue | 2019 | % of total revenue | (amount) | (%) |
| | (unaudited) (CHF in millions, except for percentages) | | | | | |
| **Residential revenue:** | | | | | | |
| ***Residential cable revenue*** | | | | | | |
| Subscription revenue | | | | | | |
| Video | 261.2 | 39.9 | 239.0 | 37.9 | (22.2) | (8.5) |
| Broadband internet | 173.7 | 26.6 | 166.4 | 26.4 | (7.3) | (4.2) |
| Fixed-line telephony | 57.8 | 8.8 | 51.5 | 8.2 | (6.3) | (1.1) |
| **Total subscription revenue** | **492.7** | **75.3** | **456.9** | **72.4** | **(35.8)** | **(7.3)** |
| Non-subscription revenue | 43.0 | 6.6 | 39.5 | 6.3 | (3.5) | (8.1) |
| **Total residential cable revenue** | **535.7** | **81.9** | **496.4** | **78.7** | **(39.3)** | **(7.3)** |
| ***Residential mobile revenue*** | | | | | | |
| Subscription revenue | 23.4 | 3.6 | 30.7 | 4.9 | 7.3 | 31.2 |
| Non-subscription revenue | 7.5 | 1.1 | 13.7 | 2.2 | 6.2 | 82.7 |
| **Total residential mobile revenue** | **30.9** | **4.7** | **44.4** | **7.0** | **13.5** | **43.7** |
| **Total residential revenue** | **566.6** | **86.6** | **540.8** | **85.7** | **(25.8)** | **(4.6)** |
| **B2B revenue:** | | | | | | |
| Subscription revenue | 9.6 | 1.5 | 10.7 | 1.7 | 1.1 | 11.4 |
| Non-subscription revenue | 76.8 | 11.7 | 78.2 | 12.4 | 1.4 | 1.8 |
| **Total B2B revenue** | **86.4** | **13.2** | **88.9** | **14.1** | **2.5** | **2.9** |
| Other revenue | 1.0 | 0.2 | 1.1 | 0.2 | 0.1 | 0.1 |

| | For the six-month period ended June 30, | | | | Change | |
|---|---|---|---|---|---|---|
| | 2018 | % of total revenue | 2019 | % of total revenue | (amount) | (%) |
| | (unaudited) (CHF in millions, except for percentages) | | | | | |
| **Total** | **654.0** | **100** | **630.8** | **100** | **(23.2)** | **(3.5)** |

*Total revenue.* UPC Switzerland's revenue decreased by CHF 23.2 million, or 3.5%, from CHF 654.0 million for the six-month period ended June 30, 2018 to CHF 630.8 million for the six-month period ended June 30, 2019, primarily due to volume-related lower residential revenue partially offset by growth in mobile and B2B.

*Residential revenue.* UPC Switzerland's total residential revenue decreased by CHF 25.8 million, or 4.6%, from CHF 566.6 million for the six-month period ended June 30, 2018 to CHF 540.8 million for the six-month period ended June 30, 2019. The decrease in total residential revenue was due to the decrease in total residential cable revenue by CHF 39.3 million, or 7.3%, from CHF 535.7 million for the six-month period ended June 30, 2018 to CHF 496.4 million for the six-month period ended June 30, 2019, partially offset by the increase in total residential mobile revenue by CHF 13.5 million, or 43.7%, from CHF 30.9 million for the six-month period ended June 30, 2018 to CHF 44.4 million for the six-month period ended June 30, 2019.

This decrease in total residential cable revenue was primarily attributable to decreases in both total subscription revenue and non-subscription revenue. The decrease in total subscription revenue was attributable to a decrease in subscription revenue from video services of CHF 22.2 million, or 8.5%, a decrease in subscription revenue from broadband internet services of CHF 7.3 million, or 4.2%, and a decrease in subscription revenue from fixed-line telephony services of CHF 6.3, million or 1.1%.

The decrease in subscription revenue from video services was primarily attributable to volume loss of 93,800 video RGUs partially offset by favorable tier mix (a change in the composition of the customer base where the number of customers purchasing more products at higher prices increased and the number of customers purchasing products at lower prices decreased) driven by the positive impact of the UPC TV portfolio. The decrease in subscription revenue from broadband internet services was mainly as a result of loss of on average 52,000 internet RGUs compared to the prior year partially offset by higher internet ARPU. The decrease in subscription revenue from fixed-line telephony services was primarily attributable to lower usage revenue and loss of 19,600 telephony RGUs.

The increase in total residential mobile revenue was primarily due to RGU growth of 36,000 driven by attractive unlimited mobile offers and volume-related higher mobile handset revenue.

*B2B revenue.* UPC Switzerland's B2B revenue increased by CHF 2.5 million, or 2.9%, from CHF 86.4 million for the six-month period ended June 30, 2018 to CHF 88.9 million for the six-month period ended June 30, 2019. This increase was primarily due to continued growth across all B2B segments, mainly small offices/home offices.

***Programming and Other Direct Costs of Services***

UPC Switzerland's programming and other direct costs of services remained stable at CHF 127.4 million for the six-month period ended June 30, 2018 and at CHF 128.0 million for the six-month period ended June 30, 2019.

***Other Operating Expenses***

UPC Switzerland's other operating expenses remained stable at CHF 78.3 million for the six-month period ended June 30, 2018 and at CHF 79.3 million for the six-month period ended June 30, 2019.

***SG&A Expenses***

UPC Switzerland's SG&A expenses increased by CHF 11.1 million, or 12.3%, from CHF 90.4 million for the six-month period ended June 30, 2018 to CHF 101.5 million for the six-month period ended June 30, 2019. This increase was primarily due to higher personnel costs driven by growth in the number of employees in customer care and sales departments, investments into digitization and therefore higher staff and consulting costs, and higher bonus expenses mainly due to higher stock-based compensation expenses.

UPC Switzerland's SG&A expenses include share-based compensation expense, which increased by CHF 5.6 million for the six-month period ended June 30, 2019. For additional information, see "—*Related-Party Fees and Allocations, Net*" below. Excluding the effects of acquisitions and share-based compensation expense, UPC Switzerland's SG&A expenses increased by CHF 5.5 million, or 6.4%, for the six-month period ended June 30, 2019, as compared to the six-month period ended June 30, 2018.

***Related-Party Fees and Allocations, Net***

Related-party fees and allocations, net, increased by CHF 3.1 million, or 3.8%, from CHF 80.9 million for the six-month period ended June 30, 2018 to CHF 84.0 million for the six-month period ended June 30, 2019. These amounts represent fees charged and costs allocated to UPC Switzerland that originate with Liberty Global and certain other Liberty Global subsidiaries, net of fees and costs allocated to Liberty Global and subsidiaries that originate with UPC Switzerland. The increase in the six-month period ended June 30, 2019 was mainly due to a seasonal factors resulting in higher underlying expenses over these two periods. For additional information, see note 9 to the historical combined carve-out financial statements included elsewhere in this Shareholder Information Document.

***Impairment, Restructuring and Other Operating Items, Net***

UPC Switzerland's impairment, restructuring and other operating items, net, increased by CHF 5.7 million, or 183.9%, from CHF 3.1 million for the six-month period ended June 30, 2018, to CHF 8.8 million for the six-month period ended June 30, 2019. The increase was mainly due to severance costs in connection with the sale of UPC Switzerland.

***Interest Expense***

UPC Switzerland's interest expense remained stable at CHF 1.8 million in the six-month period ended June 30, 2018 and at CHF 1.9 million in the six-month period ended June 30, 2019. For additional information regarding UPC Switzerland's outstanding indebtedness, see note 7 to the historical combined carve-out financial statements included elsewhere in this Shareholder Information Document.

***Foreign Currency Transaction Gains (Losses), Net***

In the six-month periods ended June 30, 2018 and 2019, UPC Switzerland recorded foreign currency transaction gains of CHF 0.4 million and CHF 1.0 million, respectively.

These gains are due to transactions denominated in currencies other than the Swiss franc, UPC Switzerland's functional currency. These amounts were primarily associated with related-party charges and other transactions denominated in euro. For additional information, see note 9 to the historical combined carve-out financial statements included elsewhere in this Shareholder Information Document.

***Other Income, Net***

UPC Switzerland's other income, net, decreased by CHF 1.3 million, or 22.4%, from CHF 5.8 million for the six-month period ended June 30, 2018 to CHF 4.5 million for the six-month period ended June 30, 2019. These amounts primarily relate to actuarial gains and losses in connection with our defined benefit plans. For additional information, see note 10 to the historical combined carve-out financial statements included elsewhere in this Shareholder Information Document.

***Income Tax Expense***

UPC Switzerland's income tax expense decreased by CHF 9.8 million, or 32.2%, from CHF 30.4 million for the six-month period ended June 30, 2018 to CHF 20.6 million for the six-month period ended June 30, 2019. The decrease for the six-month period ended June 30, 2019 was primarily attributable to a decrease in the expected tax expense (based on the average Swiss income tax rate of 19.3%) on lower net financial results in the six-month period ended June 30, 2019.

For additional information concerning UPC Switzerland's income taxes, see note 8 to the historical combined carve-out financial statements included elsewhere in this Shareholder Information Document.

### *Net Earnings*

UPC Switzerland's net earnings decreased by CHF 37.4 million, or 31.1%, from CHF 120.2 million for the six-month period ended June 30, 2018 to CHF 82.8 million for the six-month period ended June 30, 2019. The decrease in the six-month period ended June 30, 2019 was primarily attributable to the different level of costs explained in the sections above.

### *Net Earnings Attributable to Non-controlling Interests*

Net earnings attributable to non-controlling interests remained stable at CHF 2.0 million for the six-month periods ended June 30, 2018 and 2019.

## Financial Year Ended December 31, 2018 as Compared to the Financial Year Ended December 31, 2017

### *Revenue*

The table below sets forth UPC Switzerland's revenue by services for the financial year ended December 31, 2018 as compared to the financial year ended December 31, 2017.

| | For the financial year ended December 31, | | | | Change | |
|---|---|---|---|---|---|---|
| | 2017 | % of total revenue | 2018 | % of total revenue | (amount) | (%) |
| | (CHF in millions, except for percentages) | | | | | |
| **Residential revenue:** | | | | | | |
| ***Residential cable revenue*** | | | | | | |
| Subscription revenue | | | | | | |
| Video | 561.2 | 41.6 | 515.5 | 39.7 | (45.7) | (8.1) |
| Broadband internet | 358.9 | 26.6 | 344.5 | 26.6 | (14.4) | (4.0) |
| Fixed-line telephony | 123.9 | 9.2 | 112.9 | 8.7 | (11.0) | (8.9) |
| **Total subscription revenue** | **1,044.0** | **77.4** | **972.9** | **75.1** | **(71.1)** | **(6.8)** |
| Non-subscription revenue | 97.5 | 7.2 | 82.9 | 6.4 | (14.6) | (14.9) |
| **Total residential cable revenue** | **1,141.5** | **84.6** | **1,055.8** | **81.5** | **(85.7)** | **(7.5)** |
| ***Residential mobile revenue*** | | | | | | |
| Subscription revenue | 36.1 | 2.7 | 50.8 | 3.9 | 14.7 | 40.7 |
| Non-subscription revenue | 15.8 | 1.2 | 16.5 | 1.3 | 0.7 | 4.4 |
| **Total residential mobile revenue** | **51.9** | **3.8** | **67.3** | **5.2** | **15.4** | **29.7** |
| **Total residential revenue** | **1,193.4** | **88.5** | **1,123.1** | **86.7** | **(70.3)** | **(5.9)** |
| **B2B revenue:** | | | | | | |
| Subscription revenue | 18.2 | 1.3 | 19.8 | 1.5 | 1.6 | 8.8 |
| Non-subscription revenue | 137.1 | 10.2 | 149.5 | 11.5 | 12.4 | 9.0 |
| **Total B2B revenue** | **155.3** | **11.5** | **169.3** | **13.1** | **14.0** | **9.0** |
| Other revenue | — | — | 3.7 | 0.3 | 3.7 | — |
| **Total** | **1,348.7** | **100** | **1,296.1** | **100** | **(52.6)** | **(3.9)** |

*Total revenue.* UPC Switzerland's revenue decreased by CHF 52.6 million, or 3.9%, from CHF 1,348.7 million for the financial year ended December 31, 2017 to CHF 1,296.1 million for the financial year ended December 31, 2018, primarily due to video and internet RGU loss in combination with lower video ARPU as a result of higher discounts and unfavorable tier mix, a change in the composition of its customer base where the number of customers purchasing more products at higher prices decreased and the number of customers purchasing products at lower prices increased. The decrease in internet and telephony ARPU was primarily driven by higher discounts and lower usage. This decrease includes CHF 1.0 million attributable to the impact of acquisitions. Excluding the effects of acquisitions, UPC Switzerland's revenue decreased by CHF 53.6 million, or 4.0%.

*Residential revenue.* UPC Switzerland's total residential revenue decreased by CHF 70.3 million, or 5.9%, from CHF 1,193.4 million for the financial year ended December 31, 2017 to CHF 1,123.1 million for the financial year ended December 31, 2018. The decrease in total residential revenue is due to the decrease in total residential cable revenue by CHF 85.7 million, or 7.5%, from CHF 1,141.5 million for the financial year ended December 31, 2017 to CHF 1,055.8 million for the financial year ended December 31, 2018 partially offset by the increase in total residential mobile revenue by CHF 15.4 million, or 29.7%, from CHF 51.9 million for the financial year ended December 31, 2017 to CHF 67.3 million for the financial year ended December 31, 2018.

This decrease in total residential cable revenue was primarily attributable to decreases in both total subscription revenue and non-subscription revenue. The decrease in total subscription revenue was attributable to a decrease in subscription revenue from video services of CHF 45.7 million, or 8.1%, a decrease in subscription revenue from broadband internet services of CHF 14.4 million, or 4.0%, and a decrease in subscription revenue from fixed-line telephony services of CHF 11.0 million or 8.9%.

The decrease in subscription revenue from video services was attributable to approximately 117,500 fewer RGUs and lower ARPU as a result of higher discounts and unfavorable tier mix. The decrease in subscription revenue from broadband internet services was attributable to approximately 49,000 fewer Internet RGUs in combination with higher discounts. The decrease in subscription revenue from fixed-line telephony services was attributable to lower ARPU from higher discounts and lower usage revenue.

The increase in total residential mobile revenue was primarily due to increases in subscription revenue driven by approximately 31,500 more RGUs and non-subscription revenue due to higher interconnect revenue.

*B2B revenue.* UPC Switzerland's B2B revenue increased by CHF 14.0 million, or 9.0%, from CHF 155.3 million for the financial year ended December 31, 2017 to CHF 169.3 million for the financial year ended December 31, 2018. This increase was primarily due to increases in subscription revenue driven by continued growth in small to medium enterprises and large enterprises partially offset by lower income in fixed-line telephony and non-subscription revenue due to higher wholesale voice and data revenue.

***Programming and Other Direct Costs of Services***

UPC Switzerland's programming and other direct costs of services increased by CHF 39.4 million, or 18.9%, from CHF 207.7 million for the financial year ended December 31, 2017 to CHF 247.1 million for the financial year ended December 31, 2018. This increase was primarily due to higher programming and copyright spending for *MySports* which was partially offset by lower volume due to lower subscription video on demand and TV on demand costs, lower spending on other content and lower copyright costs mainly due to a CHF 1.0 million true-up. In addition, higher interconnect costs and handset costs driven by larger customer base contributed to the increase.

***Other Operating Expenses***

UPC Switzerland's other operating expenses decreased by CHF 5.4 million, or 3.4%, from CHF 160.5 million for the financial year ended December 31, 2017 to CHF 155.1 million for the financial year ended December 31, 2018. This decrease was primarily driven by lower costs mainly driven by a combination of volume effects, procurement savings and process improvements leading to higher efficiency. These lower expenses were partially offset by higher business services mainly related to MySports-related freelance expenses and higher insourced labor expenses.

***SG&A Expenses***

UPC Switzerland's SG&A expenses increased by CHF 3.0 million, or 1.8%, from CHF 171.2 million for the financial year ended December 31, 2017 to CHF 174.2 million for the financial year ended December 31, 2018. This increase was primarily due to higher insourced labor expenses as a result of higher spending in commercial functions due to an increase in number of full time employees, annualization impacts and temporary specialist insourcing offset by lower spending in support functions and lower spending in finance functions, lower bonus expense due to lower achievement levels, share incentive program and change in bonus plan.

UPC Switzerland's SG&A expenses include share-based compensation expense, which increased by CHF 4.1 million for the financial year ended December 31, 2018. For additional information, see "*—Related-Party Fees and Allocations, Net*" below. Excluding the effects of acquisitions and share-based compensation expense, UPC Switzerland's SG&A expenses decreased by CHF 1.4 million, or 0.8%, for the financial year ended December 31, 2018, as compared to the financial year ended December 31, 2017.

***Related-Party Fees and Allocations, Net***

Related-party fees and allocations, net, decreased by CHF 168.2 million, or 68.9%, from CHF 244.0 million for the financial year ended December 31, 2017 to CHF 75.8 million for the financial year ended December 31, 2018. These amounts represent fees charged and costs allocated to UPC Switzerland that originate with Liberty Global and certain other Liberty Global subsidiaries, net of fees and costs allocated to Liberty Global and subsidiaries that originate with UPC Switzerland. The decrease in the financial year ended

December 31, 2018 was mainly due to a transfer pricing adjustment made by the Swiss tax authorities. For additional information, see note 9 to the historical combined carve-out financial statements included elsewhere in this Shareholder Information Document.

***Depreciation and Amortization Expense***

UPC Switzerland's depreciation and amortization expense decreased by CHF 16.2 million, or 5.9%, from CHF 273.6 million for the financial year ended December 31, 2017, to CHF 257.4 million for the financial year ended December 31, 2018. This decrease was primarily due to the net effect of fully depreciated assets partially offset by acquisitions.

***Impairment, Restructuring and Other Operating Items, Net***

UPC Switzerland's impairment, restructuring and other operating items, net, decreased by CHF 2.7 million, or 52.9%, from CHF 5.1 million for the financial year ended December 31, 2017, to CHF 2.4 million for the financial year ended December 31, 2018. These amounts primarily relate to restructuring charges associated with employee severance and termination costs related to certain reorganization activities.

***Interest Expense***

UPC Switzerland's interest expense remained stable at CHF 3.7 million in the financial years ended December 31, 2017 and 2018. For additional information regarding UPC Switzerland's outstanding indebtedness, see note 7 to the historical combined carve-out financial statements included elsewhere in this Shareholder Information Document.

***Foreign Currency Transaction Gains (Losses), Net***

In the financial year ended December 31, 2017, UPC Switzerland incurred a foreign currency transaction loss of CHF 7.2 million whereas in the financial year ended December 31, 2018, UPC Switzerland recorded a foreign currency transaction gain of CHF 3.3 million.

These gains or losses are due to transactions denominated in currencies other than the Swiss franc, UPC Switzerland's functional currency. These amounts were primarily associated with related-party charges and other transactions denominated in euro. For additional information, see note 9 to the historical combined carve-out financial statements included elsewhere in this Shareholder Information Document.

***Other Income, Net***

UPC Switzerland's other income, net, decreased by CHF 4.7 million, or 37.0%, from CHF 12.7 million for the financial year ended December 31, 2017 to CHF 8.0 million for the financial year ended December 31, 2018. These amounts primarily relate to actuarial gains and losses in connection with our defined benefit plans. For additional information, see note 10 to the historical combined carve-out financial statements included elsewhere in this Shareholder Information Document.

***Income Tax Expense***

UPC Switzerland's income tax expense increased by CHF 14.3 million, or 25.5%, from CHF 56.0 million for the financial year ended December 31, 2017 to CHF 70.3 million for the financial year ended December 31, 2018. The increase in the financial year ended December 31, 2018 was primarily attributable to lower related-party fees and allocations, more specifically lower management fees due to the acceptance of a bilateral advance pricing arrangement with the Swiss tax authorities. See note 9 to the historical combined carve-out financial statements included elsewhere in this Shareholder Information Document.

For additional information concerning UPC Switzerland's income taxes, see note 8 to the historical combined carve-out financial statements included elsewhere in this Shareholder Information Document.

***Net Earnings***

UPC Switzerland's net earnings increased by CHF 89.0 million, or 38.3%, from CHF 232.4 million for the financial year ended December 31, 2017 to CHF 321.4 million for the financial year ended December 31, 2018. The increase in the financial year ended December 31, 2018 was primarily attributable to the transfer pricing adjustment made in the related-party transactions in the financial year ended December 31, 2018.

*Net Earnings Attributable to Non-controlling Interests*

Net earnings attributable to non-controlling interests remained stable at CHF 5.2 million for the financial year ended December 31, 2017 and CHF 4.3 million for the financial year ended December 31, 2018.

**Financial Year Ended December 31, 2017 as Compared to the Financial Year Ended December 31, 2016**

***Revenue***

The table below sets forth UPC Switzerland's revenue by services for the financial year ended December 31, 2017 as compared to the financial year ended December 31, 2016.

| | For the financial year ended December 31, | | | | Change | |
|---|---|---|---|---|---|---|
| | **2016** | **% of total revenue** | **2017** | **% of total revenue** | **(amount)** | **(%)** |
| | (CHF in millions, except for percentages) | | | | | |
| **Residential revenue:** | | | | | | |
| ***Residential cable revenue*** | | | | | | |
| Subscription revenue | | | | | | |
| Video | 588.0 | 43.3 | 561.2 | 41.6 | (26.8) | (4.6) |
| Broadband internet | 368.9 | 27.2 | 358.9 | 26.6 | (10.0) | (2.7) |
| Fixed-line telephony | 136.8 | 10.1 | 123.9 | 9.2 | (12.9) | (9.4) |
| **Total subscription revenue** | **1,093.7** | **80.6** | **1,044.0** | **77.4** | **(49.7)** | **(4.5)** |
| Non-subscription revenue | 77.8 | 5.7 | 97.5 | 7.2 | 19.7 | 25.3 |
| **Total residential cable revenue** | **1,171.5** | **86.3** | **1,141.5** | **84.6** | **(30.0)** | **(2.6)** |
| ***Residential mobile revenue*** | | | | | | |
| Subscription revenue | 23.2 | 1.7 | 36.1 | 2.7 | 12.9 | 55.6 |
| Non-subscription revenue | 17.4 | 1.3 | 15.8 | 1.2 | (1.6) | (9.2) |
| **Total residential mobile revenue** | **40.6** | **2.9** | **51.9** | **3.8** | **11.3** | **27.8** |
| **Total residential revenue** | **1,212.1** | **89.3** | **1,193.4** | **88.5** | **(18.7)** | **(1.5)** |
| **B2B revenue:** | | | | | | |
| Subscription revenue | 15.8 | 1.2 | 18.2 | 1.3 | 2.4 | 15.2 |
| Non-subscription revenue | 128.8 | 9.5 | 137.1 | 10.2 | 8.3 | 6.4 |
| **Total B2B revenue** | **144.6** | **10.7** | **155.3** | **11.5** | **10.7** | **7.4** |
| Other revenue | — | — | — | — | — | — |
| **Total** | **1,356.7** | **100** | **1,348.7** | **100** | **(8.0)** | **(0.6)** |

*Total revenue.* UPC Switzerland's revenue decreased by CHF 8.0 million, or 0.6%, from CHF 1,356.7 million for the financial year ended December 31, 2016 to CHF 1,348.7 million for the financial year ended December 31, 2017, primarily due to RGU loss related lower video revenue, unfavorable tier mix, higher discounts and lower telephony usage revenue partially offset by volume growth in B2B and mobile. This decrease includes CHF 6.3 million attributable to the impact of acquisitions. Excluding the effects of acquisitions, UPC Switzerland's revenue decreased by CHF 14.3 million, or 1.1%.

*Residential revenue.* UPC Switzerland's total residential revenue decreased by CHF 18.7 million, or 1.5%, from CHF 1,212.1 million for the financial year ended December 31, 2016 to CHF 1,193.4 million for the financial year ended December 31, 2017. The decrease in total residential revenue is due to the decrease in total residential cable revenue by CHF 30.0 million, or 2.6%, from CHF 1,171.5 million for the financial year ended December 31, 2016 to CHF 1,141.5 million for the financial year ended December 31, 2017 partially offset by the increase in total residential mobile revenue by CHF 11.3 million, or 27.8%, from CHF 40.6 million for the financial year ended December 31, 2016 to CHF 51.9 million for the financial year ended December 31, 2017.

This decrease in total residential cable revenue was primarily attributable to a decrease in total subscription revenue, partially offset by the increase in non-subscription revenue. The decrease in total subscription revenue was mainly attributable to the net effect of a decrease in video services of CHF 26.8 million, or 4.6%, a decrease in broadband internet services of CHF 10.0 million, or 2.7%, and a decrease in fixed-line telephony services of CHF 12.9 million, or 9.4%.

The decrease in subscription revenue from video services was attributable to a 51,200 decrease in RGU and lower ARPU as an effect of higher discounts and unfavorable tier mix. The decrease in subscription revenue from broadband internet services was mainly attributable to higher discounts and unfavorable tier mix. The decrease in subscription revenue from fixed-line telephony services was driven by lower usage and higher discounts.

The increase in non-subscription revenue was mainly due to *MySports* distribution revenue driven by the launch of *MySports* in the third quarter of 2017, partially offset by lower installation fees charged to the customers due to the competitive environment and lower revenue from sales of network equipment to partner networks.

The increase in total residential mobile revenue was primarily due to increases in subscription revenue driven by volume increase from a growing customer base, which was offset by a decrease in non-subscription revenue was mainly driven by lower handset sales to third-party resellers.

*B2B revenue.* UPC Switzerland's B2B revenue increased by CHF 10.7 million, or 7.4%, from CHF 144.6 million for the financial year ended December 31, 2016 to CHF 155.3 million for the financial year ended December 31, 2017. This increase was primarily due to increases in subscription revenue driven by volume growth across all segments and non-subscription revenue mainly as an effect of higher revenue from partner networks including revenue from UPC Switzerland's V2000 fiber extension project.

***Programming and Other Direct Costs of Services***

UPC Switzerland's programming and other direct costs of services increased by CHF 25.0 million, or 13.7%, from CHF 182.7 million for the financial year ended December 31, 2016 to CHF 207.7 million for the financial year ended December 31, 2017. This increase was mainly due to increased programming and copyright costs, higher MVNO costs driven by higher mobile volumes, higher leased line costs in B2B due to Swisscom price increases, higher mobile interconnect costs driven by volume and partially offset by lower residential interconnect costs driven by lower call volumes and lower B2B interconnect costs. This increase is net of CHF 0.5 million attributable to the impact of an acquisition.

***Other Operating Expenses***

UPC Switzerland's other operating expenses decreased by CHF 1.3 million, or 0.8%, from CHF 161.8 million for the financial year ended December 31, 2016 to CHF 160.5 million for the financial year ended December 31, 2017. This decrease was mainly due to lower company vehicles related costs (primarily as a result of capital lease conversion), lower telecommunication costs mostly due to outsourcing arrangements and other savings in relation to customer care, partially offset by higher capitalized labor costs in network and IT departments driven by different capital expenditure investment activities.

***SG&A Expenses***

UPC Switzerland's SG&A expenses remained stable at CHF 171.0 million for the financial year December 31, 2016 and CHF 171.2 million for the financial year ended December 31, 2017. In this period, lower staff related costs were driven by lower pension costs and higher staff recharges to other Liberty Global companies which was offset by higher bonus expenses. Marketing and sales spending was predominantly driven by *MySports* related spending as well as higher online marketing spending.

This increase includes CHF 0.7 million attributable to the impact of an acquisition. UPC Switzerland's SG&A expenses include share-based compensation expense, which increased by CHF 0.2 million during 2017. For additional information, see "*—Related-Party Fees and Allocations, Net*". Excluding the effects of the acquisition, FX and share-based compensation expense, UPC Switzerland's SG&A expenses decreased by CHF 0.7 million, or 0.4%, during the financial year ended December 31, 2017, as compared to the financial year ended December 31, 2016.

***Related-Party Fees and Allocations, Net***

Related-party fees and allocations, net, increased by CHF 25.8 million, or 11.8%, from CHF 218.2 million for the financial year ended December 31, 2016 to CHF 244.0 million for the financial year ended December 31, 2017. These amounts represent fees charged and costs allocated to UPC Switzerland that originate with Liberty Global and certain other Liberty Global subsidiaries, net of fees and costs allocated to Liberty Global and subsidiaries that originate with UPC Switzerland. For additional information, see note 9 to the historical combined carve-out financial statements included elsewhere in this Shareholder Information Document.

***Depreciation and Amortization Expense***

UPC Switzerland's depreciation and amortization expense remained stable at CHF 272.6 million for the financial year December 31, 2016 to CHF 273.6 million for the financial year ended December 31, 2017.

***Impairment, Restructuring and Other Operating Items, Net***

UPC Switzerland's impairment, restructuring and other operating items, net, increased by CHF 5.4 million from CHF (0.3) million for the financial year ended December 31, 2016, to CHF 5.1 million for the financial year ended December 31, 2017. These amounts primarily relate to restructuring charges associated with employee severance and termination costs related to certain reorganization activities.

***Interest Expense***

UPC Switzerland's interest expense decreased by CHF 0.4 million, or 9.8%, from CHF 4.1 million for the financial year ended December 31, 2016, to CHF 3.7 million for the financial year ended December 31, 2017. For additional information regarding UPC Switzerland's outstanding indebtedness, see note 7 to the historical combined carve-out financial statements included elsewhere in this Shareholder Information Document.

***Foreign Currency Transaction Losses, Net***

In the financial year ended December 31, 2016, UPC Switzerland recorded a foreign currency transaction gain of CHF 1.2 million whereas in the financial year ended December 31, 2017, UPC Switzerland incurred a foreign currency transaction loss of CHF 7.2 million.

These gains or losses are due to transactions denominated in currencies other than the Swiss franc, UPC Switzerland's functional currency. These amounts were primarily associated with related-party charges and other transactions denominated in euro. For additional information, see note 9 to the historical combined carve-out financial statements included elsewhere in this Shareholder Information Document.

***Other Income, Net***

UPC Switzerland's other income, net, decreased by CHF 9.8 million, or 43.6%, from CHF 22.5 million for the financial year ended December 31, 2016 to CHF 12.7 million for the financial year ended December 31, 2017. These amounts primarily relate to actuarial gains and losses in connection with UPC Switzerland's defined benefit plans. For additional information, see note 10 to the historical combined carve-out financial statements included elsewhere in this Shareholder Information Document.

***Income Tax Expense***

UPC Switzerland's income tax expense decreased by CHF 6.3 million, or 10.1%, from CHF 62.3 million for the financial year ended December 31, 2016 to CHF 56.0 million for the financial year ended December 31, 2017. The decrease in the financial year ended December 31, 2017 was primarily attributable to a decrease in the expected tax expense (based on the Swiss income tax rate of 19.6%). This decrease in the income tax expense was partially offset by an increase in the permanent difference between the financial and tax accounting treatment of items associated with investments in subsidiaries.

For additional information concerning UPC Switzerland's income taxes, see note 8 to the historical combined carve-out financial statements included elsewhere in this Shareholder Information Document.

***Net Earnings***

UPC Switzerland's net earnings decreased by CHF 75.6 million, or 24.5%, from CHF 308.0 million for the financial year ended December 31, 2016 to CHF 232.4 million for the financial year ended December 31, 2017. The decrease in the financial year ended December 31, 2017 was primarily attributable to an increase in programming costs and increase in related-party costs and allocations, net.

***Net Earnings Attributable to Non-controlling Interests***

Net earnings attributable to non-controlling interests remained stable at CHF 5.5 million for the financial year ended December 31, 2016 to CHF 5.2 million for the financial year ended December 31, 2017.

## Liquidity and Capital Resources

### *Capitalization*

As of June 30, 2019, the outstanding principal amount of UPC Switzerland's consolidated third-party debt, together with UPC Switzerland's capital lease obligations, amounted to CHF 45.1 million, including CHF 29.9 million that is classified as current in UPC Switzerland's condensed consolidated balance sheet and CHF 15.2 million that is classified as non-current. For additional information regarding UPC Switzerland's current debt maturities and UPC Switzerland's debt and capital lease obligations, see note 7 to the historical condensed combined carve-out financial statements included elsewhere in this Shareholder Information Document.

### *Combined Carve-out Statements of Cash Flows*

The table below shows UPC Switzerland's combined carve-out statements of cash flows for the financial years ended December 31, 2016, 2017 and 2018 as well as the six-month periods ended June 30, 2018 and 2019.

| | Year ended December 31, | | | Six-month period ended June 30, | |
|---|---|---|---|---|---|
| | **2016** | **2017** | **2018** | **2018** | **2019** |
| | | | | **(unaudited)** | |
| | **(CHF in millions)** | | | | |
| **Cash flows from operating activities:** | | | | | |
| Net earnings | 308.0 | 232.4 | 321.4 | 120.2 | 82.8 |
| **Adjustments to reconcile net earnings to net cash provided by operating activities:** | | | | | |
| Share based compensation expense | 8.3 | 8.5 | 12.6 | 5.1 | 10.7 |
| Related-party fees and allocations, net | 218.2 | 244.0 | 75.8 | 80.9 | 84.0 |
| Depreciation and amortization | 272.6 | 273.6 | 257.4 | 127.7 | 129.4 |
| Impairment, restructuring and other operating items, net | (0.3) | 5.1 | 2.4 | 3.1 | 8.8 |
| Foreign currency transaction losses (gains), net | (1.2) | 7.2 | (3.3) | (0.4) | (1.0) |
| Deferred income tax benefit | (7.1) | (2.3) | (17.3) | (2.3) | 1.9 |
| Current tax expense attributable to carve-out adjustments | 21.7 | 56.4 | 71.5 | 7.2 | 1.3 |
| **Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions:** | | | | 59.4 | 18.5 |
| Receivables and other operating assets | (34.9) | 39.8 | 43.2 | — | — |
| Payables and accruals | (41.7) | (186.9) | (75.8) | — | — |
| Net cash provided by operating activities | 743.6 | 677.8 | 687.9 | 400.9 | 336.4 |
| **Cash flows from investing activities:** | | | | | |
| Capital expenditures | (178.2) | (163.3) | (171.9) | (80.2) | (103.4) |
| Cash paid in connection with other asset acquisitions | (13.2) | (4.0) | (5.8) | — | — |
| Proceeds from sale of investments | 2.0 | 1.7 | 1.0 | 0.5 | 0.5 |
| Net cash used by investing activities | (189.4) | (165.6) | (176.7) | (79.7) | (102.9) |
| **Cash flows from financing activities:** | | | | | |
| Repayments of debt and finance lease obligations | (99.1) | (105.4) | (109.1) | (50.3) | (59.2) |
| Borrowings of debt | 35.2 | 36.5 | 53.7 | 17.9 | 37.9 |
| Distributions to parent, net | (482.0) | (437.7) | (450.9) | (282.8) | (209.4) |
| Distributions by subsidiaries to noncontrolling interest owners | (6.4) | (5.7) | (5.5) | (3.2) | (2.9) |
| Other financing activities | (0.8) | (0.3) | — | — | — |
| Net cash used by financing activities | (553.1) | (512.6) | (511.8) | (318.4) | (233.6) |
| Effect of exchange rate changes on cash and cash equivalents and restricted cash | (0.2) | (0.7) | 0.2 | (2.2) | 0.4 |
| Net increase (decrease) in cash and cash equivalents and restricted cash | 0.9 | (1.1) | (0.4) | 0.6 | 0.3 |
| **Cash and cash equivalents and restricted cash:** | | | | | |
| Beginning of year | 1.6 | 2.5 | 1.4 | 1.4 | 1.0 |
| End of year | 2.5 | 1.4 | 1.0 | 2.0 | 1.3 |

| | Year ended December 31, | | | Six-month period ended June 30, | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2018 | 2019 |
| | | | | (unaudited) | |
| | (CHF in millions) | | | | |
| Cash paid for interest | 4.5 | 4.5 | 3.9 | 1.8 | 1.5 |
| Net cash paid for taxes | 78.6 | 99.1 | 15.9 | (7.6) | 9.5 |
| Details of end of period cash and cash equivalents and restricted cash: | | | | | |
| Cash and cash equivalents | 1.5 | 0.4 | 0.4 | 1.4 | 0.7 |
| Restricted cash included in other assets, net | 1.0 | 1.0 | 0.6 | 0.6 | 0.6 |
| Total cash and cash equivalents and restricted cash | 2.5 | 1.4 | 1.0 | 2.0 | 1.3 |

*Six-Month Period Ended June 30, 2019 Compared to Six-Month Period Ended June 30, 2018*

UPC Switzerland's condensed combined carve-out statements of cash flows for the six-month periods ended June 30, 2018 and 2019 are summarized as follows:

| | Six-month period ended June 30, | | |
|---|---|---|---|
| | 2018 | 2019 | Change |
| | (CHF in millions) | | |
| Net cash provided by operating activities | 400.9 | 336.4 | (64.5) |
| Net cash used by investing activities | (79.7) | (102.9) | (23.2) |
| Net cash used by financing activities | (318.4) | (233.6) | 84.8 |
| Effect of exchange rate changes on cash and cash equivalents and restricted cash | (2.2) | 0.4 | 2.6 |
| Net increase (decrease) in cash and cash equivalents | 0.6 | 0.3 | (0.3) |

*Operating Activities.* The change in net cash provided (used) by UPC Switzerland's operating activities was primarily attributable to lower net earnings and to the net effect of a decrease in the cash related to seasonality of working capital items and seasonality of higher tax payments.

*Investing Activities.* The change in net cash used by UPC Switzerland's investing activities was primarily attributable to the net effect of increased capital expenditures associated with working capital movements, capital-related vendor financing and direct acquisition costs.

The capital expenditures UPC Switzerland reports in its condensed combined carve-out statements of cash flows do not include amounts that are financed under capital-related vendor financing or finance lease arrangements. Instead, these amounts were reflected as non-cash additions to UPC Switzerland's property and equipment when the underlying assets are delivered and as repayments of debt when the principal is repaid. In this discussion, references are made to (a) capital expenditures as reported in the condensed combined carve-out statements of cash flows, which exclude amounts financed under capital-related vendor financing or finance lease arrangements, and (b) total property and equipment additions, which include capital expenditures on an accrual basis and amounts financed under capital-related vendor financing or finance lease arrangements. For additional information, see notes 6 and 7 to the historical condensed combined carve-out financial statements included elsewhere in this Shareholder Information Document.

A reconciliation of property and equipment additions to capital expenditures as reported in UPC Switzerland's condensed combined carve-out statements of cash flows is set forth below:

| | Six-month period ended June 30, | |
|---|---|---|
| | 2018 | 2019 |
| | (unaudited) (CHF in millions) | |
| Property and equipment additions | 101.7 | 135.8 |
| Assets acquired under capital-related vendor financing arrangements | (31.5) | (36.0) |
| Assets acquired under capital leases | — | (2.3) |
| Changes in current liabilities related to capital expenditures | 10.0 | 5.9 |
| Capital expenditures | 80.2 | 103.4 |

UPC Switzerland's total property and equipment additions increased in the six-month period ended June 30, 2019, by CHF 34.1 million, or 33.5%, as compared to the six-month period ended June 30, 2018, primarily due to higher investments due to the ongoing UPC TV roll out, as well as higher network capacity investments to launch the 1 Gbps internet product and investments in digitalization. For the six-month periods ended June 30, 2018 and 2019, UPC Switzerland's property and equipment additions represented 15.6% and 21.5% of UPC Switzerland's revenue, respectively. For further details on property and equipment, see note 5 to the historical condensed combined carve-out financial statements included elsewhere in this Shareholder Information Document.

*Financing Activities.* The change in net cash provided (used) by UPC Switzerland's financing activities was primarily attributable to lower distributions to parent resulting from less favorable results.

*Financial Year Ended December 31, 2018 as Compared to Financial Year Ended December 31, 2017*

UPC Switzerland's combined carve-out statements of cash flows for the financial years ended December 31, 2017 and 2018 are summarized as follows:

| | Year ended December 31, | | |
|---|---|---|---|
| | **2017** | **2018** | **Change** |
| | (CHF in millions) | | |
| Net cash provided by operating activities | 677.8 | 687.9 | 10.1 |
| Net cash used by investing activities | (165.6) | (176.7) | 11.1 |
| Net cash used by financing activities | (512.6) | (511.8) | (0.8) |
| Effect of exchange rate changes on cash and cash equivalents and restricted cash | (0.7) | 0.2 | 0.9 |
| Net increase (decrease) in cash and cash equivalents | (1.1) | (0.4) | 0.7 |

*Operating Activities.* The change in net cash provided (used) by UPC Switzerland's operating activities was primarily attributable to the net effect of an increase in cash provided due to lower tax and interest payments, partially offset by a cash outflow related to working capital and smaller amounts of dividends received.

*Investing Activities.* The change in net cash used by UPC Switzerland's investing activities was primarily attributable to the net effect of increased capital expenditures associated with working capital movements, capital-related vendor financing and a small acquisition.

The capital expenditures UPC Switzerland reports in its combined carve-out statements of cash flows do not include amounts that are financed under capital-related vendor financing or finance lease arrangements. Instead, these amounts were reflected as non-cash additions to UPC Switzerland's property and equipment when the underlying assets are delivered and as repayments of debt when the principal is repaid. In this discussion, references are made to (a) capital expenditures as reported in the combined carve-out statements of cash flows, which exclude amounts financed under capital-related vendor financing or finance lease arrangements, and (b) total property and equipment additions, which include capital expenditures on an accrual basis and amounts financed under capital-related vendor financing or finance lease arrangements. For additional information, see notes 6 and 7 to the historical combined carve-out financial statements included elsewhere in this Shareholder Information Document.

A reconciliation of property and equipment additions to capital expenditures as reported in UPC Switzerland's combined carve-out statements of cash flows is set forth below:

| | Year ended December 31, | |
|---|---|---|
| | **2017** | **2018** |
| | (unaudited) (CHF in millions) | |
| Property and equipment additions | 240.2 | 244.8 |
| Assets acquired under capital-related vendor financing arrangements | (63.8) | (66.0) |
| Assets acquired under finance leases | (1.0) | (0.5) |
| Changes in current liabilities related to capital expenditures | (12.1) | (6.4) |
| Capital expenditures | 163.3 | 171.9 |

UPC Switzerland's total property and equipment additions increased in the financial year ended December 31, 2018, by CHF 4.6 million, or 1.9%, as compared to the financial year ended December 31, 2017, primarily due to investment into a new TV platform, B2B digitization and higher investments in the network expansion area. For the financial years ended December 31, 2017 and 2018, UPC Switzerland's property and equipment additions represented 17.8% and 18.9% of UPC Switzerland's revenue, respectively. For further details on property and equipment, see note 6 to the historical combined carve-out financial statements included elsewhere in this Shareholder Information Document.

*Financing Activities.* Cash used by UPC Switzerland's financing activities in the financial years ended December 31, 2018 and 2017 remained stable.

*Financial Year Ended December 31, 2017 as Compared to Financial Year Ended December 31, 2016*

UPC Switzerland's combined carve-out statements of cash flows for the financial years ended December 31, 2016 and 2017 are summarized as follows:

| | Year ended December 31, 2016 | Year ended December 31, 2017 | Change |
|---|---|---|---|
| | (CHF in millions) | | |
| Net cash provided by operating activities | 743.6 | 677.8 | (65.8) |
| Net cash used by investing activities | (189.4) | (165.6) | 23.8 |
| Net cash used by financing activities | (553.1) | (512.6) | 40.5 |
| Effect of exchange rate changes on cash and cash equivalents and restricted cash | (0.2) | (0.7) | (0.5) |
| Net increase (decrease) in cash and cash equivalents | 0.9 | (1.1) | (2.0) |

*Operating Activities.* The change in net cash provided (used) by UPC Switzerland's operating activities was primarily attributable to the net effect of a decrease in the cash related to working capital items, higher tax and interest payments and smaller amounts of dividends received.

*Investing Activities.* The change in net cash provided (used) by UPC Switzerland's investing activities was primarily due to the net effect of decreased capital expenditures associated with working capital movements, capital-related vendor financing and lower payments for acquisitions.

A reconciliation of property and equipment additions to capital expenditures as reported in UPC Switzerland's combined carve-out statements of cash flows is set forth below:

| | Year ended December 31, 2016 | Year ended December 31, 2017 |
|---|---|---|
| | (unaudited) (CHF in millions) | |
| Property and equipment additions | 257.0 | 240.2 |
| Assets acquired under capital-related vendor financing arrangements | (62.9) | (63.8) |
| Assets acquired under finance leases | (4.4) | (1.0) |
| Changes in current liabilities related to capital expenditures | (11.5) | (12.1) |
| Capital expenditures | 178.2 | 163.3 |

UPC Switzerland's property and equipment on a gross basis decreased in the financial year ended December 31, 2017, as compared to the financial year ended December 31, 2016, primarily due to smaller numbers of new set-top boxes driven by lower demand and a higher number of refurbished boxes. For the financial years ended December 31, 2016 and 2017, UPC Switzerland's property and equipment additions represented 18.9% and 17.8% of UPC Switzerland's revenue, respectively.

*Financing Activities.* The change in net cash provided (used) by UPC Switzerland's financing activities was primarily attributable to an increase in cash associated with lower net borrowings of debt.

### *Contractual Commitments*

The CHF equivalents of UPC Switzerland's commitments as of June 30, 2019 are presented below:

| | Payments due during | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Remainder of 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Thereafter | Total |
| | (unaudited) (CHF in millions) | | | | | | | |
| Programming commitments | 23.6 | 47.0 | 41.0 | 17.8 | 0 | 0 | 0 | 129.4 |
| Purchase commitments | 13.7 | 11.4 | 5.9 | 0 | 0 | 0 | 0 | 31.0 |
| Network and connectivity commitments | 8.7 | 5.1 | 2.7 | 2.1 | 1.6 | 1.1 | 13.2 | 34.5 |

| | Payments due during | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Remainder of 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Thereafter | Total |
| | (unaudited) (CHF in millions) | | | | | | | |
| **Total** ........................... | **46.0** | **63.5** | **49.6** | **19.9** | **1.6** | **1.1** | **13.2** | **194.9** |

For information concerning UPC Switzerland's debt and capital lease obligations, commitments and commitments under defined benefit plans and similar agreements, see notes 7, 12 and 10, respectively, to the historical condensed combined carve-out financial statements included elsewhere in this Shareholder Information Document.

As of June 30, 2019, UPC Switzerland's total purchase commitments were CHF 31.0 million, CHF 22.0 million of which related to advertising and promotion costs and CHF 9.1 million related to IT maintenances and services.

## Critical Accounting Policies, Judgments and Estimates

The preparation of UPC Switzerland's combined carve-out financial statements requires its management to make assumptions that affect the reported amount of assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the relevant fiscal period. These estimates are based on UPC Switzerland's management's best knowledge of current events and actions that they may undertake in the future, but actual results may differ from those estimates and judgments.

UPC Switzerland's significant accounting estimates are set forth in note (3) to combined carve-out financial statements as of and for the financial year ended December 31, 2018 included elsewhere in this Shareholder Information Document. The following describes estimates and judgments that are considered important when portraying UPC Switzerland's financial position.

### *Property and Equipment*

Property and equipment are stated at cost less accumulated depreciation. UPC Switzerland capitalizes costs associated with the construction of new transmission and distribution facilities and the installation of new cable services. Capitalized construction and installation costs include materials, labor and other directly attributable costs. Installation activities that are capitalized include (i) the initial connection (or drop) from UPC Switzerland's cable system to a customer location, (ii) the replacement of initial connection (or drop) and (iii) the installation of equipment for additional services, such as digital cable, telephone or broadband internet service. The costs of other customer- facing activities, such as reconnecting and disconnecting customer locations and repairing or maintaining drops, are expensed as incurred. Interest capitalized with respect to construction activities was not material during any of the periods presented.

Capitalized internal-use software is included as a component of property and equipment. UPC Switzerland capitalizes internal and external costs directly associated with the development of internal-use software. UPC Switzerland also capitalizes costs associated with the purchase of software licenses. Maintenance and training costs, as well as costs incurred during the preliminary stage of an internal-use software development project, are expensed as incurred.

Depreciation is computed using the straight line method over the estimated useful life of the underlying asset. Equipment under capital leases is amortized on a straight line basis over the shorter of the lease term or estimated useful life of the asset. Useful lives used to depreciate UPC Switzerland's property and equipment are assessed periodically and are adjusted when warranted. The useful lives of cable and mobile distribution systems that are undergoing a rebuild are adjusted such that property and equipment to be retired will be fully depreciated by the time the rebuild is completed. For additional information regarding the useful lives of UPC Switzerland's property and equipment, see note 6 to the historical combined carve-out financial statements included elsewhere in this Shareholder Information Document.

Additions, replacements and improvements that extend the asset life are capitalized. Repairs and maintenance are charged to operating costs and expenses.

UPC Switzerland recognizes a liability for asset retirement obligations in the period in which it is incurred if sufficient information is available to make a reasonable estimate of fair values. Asset retirement obligations may arise from the loss of rights of way that UPC Switzerland obtains from local municipalities or other relevant authorities, as well as its obligations under certain lease arrangements to restore the property to its original condition at the end of the lease term. Given the nature of UPC Switzerland's operations, most of its rights of way and certain leased premises are considered integral to its business. Accordingly, for most of its rights of way and certain lease agreements, the possibility is remote that UPC Switzerland will incur significant removal costs in the foreseeable future and, as such, UPC Switzerland does not have sufficient information to make a reasonable estimate of fair value for these asset retirement obligations.

As of December 31, 2018, 2017 and 2016, the recorded value of UPC Switzerland's asset retirement obligations was CHF 0.5 million, CHF 0.6 million and CHF 0.6 million, respectively.

***Intangible Assets***

UPC Switzerland's primary intangible assets relate to goodwill and customer relationships. Customer relationships are initially recorded at their fair value in connection with business combinations. Goodwill represents the excess purchase price over the fair value of the identifiable net assets acquired in a business combination. Substantially all of the goodwill reflected on UPC Switzerland's December 31, 2018 combined balance sheet was established in connection with pushdown accounting related to the 2005 acquisition of UPC Switzerland's operations by Liberty Global. In addition, as a result of the pushdown accounting recorded in 2005, UPC Switzerland recorded certain fair value adjustments to its property and equipment.

Goodwill is not amortized, but instead is tested for impairment at least annually. Intangible assets with finite lives are amortized on a straight line basis over their respective estimated useful lives to their estimated residual values and reviewed for impairment.

For additional information regarding the useful lives of UPC Switzerland's intangible assets, see note 6 to the historical combined carve-out financial statements included elsewhere in this Shareholder Information Document.

***Revenue Recognition***

Effective January 1, 2018, in connection with UPC Switzerland's adoption of ASU 2014-09, its current revenue recognition policies are described below.

*Service Revenue – Cable Networks.* UPC Switzerland recognizes revenue from the provision of video, broadband internet and fixed-line telephony services over its cable network to customers in the period the related services are provided, with the exception of revenue recognized pursuant to certain contracts that contain promotional discounts, as described below. Installation fees related to services provided over its cable network are generally deferred and recognized as revenue over the contractual period, or longer if the upfront fee results in a material renewal right.

*Sale of Multiple Products and Services.* UPC Switzerland sells video, broadband internet, fixed-line telephony and, in some of its markets, mobile services to its customers in bundled packages at a rate lower than if the customer purchased each product on a standalone basis. Revenue from bundled packages generally is allocated proportionally to the individual products or services based on the relative standalone selling price for each respective product or service.

*Mobile Revenue – General.* UPC Switzerland offers handsets and airtime services in separate contracts entered into at the same time, UPC Switzerland accounts for these contracts as a single contract.

*Mobile Revenue – Airtime Services.* UPC Switzerland recognizes revenue from mobile services in the period in which the related services are provided.

*Mobile Revenue – Handset Revenue.* Revenue from the sale of handsets is recognized at the point in which the goods have been transferred to the customer. Some of its mobile handset contracts that permit the customer to take control of the handset upfront and pay for the handset in installments over a contractual period may contain a significant financing component. For contracts with terms of one year or more, UPC Switzerland recognizes any significant financing component as revenue over the contractual period using the effective interest method. UPC Switzerland does not record the effect of a significant financing component if the contractual period is less than one year.

*B2B Revenue.* UPC Switzerland defers upfront installation and certain nonrecurring fees received on B2B contracts where UPC Switzerland maintains ownership of the installed equipment. The deferred fees are amortized into revenue on a straight line basis, generally over the longer of the term of the arrangement or the expected period of performance.

*Contract Costs.* Incremental costs to obtain a contract with a customer, such as incremental sales commissions, are generally recognized as assets and amortized to SG&A expenses over the applicable period benefited, which generally is the contract life. If, however, the amortization period is less than one year, UPC Switzerland expenses such costs in the period incurred.

*Promotional Discounts.* For subscriber promotions, such as discounted or free services during an introductory period, revenue is recognized uniformly over the contractual period if the contract has substantive termination penalties. If a contract does not have substantive termination penalties, revenue is recognized only to the extent of the discounted monthly fees charged to the subscriber, if any.

*Subscriber Advance Payments.* Payments received in advance for the services UPC Switzerland provides are deferred and recognized as revenue when the associated services are provided.

*Sales, Use and Other Value-Added Taxes*. Revenue is recorded net of applicable sales, use and other value-added taxes.

Prior to January 1, 2018, UPC Switzerland's revenue recognition policies under the accounting standards previously in effect are described below.

*Service Revenue – Cable Networks.* UPC Switzerland recognizes revenue from the provision of video, broadband internet and fixed-line telephony services over its cable network to customers in the period the related services are provided. Installation revenue (including reconnect fees) related to services provided over UPC Switzerland's cable network is recognized as revenue in the period during which the installation occurs to the extent these fees are equal to or less than direct selling costs, which costs are expensed as incurred. To the extent installation revenue exceeds direct selling costs, the excess revenue is deferred and amortized over the average expected life of the subscriber relationship.

*Sale of Multiple Products and Services.* UPC Switzerland sells video, broadband internet, fixed-line telephony and mobile services to its customers in bundled packages at a rate lower than if the customer purchased each product on a standalone basis. Revenue from bundled packages generally is allocated proportionally to the individual services based on the relative standalone price for each respective service.

*Mobile Revenue – General.* Consideration from mobile contracts is allocated to the airtime service element and the handset service element based on the relative standalone prices of each element. The amount of consideration allocated to the handset is limited to the amount that is not contingent upon the delivery of future airtime services. Certain of UPC Switzerland's operations that provide mobile services offer handsets under a subsidized contract model, whereby upfront revenue recognition is limited to the upfront cash collected from the customer as the remaining monthly fees to be received from the customer, including fees that may be associated with the handset, are contingent upon delivering future airtime services. Mobile customers may choose to enter into two distinct contractual relationships: (i) a mobile handset contract and (ii) a mobile airtime services contract (a Split contract Program). Under the mobile handset contract, the customer takes full title to the handset upon delivery and typically has the option to either (a) pay for the handset in cash upon delivery or (b) pay for the handset in installments over a contractual period. Under these arrangements, the handset installment payments are not contingent upon delivering future airtime services and the consideration allocated to the handset is not limited to the upfront cash collected.

*Mobile Revenue – Airtime Services.* UPC Switzerland recognizes revenue from mobile services in the period the related services are provided. Revenue from pre-pay customers is recorded as deferred revenue prior to the commencement of services and revenue is recognized as the services are rendered or usage rights expire.

*Mobile Revenue – Handset Revenue.* Arrangement consideration allocated to handsets is recognized as revenue when the goods have been delivered and title has passed. For customers under a mobile handset installment contract that is independent of a mobile airtime services contract, revenue is recognized upon delivery only if collectability is reasonably assured. UPC Switzerland's assessment of collectability is based principally on internal and external credit assessments as well as historical collection information for similar customers. To the extent that collectability of installment payments from the customer is not reasonably assured upon delivery of the handset, handset revenue is recognized on a cash basis as customer payments are received. Imputed interest attributable to installment payments for delivered goods is included in revenue.

*B2B Revenue.* UPC Switzerland defers upfront installation and certain nonrecurring fees received on B2B contracts where UPC Switzerland maintains ownership of the installed equipment. The deferred fees are amortized into revenue on a straight line basis over the term of the arrangement or the expected period of performance.

*Promotional Discounts.* For subscriber promotions, such as discounted or free services during an introductory period, revenue is recognized only to the extent of the discounted monthly fees charged to the subscriber, if any.

*Subscriber Advance Payments and Deposits.* Payments received in advance for the services UPC Switzerland provides are deferred and recognized as revenue when the associated services are provided.

*Sales, Use and Other Value-Added Taxes*. Revenue is recorded net of applicable sales, use and other value-added taxes.

For additional information regarding UPC Switzerland's current revenue recognition and related costs and a disaggregation of revenue by major category, see note 4 to the historical combined carve-out financial statements included elsewhere in this Shareholder Information Document.

**Accounting Standards that Became Effective During the Periods Presented**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of goods or services to customers. UPC Switzerland adopted ASU 2014-09 effective January 1, 2018 by recording the cumulative effect of the adoption to UPC Switzerland's net parent investment. UPC Switzerland applied the new standard to contracts that were not complete at January 1, 2018. The comparative information for the financial years ended December 31, 2017 and 2016 contained within these combined carve-out financial statements and notes has not been restated and continues to be reported under the accounting standards in effect for such periods. The implementation of ASU 2014-09 did not have a material impact on UPC Switzerland's combined carve-out financial statements.

The principal impacts of ASU 2014-09 on UPC Switzerland's revenue recognition policies relate to its accounting for (i) time-limited discounts and free service periods provided to its customers and (ii) certain upfront fees charged to its customers, as follows:

- When UPC Switzerland enters into contracts to provide services to its customers, it often provides time-limited discounts or free service periods. Under previous accounting rules, UPC Switzerland recognized revenue net of discounts during the promotional periods and did not recognize any revenue during free service periods. Under ASU 2014-09, revenue recognition for those contracts that contain substantive termination penalties is recognized uniformly over the contractual period. For contracts that do not have substantive termination penalties, UPC Switzerland continues to record the impacts of partial or full discounts during the applicable promotional periods.

- When UPC Switzerland enters into contracts to provide services to its customers, it often charges installation or other upfront fees. Under previous accounting rules, installation fees related to services provided over its cable networks were recognized as revenue during the period in which the installation occurred to the extent these fees were equal to or less than direct selling costs. Under ASU 2014-09, these fees are generally deferred and recognized as revenue over the contractual period or longer if the upfront fee results in a material renewal right.

ASU 2014-09 also impacted UPC Switzerland's accounting for certain upfront costs directly associated with obtaining customer contracts. Under UPC Switzerland's previous policy, these costs were expensed as incurred unless the costs were in the scope of another accounting topic that allowed for capitalization. Under ASU 2014-09, certain upfront costs associated with contracts that have substantive termination penalties and a term of one year or more are recognized as assets and amortized to operating costs and expenses over the applicable period benefited.

For additional information regarding the impact of UPC Switzerland's adoption of ASU 2014-09, see notes 2 and 4 to the historical combined carve-out financial statements included elsewhere in this Shareholder Information Document.

# INDUSTRY OVERVIEW

*This section discusses the industry and market in which we operate. Certain information in this section relating to market environment, market developments, growth rates, market trends, industry trends, competition and similar information is an estimate based on data compiled by professional organizations, consultants and analysts, in addition to market data from other external and publicly available sources, and the Company's knowledge of the markets. Any forecast information and other forward-looking statements in this section are not guarantees of future outcomes and these future outcomes could differ materially from current expectations.*

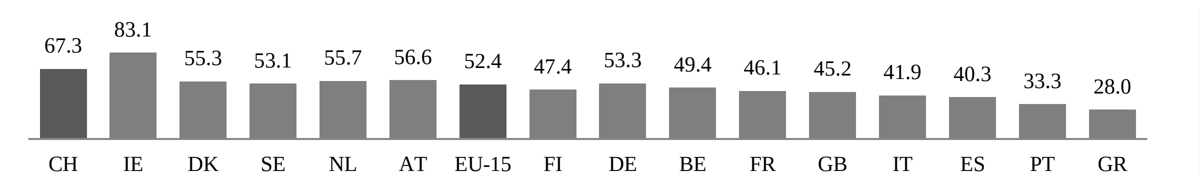
## Macroeconomic Overview

Switzerland is a landlocked country situated in Western Europe spanning a total area of 41,285 km$^2$. According to the Swiss Federal Statistical Office (*Bundesamt für Stastistik*), Switzerland had a population of 8.54 million as of December 31, 2018 (an increase by +0.7% against 8.48 million as of December 31, 2017). This corresponds to a population density of approximately 206.9 inhabitants per square kilometer in 2018 compared against 117.7 in the EU-28 in 2017 according to Eurostat. The total population is expected to reach 9.16 million by the year of 2025 according to the Swiss Federal Statistics Office, representing a CAGR of 1.0%. This population growth, which creates opportunities for further growth in subscription numbers, has largely been driven by immigration, with the number of foreigners having grown at a CAGR of 2.5% (2010 to 2018), as compared to 0.6% for Swiss nationals, mainly as a result of Switzerland's attractiveness to young and highly-qualified immigrants.

Switzerland combines urban agglomerations, such as Zurich, Geneva, Basle, Berne and Lausanne with rural, often mountainous, low population-density areas. According to the Swiss Federal Statistical Office, the population at the end of 2018 was distributed across age groups as follows: 20.0% aged 0-19 years, 26.5% aged 20-39 years, 35.0% aged 40-64 years and 18.5% over 65 years. The nationality of the Swiss resident population was split between 74.9% Swiss and 25.1% foreign residents. Switzerland's population has grown at a CAGR of approximately 1.0% during the period from 2010 to 2018 as compared against 0.4% for the EU-15 countries (comprising Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom) according to Eurostat.

Switzerland is one of the wealthiest countries in Europe. The country is rated AAA by Standard & Poor's with stable outlook, Aaa by Moody's with stable outlook and AAA by Fitch with stable outlook. According to the Economist Intelligence Unit ("EIU"), Switzerland had an estimated GDP per capita at purchasing power parity ("PPP") of approximately CHF 67,259 for 2018 which was significantly higher than the EU-15 average of approximately CHF 52,371. Economic growth has been stable in recent years, with real GDP growing by 1.3% in 2015, 1.6% and 1.7% in 2016 and 2017, before accelerating to 2.5% in 2018, though the EIU projects growth to return to between 1.5% and 1.8% for 2019 to 2023. Similarly, unemployment has remained stable at low levels over the same period, with 3.2% in 2015, 3.3% in 2016 and 3.2% in 2017, before sharply improving to 2.6% in 2018. EIU projects the unemployment rate not to stay far from that range of 2.4% to 2.6% in the subsequent five years. Switzerland's inflation rate has hit a record low of negative 1.1% in 2015, after a period of deflation, consumer prices increased in 2017 and inflation accelerated to 0.9% in 2018, according to EIU.

***GDP per person CHF'000s at PPP (2018)***

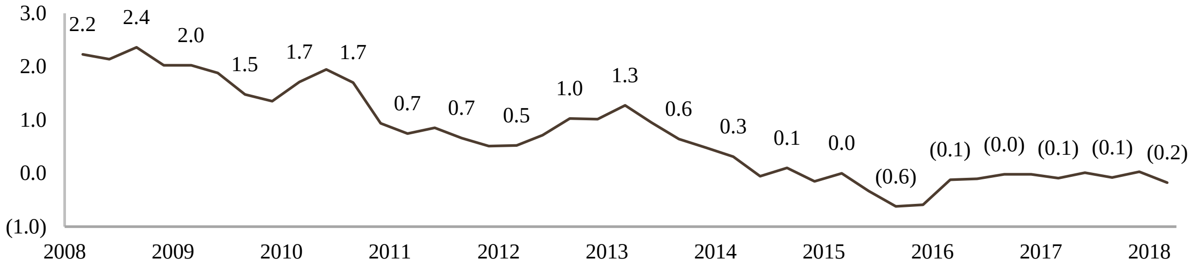



Source: Economist Intelligence Unit (Nominal GDP divided by EIU population for each country; EU-15 GDP per person = unweighted average GDP per person of each country excluding Luxembourg; converted from USD to CHF based on exchange rate sourced from Factset USD 1.00 = CHF 0.9787 (2018 year average)

In January 2015, the Swiss National Bank ("**SNB**") abandoned its prior currency ceiling of CHF 1.20 = €1, triggering a rapid appreciation of the Swiss franc against most major currencies. The target range for the three-month Swiss franc LIBOR was reinstated as the main policy instrument, and was lowered to between negative 1.25% and negative 0.25%, from between negative 0.75% and 0.25%. The SNB is expected to reduce gradually its foreign-exchange holdings in 2019 according to EIU. However, the possibility of a delay in policy tightening has increased given the more uncertain global outlook and weaker growth momentum in the Eurozone economy. In March 2019, the ECB eased monetary conditions via targeted long-term loans to Eurozone banks. The Swiss policy rate is expected to remain negative until at least 2021 (according to EIU).

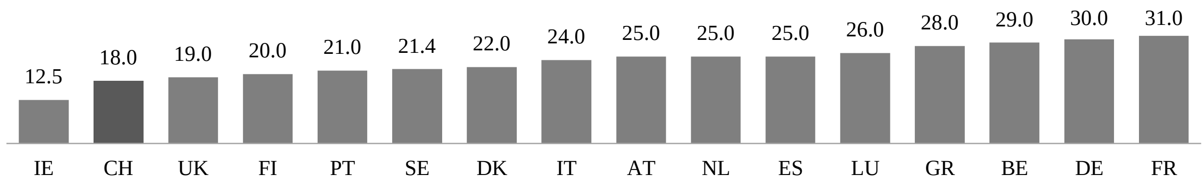
Switzerland provides an attractive business environment. The interest rate levels are relatively low compared to other European countries (based on comparison of Swiss ten-year government bond yield to the EU-15 average from 2008 to 2018, Factset), according to EIU the Swiss interest rate is expected to remain negative until at least 2021. Swiss corporate and personal tax rates are among the lowest in Western European countries.

***Swiss Ten Year Government Bond Yield to Maturity Evolution 2008-2018 (%)***




Source: Factset spot yield to maturity as of each year's December 31st

***Corporate Tax Rate: Switzerland vs. EU-15 Countries 2019 (%)***

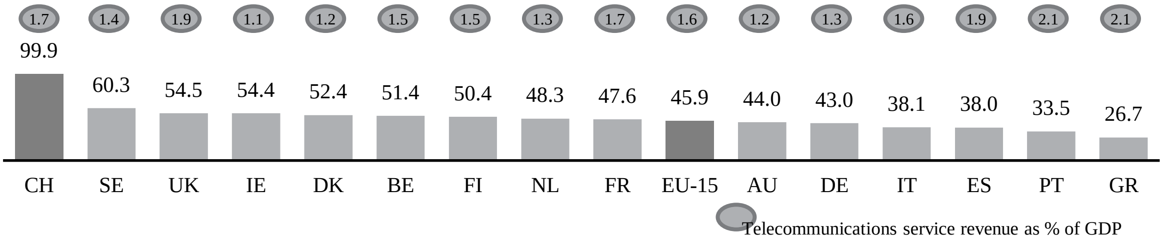



Source: KPMG global corporate tax rates tool. https://home.kpmg/xx/en/home/services/tax/tax-tools-and-resources/tax-rates-online/corporate-tax-rates-table.html Note that in Switzerland the maximum effective corporate income tax rates differ depending on canton and municipality. All 26 cantons apply different tax rates and in most of them the statutory tax rate needs to be multiplied with the municipal and/or cantonal coefficients that may vary from tax period to tax period.

**Telecom Market Overview**

Switzerland provides an attractive market for telecommunications companies. In 2018, Switzerland's estimated market services revenues in telecommunications services and Pay TV amounted to CHF 12.8 billion of which CHF 5.1 billion (40%) was derived from mobile services, CHF 6.0 billion (47%) from landline services and CHF 1.7 billion (13%) from Pay TV services. Fixed and mobile telecommunications services revenue in 2018 totaled CHF 11.1 billion, accounted for 1.6% of GDP in Switzerland, compared to the EU-15 average (unweighted average and excluding Luxembourg) of 1.5%. In 2018, Swiss fixed services average spending per capita per month was CHF 58.6 while mobile services spending per capita per month was CHF 49.5 (according to Analysys Mason). In addition, Swiss telecommunications retail spend per capita per months is among the highest in Europe. The Swiss retail telecommunications customers spent CHF 99.9 per month on average for telecommunications services, according to Analysys Mason. This is 118% higher than the EU-15 average (unweighted average and excluding Luxembourg) of CHF 45.9 (converted from EUR KPI according to Analysys Mason to CHF based on exchange rate sourced from Factset EUR 1.00 = CHF 1.1553 2018 average).

***Total Telecom Retail Revenue per Capita per Month: Switzerland vs. EU-15 Countries in CHF***




Source: Analysys Mason Western Europe Forecast March 2019. EU-15 = unweighted average retail spend per person of each country excluding Luxembourg; converted from EUR to CHF based on exchange rate sourced from Factset EUR 1.00 = CHF 1.1553 (2018 year average)

Penetration of all fixed and mobile services in Switzerland remains consistently ahead of the average for Western Europe thanks to the combination of high GDP per capita and relatively small geographic area. Despite total population growth in EU15 countries and Switzerland between 2010 and 2018 at a CAGR of +0.4% , the mobile market is somewhat saturated, competitive and faces declining revenues. Besides declining mobile termination rates ("**MTR**") and roaming revenue, the trend is exacerbated by the prevalence of "unlimited" mobile plans that offer uncapped data allowances, somewhat limiting the scope for revenue growth stemming from the rapid expansion of data traffic. Meanwhile, the fixed broadband and Pay TV segments continue to enjoy robust growth in both connections and revenue thanks to strong growth in FTTP/B and IPTV. The fixed telephony connections have declined in recent years led by the development of mobile telephony and VoIP-based alternatives.

**Regulatory Overview**

The Swiss telecommunications market was first liberalized in 1998, when the Swiss Federal Telecommunications Act (the "**TCA**") came into effect. This initial market liberalization was dominated by two main factors, namely considerable pressure to foster competition in the market, and at the same time, avoiding inefficient investments in duplicative infrastructure. Further, there was, and continues to be, the vision to guarantee the country-wide supply of technologically advanced telecommunications services at reasonable prices to business customers and consumer customers. In March 2019, the Swiss parliament adopted another partial revision of the TCA, which has, however, not yet entered into force. It is currently expected that the amended TCA will come into effect during the second half of 2020.

See "*Regulation*" for details of the telecommunications regulatory regime in Switzerland.

**Competitive Landscape**

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. The market has been served by four primary network operators: Swisscom, Sunrise, UPC Switzerland and Salt.

Swisscom is the Swiss telecommunication incumbent with CHF 11.7 billion net revenue and CHF 4.2 billion in EBITDA in 2018. In Switzerland, Swisscom is present in mobile, internet, TV and fixed voice, where it had market shares between 35% (TV) and 57% (mobile). Additionally Swisscom offers IT, network, infrastructure, wholesale and digital business services and also holds an Italian telecommunication subsidiary called "Fastweb". The latter contributed roughly 21% to 2018 revenue and has a focus on internet services. Swisscom had 19,845 employees (FTE) in 2018 and is listed on SIX Swiss Exchange. The free float amounts to 49%, with the majority shareholder "Swiss Confederation" holding 51%.

Sunrise is the second-largest integrated telecommunications provider in Switzerland, with CHF 1.9 billion in revenue and CHF 0.6 billion in historically reported EBITDA in 2018 and 25% market share (including prepaid customers based on the 12-month activity rule and excluding MVNOs) in mobile services. We offer a broad range of services, including mobile voice and data, landline voice, landline internet and TV services to consumer and business customers across Switzerland. In 2017, Sunrise launched converged multi-play bundle *Sunrise One*. Sunrise had 1,671 FTEs in 2018 and is listed on SIX Swiss Exchange. Sunrise ownership is distributed among a number of institutions, the largest of which is the German mobile service provider, Freenet.

UPC Switzerland is the largest independent provider of cable broadband and TV services in the Swiss market. Previously branded as Cablecom, the company was founded in 1994 and was acquired by Liberty Global in 2005. In 2016, the company was renamed UPC and has recurred its position as the largest independent provider of cable services. It has offered mobile services via MVNO agreements since 2015. The addition of mobile services allowed UPC to start providing quad-play bundles. As of the end of 2016, its entire HFC footprint had been upgraded to DOCSIS 3.0 and in September 2019 it further upgraded its network to DOCSIS 3.1. UPC Switzerland is a wholly-owned subsidiary of Liberty Global.

Salt is a Swiss telecommunication service provider with CHF 1.0 billion in revenue and CHF 475 million in adjusted EBITDA in 2018. Salt is primarily present in mobile, where it had a 17% market share. For further information, see "*—Swiss Mobile Market Overview—Post-paid mobile subscription market share evolution*" below. Additionally, Salt launched internet, TV and fixed voice services in 2018. By June 2019, Salt had reached more than 50,000 fixed broadband subscriptions. Salt had 732 employees (FTE) in 2018 and is privately owned by NJJ, which is the private holding company of the telecommunications investor Xavier Niel.

In February 2019, Sunrise agreed to acquire cable-based rival UPC Switzerland, which would potentially add a cable network with a footprint of 2.3 million homes passed to Sunrise's own mobile network, once completed.

**Swiss Mobile Market Overview**

The Swiss mobile market generated revenues of approximately CHF 5.1 billion in 2018, corresponding to approximately 40% of the total Swiss telecommunications market (which includes fixed line connections, mobile connections and Pay TV) according to Analysys Mason. According to ComCom, the number of mobile phone connections in Switzerland has remained stable in 2017 and decreased in 2018 by 1.6% to slightly over 11.2 million. The number of mobile subscriptions is greater than the resident population, due to certain customers owning multiple SIM cards (*e.g.*, mobile phone SIMs, smartphones, tablets, mobile broadband modems, etc.), non-resident customers and customers that are legal entities. According to ComCom, the penetration rate of mobile telephony in Switzerland was almost 132% at the end of 2018.

Switzerland is nearly 100% covered in terms of mobile networks according to ComCom. The GSM (2G) networks serve almost 100% of the population and cover about 90% of the territory. Mobile calls can be made nearly everywhere, including remote areas of the country. In the case of UMTS/HSPA services (3G), which enable mobile internet access, population coverage in Switzerland is up to 99%, depending on the particular operator.

The term LTE (Long-Term Evolution, (4G)) designates a major evolution of the previous generations of mobile telephony networks UMTS, HSDPA and HSDPA+ (3G), permitting very high speeds on mobile networks. In fact, this generation of 4G/LTE networks makes it possible for users to access the mobile internet at theoretical speeds of up to 150 Mbit/s. Swisscom launched its LTE network in late November 2012. Sunrise and Salt launched theirs in the spring of 2013. Operators have also continued to roll out LTE-Advanced (LTE-A) technology on their networks, which makes it possible to increase speeds of up to 300 Mbit/s, or even 450 Mbit/s with carrier aggregation. In terms of LTE-A technology (4G+), all operators report high network coverage: 55% of the population for Salt; 80% for Sunrise and over 80% for Swisscom as of May 2019 according to ComCom. According to the GSA (Global Mobile Suppliers' Association) there were 3.6 billion LTE/4G contracts worldwide in the summer of 2018, which represents a 43% increase compared to the previous year. At the same time, 5G will also make its mark on everyday life. The first 5G-capable smartphones and commercial services have come onto the market in second quarter of 2019 in Switzerland by Sunrise and Swisscom. See "*—New Allocation of 5G Spectrum Auction*".

While the mobile telecommunication service sector in Switzerland has developed rapidly in recent years in terms of technological advances, the structure of the market has remained largely stable for more than a decade. Mobile telecommunication services in Switzerland are generally provided by two broad categories of operators: mobile network operators ("**MNOs**"), which hold licenses to use radio frequency spectrum and operate full physical mobile telecommunication networks (comprised of mobile sites linked to a core network by backhaul connections), and mobile virtual network operators ("**MVNOs**") and branded resellers, which do not operate full physical mobile networks but which have contracted to access the mobile networks of an MNO so as to provide mobile telecommunication services to their subscribers.

Currently, there are three MNOs active in the Swiss mobile telecommunication market: Swisscom, Sunrise and Salt. Based on figures reported by the three national MNOs and UPC Switzerland, mobile subscription market shares (excluding MVNOs) were 57.3% for Swisscom, 25.0% for Sunrise and 16.1% for Salt by the end of June 2019 based on the 12-month activity rule. UPC had 173,400 customers for the same period based on its mobile services offering via MVNO agreements, representing a 1.6% market share if added on top of the MNOs' subscribers.

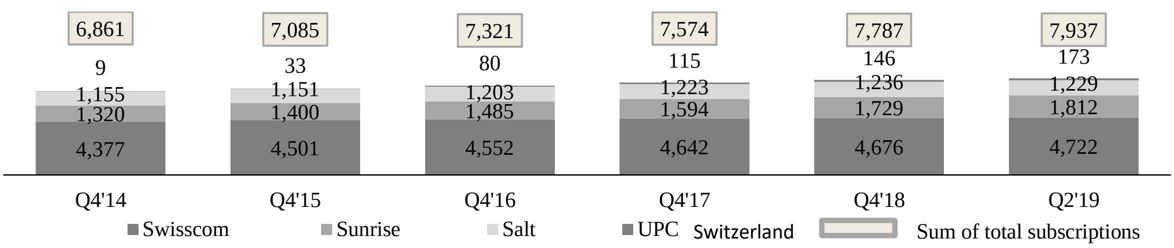
In addition to the core Sunrise brand, Sunrise uses several sub-brands to target specific market niches. The operator acquired MVNOs *Lebara*, *Ortel* and *yallo* in 2013 and combined the three brands under "YOL Communications" to serve the international market. The *Ortel* brand was phased out over the course of 2018, when the last of the remaining subscribers migrated to Lebara in November that year. Similarly, Sunrise's youth-oriented sub-brand *MTV Mobile* brand was phased out by March 2018 and replaced with *Sunrise's* range of "*Young*" tariffs. Swisscom launched its "*Wingo*" brand targeting the youth market in April 2015.

| | **Third Quarter 2018** | | **Fourth Quarter 2018** | | **First Quarter 2019** | | **Second Quarter 2019** | |
|---|---|---|---|---|---|---|---|---|
| | **(12-month rule)** | | **(12-month rule)** | | **(12-month rule)** | | **(12-month rule)** | |
| **('000)** | **Subscriptions** | **Market share** | **Subscriptions** | **Market share** | **Subscriptions** | **Market share** | **Subscriptions** | **Market share** |
| Swisscom . | 6,409 | 56.8% | 6,370 | 56.9% | 6,378 | 57.2% | 6,368 | 57.3% |
| Sunrise ..... | 2,816 | 25.0% | 2,796 | 25.0% | 2,782 | 25.0% | 2,785 | 25.0% |
| Salt........... | 1,919 | 17.0% | 1,883 | 16.8% | 1,824 | 16.4% | 1,796 | 16.1% |
| UPC.......... | 138 | 1.2% | 146 | 1.3% | 159 | 1.4% | 173 | 1.6% |
| **Total** ........ | **11,282** | **100.0%** | **11,196** | **100.0%** | **11,143** | **100.0%** | **11,123** | **100.0%** |

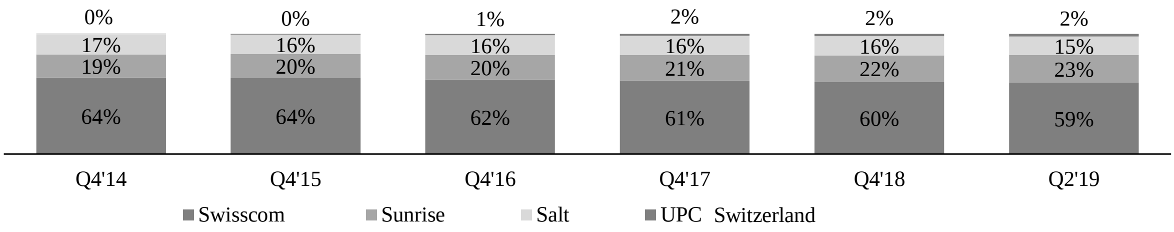
Source: Annual and quarterly reports of Swisscom, Sunrise, Salt and UPC (subscriptions and market shares refer to total subscriptions prepaid and post-paid, excluding MVNOs). These figures are based on the so-called 12-month rule. This involves taking into account - in addition to the post-paid customers - all prepaid customers whose SIM card is active and who have made at least one incoming/outgoing call on the network over the last twelve months. Swisscom financials are based on restated values as of April 23, 2019.

The Swiss mobile market has a large proportion of post-paid subscriptions, which grew from 2014 to 2018 at a CAGR of 3.2% based on figures reported by the three Swiss MNOs and UPC Switzerland. Approximately 71% of subscriptions were post-paid as of June 30, 2019 (based on the 12-month activity rule).

***Post-paid Mobile Subscription Evolution in Thousands (2014 – 2019 Q2); excluding other MVNOs and branded resellers)***




***Post-paid mobile subscription market share evolution (2014 – 2019 Q2); excluding other MVNOs and branded resellers)***




Source: Annual and quarterly reports of Swisscom, Sunrise, Salt and UPC (subscriptions and market shares refer to total subscriptions excluding other MVNOs).

Based on subscription figures reported by the three Swiss MNOs and UPC (excluding other MVNOs and branded resellers), Sunrise's share of the post-paid market increased from 19.2% in Q4/2014 to 22.2% in

Q4/2018 and Sunrise further gained market share in the six-month period ended June 30, 2019 to 22.8%. The market shares described above would be lower if MVNOs were included.

The current structure of three MNOs in Switzerland is a result of the withdrawal of previous MNOs as well as market consolidation. Previously, In&Phone also held a mobile telecommunications license but did not build a nationwide network, was not admitted to the spectrum auction in 2012 and has subsequently gone into administration. Previously, Telefónica and TelCommunication Services AG (formerly known as Tele2) also held mobile telecommunications licenses. ComCom withdrew the license from Telefónica in 2006 because the operator was not utilizing its license and not fulfilling its coverage obligations. TelCommunication Services AG surrendered its license in November 2008 after being acquired by Sunrise.

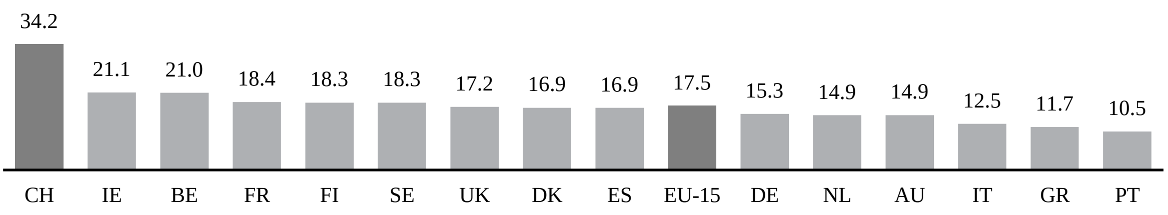
A significant number of MVNOs - and MNOs-owned sub-brands are active in the Swiss mobile telecommunication market although MNOs are not currently required to grant access to MVNOs under Swiss law. MVNOs contract directly with customers but rely on existing MNO networks to provide their services. For MNOs, enabling an MVNO to use its mobile network is a means to monetize otherwise unused capacity. Following the acquisition of Lebara and Ortel by Sunrise in 2013, *Lyca Mobile* (hosted on Swisscom's network) is the largest remaining MVNO. Other MVNOs include Quickline (*Quickline*), Talk Easy (*ok-Mobile* and *Talkeasy Mobile*), *Mucho Mobile* and *xxSIM*.

In addition, several consolidations and some narrowing of competition among MVNOs have been announced or have recently taken place. Business providers *Abalon* and *FLEXmobile* were merged with *VTX mobile* (on the Salt network) in July 2018. Meanwhile, Sunrise agreed to acquire UPC Switzerland in February 2019, the acquisition will include taking over UPC Switzerland's MVNO mobile business.

In addition to the MNOs and MVNOs, branded resellers and sub-brands (dependent network provider) owned by MNOs have been a significant part of Switzerland's mobile landscape. The branded wholesale resellers include *M-Budget* and *Coop*. M-Budget is the mobile brand of retail group Migros in partnership with Swisscom. Coop Mobile is owned by retail group Coop through a cooperation agreement with Salt. These resellers sell MNO services to customers and cooperate in the marketing of services, pursuant to which MNOs tend to enter into contracts directly with customers.

The Swiss mobile market has one of the highest-average revenue per user ("**ARPU**") levels in Europe. According to Analysys Mason, the average Swiss mobile services ARPU was CHF 34.2 per month in 2018, and the EU-15 average (unweighted average and excluding Luxembourg) was CHF 17.5 per month in the same period. In addition, based on OECD statistics, in 2018 both for the EU-15 average (unweighted average and excluding Luxembourg) and Switzerland ARPU as a percentage of salary was 0.5%. This considerable difference mainly reflects the wealth of population with high disposable income and high cost of living. It also reflects above-average costs to construct operate and maintain a mobile network partly due to Switzerland's challenging topography.

***Mobile Service ARPU: Switzerland vs. EU-15 Countries 2018 in CHF***

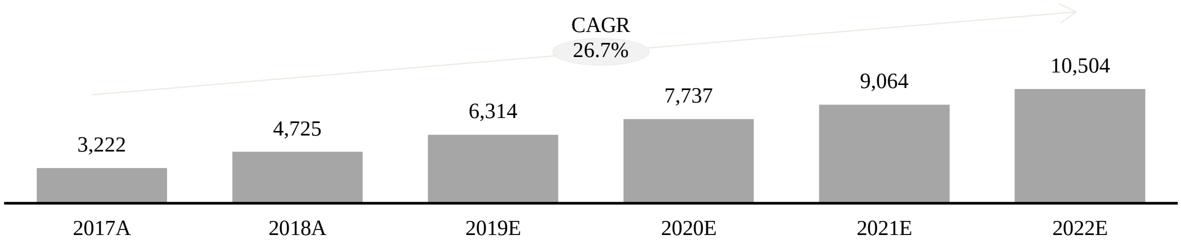



Source: Analysys Mason. EU-15 = unweighted average ARPU of each country excluding Luxembourg; converted from local currencies to CHF based on 2018 year average exchange rate sourced from Factset

The Swiss mobile sector generated service revenues of approximately CHF 5.1 billion in 2018, an increase of 0.1% from 2017 and a compound annual decline of 2.3% from 2014, according to data from Analysys Mason. The decline in mobile service revenues was driven by declining ARPUs in the Swiss market, which decreased by a compound annual decline of 4.5% from 2014 to 2018. Drivers for this decrease include declining MTR, roaming price reductions, as well as increased levels of competition.

Mobile data traffic has shown significant growth, driven primarily by smartphone uptake and increased usage of mobile broadband and data-intensive applications. According to the Ericsson Mobility Report, in the third quarter of 2018, there were approximately 7.9 billion mobile subscriptions around the world, 60% of which are smartphones. Data traffic on mobile networks worldwide increased by 88% between the end of 2017 and the end of 2018, which is the highest increase since mid-2013. According to IDC, in 2019, the sales volume is forecasted to reach 1.37 billion units, registering a 2.2% drop year-on-year (Source: IDC Press Release, "*Smartphone Challenges Continue in 2019, But 5G and Emerging Markets Will Bring Growth Back to the Market in 2020*", September 2019). Despite the contraction of the market in 2019, IDC expects a return to growth onwards and an average annual growth rate in sales of smartphones of 1.1% between 2018 and 2023, when the volume of sales is expected to reach 1.48 billion units. According to ComCom, the proportion of smartphone ownership has been very high for some years in Switzerland. According to the Global Mobile Consumer Survey published by Deloitte in 2018, 92% of all adults in Switzerland own at least one smartphone. The widespread use of smartphones has led to major changes in the behavior of users, who are tending more and more to exchange data, in particular videos, generating strong growth in data traffic on the mobile networks. The growth in total mobile data traffic consumption in Switzerland was consequently substantial in 2018 (an increase by +48% against 2017), as with preceding years. According to Analysys Mason, the Swiss mobile data traffic per connection is expected to grow at a CAGR of 26.7% from 2017 to 2022.

***Swiss Mobile Data Traffic per Connection per Month in MB (2017A – 2022E)***




Source: Analysys Mason mobile traffic data per connection, data as of April 2019

One common explanation for the trend of declining ARPU in Switzerland and Western European markets is the reduction in MTR. MTR has declined sharply in the European Union as a result of specific EU directives and regulations. Such EU regulatory interventions do not apply in Switzerland, where operators have historically agreed on prevailing termination rates among themselves. Nonetheless, Swisscom, Salt and Sunrise negotiated to lower mobile MTRs from January 1, 2017, with further termination rate cuts intended to occur in 2018 and 2019. Salt and Sunrise reduced their termination rates from CHF 0.0735 to CHF 0.039 per minute in January 2017. Further rate cuts followed: the MTR fell to CHF 0.039 in January 2018 and CHF 0.035 in January 2019. Swisscom's MTR fell from CHF 0.0595 to CHF 0.031 in January 2017, and then was cut further to CHF 0.0295 in January 2018 and CHF 0.028 in January 2019, according to TeleGeography based on information from the Body of European Regulators for Electronic Communications (BEREC).

**New Allocation of 5G Spectrum Auction**

On July 6, 2018, the Swiss Federal Communications Commission launched an auction process for the allocation of new mobile radio frequencies for the provision of mobile telecommunications services in Switzerland. The auction covered the allocation of new frequencies within the 700 MHz, 1,400 MHz, 2.6 GHz, and 3.5 GHz bands. The auction took place between January 29, 2019 and February 7, 2019, and concluded on February 8, 2019 with total proceeds of approximately CHF 379 million against a minimum price of approximately CHF 220 million (minimum price calculated as minimum price per block for all frequencies available as part of the auction multiplied by the number of blocks available as part of the auction). Four companies (Sunrise, Swisscom, Salt and Dense Air Ltd.) applied to the auction but Dense Air Ltd. failed to secure any frequencies. All three current operators Sunrise, Swisscom and Salt were allocated a wide range of new frequencies in the 700 MHz, 1,400 MHz and 3.5 GHz bands. Meanwhile, three 5 MHz blocks in the 1,400 MHz frequencies, one 5M Hz block of 700 MHz frequencies and two 5 MHz blocks in the 2,600 MHz range were not sold.

**The results of the spectrum auction are shown in the below table (all licenses with duration of 15 years):**

| | Sunrise | Swisscom | Salt | Date available |
|---|---|---|---|---|
| 700 MHz FDD | 10 MHz | 30 MHz | 20 MHz | 2019 |
| 700 MHz SDL | 10 MHz | 0 MHz | 0 MHz | 2019 |
| **Total sub-1 GHz** | **20 MHz** | **30 MHz** | **20 MHz** | |
| 1,400 MHz SDL | TBC | TBC | TBC | 2019 |
| 3.5 GHz TDD1 | 100 MHz | 120 MHz | 80 MHz | 2019 |
| **Total** | **135 MHz** | **200 MHz** | **110 MHz** | |
| % of total | 30% | 45% | 25% | |
| **Total spectrum fees paid (CHFm)** | **89** | **196** | **95** | |

Source: ComCom (conditions of use: 50% population coverage)

(1) Comprising of frequencies within the 3.5-3.8 GHz bands

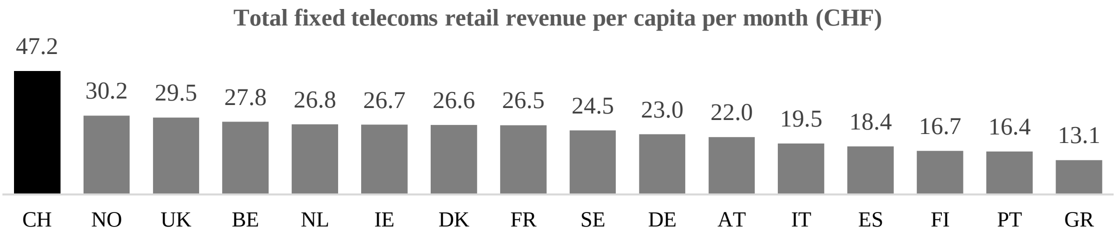
This spectrum auction was crucial for Swiss operators as mobile traffic has been expanding rapidly (*e.g.*, Sunrise mobile data traffic doubles every 12 to 17 months), driving heavy load on current network capacity. An acquisition of new frequency bands will help alleviate the mobile traffic intensity and speed up data transmission. The low-frequency spectrum blocks (700 and 1,400 MHz bands), which exhibit good propagation characteristics of voice and data transmission, will enable operators to expand their 4G mobile radio network and provide higher service quality. The high-frequency spectrum blocks (3.5 GHz band), which possess higher transmission capacity, will foster the introduction of 5G mobile radio technology. In the second quarter of 2019, the frequencies have been assigned for 15-year terms, providing operators the security to facilitate long-term investment in the next generation mobile network. As a result of the spectrum being secured for 15 years, it remains unlikely that a new MNO will enter the market in the medium term until the next spectrum auction process is held.

The 5G frequencies, representing over two-thirds of the newly allocated spectrum bands, play an important role in the auction process as they offer better network quality. In comparison to 4G (LTE) network, 5G enables a significant increase in capacity and data transmission rates (exceeding 1 Gbit/s) with a further reduction in transmission time (latency) and an increase in the reliability of the connection. Furthermore, it increases the number of terminals connected to an antenna by a substantial amount, paving the way for the enhancement of the Internet of Things.

Following the spectrum auction process, Sunrise obtained a large spectrum allocation in the 3.5 GHz frequency band which resulted in a ratio of available 3.5 GHz spectrum per million customers that Sunrise believes is superior to both Swisscom and Salt. The newly acquired spectrums have helped speed up operators' network infrastructure upgrades to handle larger volumes of data at a higher speed. Sunrise was the first operator to launch its 5G network across Switzerland (covering at least 80% of the local population in 262 towns and locations across Switzerland). Swisscom has rolled out 5G network services in over 100 cities and towns in Switzerland, and is planning to continue to extend the service across the country. Salt announced its investment in 5G technology in January 2019 and is expected to provide its customers with 5G service in the course of 2019. Part of the CHF 0.8 billion proceeds received from the sale of Salt's Tower asset would be used to support its ongoing and future 5G plans in Switzerland.

**Swiss Landline Market**

According to Analysys Mason– Western Europe forecast data, the service revenue for Swiss landline market was estimated to be CHF 7.7 billion (including pay TV revenue) in 2018, representing the highest service revenue per population in Western Europe. Swiss landline services are currently provided via Public Switched Network ("**PSTN**") copper lines, cable and fiber networks.




Source: Analysys Mason

Swisscom has historically dominated landline services. However, the Swiss Federal Telecommunications Act (*Fernmeldegestz*), which came into full force in 2007, obliges Swisscom to provide alternative operators with greater access to its copper landline network, thereby facilitating increased competition in this market. As a result, competitors are able to resell Swisscom's products or establish their own networks through local loop unbundling (LLU). This essentially consists of taking control of Swisscom lines through installation of third-party operators' own equipment in Swisscom local exchanges, as set out in the Swiss Federal Telecommunications Act. Until July 2014, access and interconnection prices were determined on a cost-oriented basis using the Long-Run Incremental Cost (LRIC) method. In July 2014, the revision of The Swiss Federal Telecommunications Act was introduced and the impact of next-generation network was taken into account since then, which resulted in a lower Swisscom access price. The Swiss Federal Telecommunications Act was constantly reviewed. In February 2018, a group of nine Swiss telecom service operators and industry stakeholders, including Sunrise, submitted a request to include measures for technology-neutral and virtual access to the local loop, *i.e.*, virtual unbundled local access. The Swiss Federal Department of Environment, Transport, Energy and Communications agreed that LLU was out of date and proposed a draft to amend the law. However, Swisscom then responded that the amendment would discourage network investment and slow down service improvement. Having considered this, in March 2019, the government finalized the amendment which did not include further regulations on access to Swisscom's infrastructure but to maintain Swisscom's limited LLU offering, restricting any unbundling obligation to copper infrastructure.

According to Analysys Mason, the Swiss landline telephony market is rather saturated, with an estimated volume of CHF 1.0 billion in 2018. There has been a decline in the number of access lines (by 9.9% in 2018 when compared with 2017) and total penetration (from 96.2% in 2017 to 85.7% in 2018 according to Telegeography). This decline is mainly driven by landline-mobile substitution and pressure from VoIP-based alternatives. The market is dominated by the incumbent Swisscom, but with increased cable competition, new offers of FTTH providers, the revision of LLU and the implementation of Swisscom's "All IP" strategy (which resulted in some customers deciding to change their provider during the migration process), Swisscom's market share has reduced (from 56.1% in June 2018 to 52.1% in June 2019). UPC Switzerland, the second-largest market player, represents 15.8% of total access lines followed by Sunrise with 15.2% of total access lines in June 2019, while Salt represents a share of 1.5% (based on public reporting from Swisscom, Sunrise, UPC Switzerland, Salt and SUISSEDIGITAL. Salt data based solely on first half-year 2019 Salt company presentation, assuming no fixed subscribers in Salt in prior to 2019 due to lack of further publicly available information).

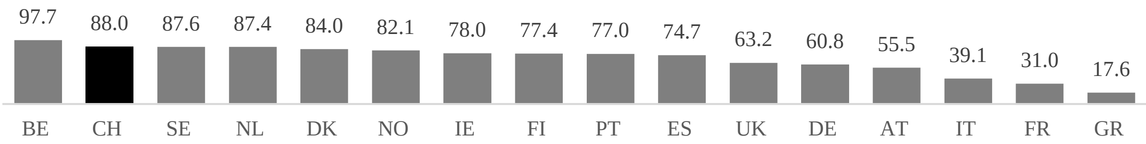
Landline services are also provided through cable infrastructure. SuisseDigital (a trade association of Swiss cable service providers, including both private and public cable service providers across Switzerland) reported 783,000 telephony subscriptions and 1.2 million internet subscriptions on cable as of December 2018. UPC Switzerland is a key operator in the cable market where it owns an HFC network (comprised of 18,000 km of fiber-optic cable in backbone and access and 39,000 km of coaxial cable in access, both in owned or leased ducts) that passes 2.3 million homes (approximately 60% of Swiss households (excluding vacation homes)). All of its cable network has been upgraded to DOCSIS 3.0 and at the end of September 2019 it further upgraded its network to DOCSIS 3.1. Similar to FTTH, DOCSIS 3.1 offers speed up to 3 Gbps over time (full deployment of DOCSIS 3.1 Full Duplex (DOCSIS 4.0) could reach a speed of 10 Gbps in the future), improved responsiveness for applications and significant increase in network capacity.

Fiber network subscriptions in Switzerland have expanded rapidly from 691,000 in 2017 to 835,000 in 2018 (at a growth of 20.9%) which is driven by the demand for larger information transmission capacity at higher transmission speeds, and operators' incentive to provide better network infrastructures to customers. Operators in the market are actively developing these ultra-fast broadband technologies, including "fiber-to-the-home" ("**FTTH**"), "fiber-to-the-building" ("**FTTB**"), "fiber-to-the-cabinet" ("**FTTC**"), "fiber-to-the-street" ("**FTTS**") and DOCSIS. At the end of 2018, Swisscom's optic fibre network (including FTTH, FTTB, FTTS and FTTC) was connected to 3.6 million homes, with access to download speeds of 100 Mbps or more, of which over 1.4 million households enjoy FTTH connection with upload and download speeds of up to 1 Gbps. According to the ComCom 2017 Activity Report, Swiss Fibre Net AG, a network association formed by 16 companies, also covered almost 900,000 households with FTTH in all parts of the country by the end of 2017. Through Indefeasible Rights of Use of Swisscom's and utilities' network, Sunrise also reached an approximately 30% FTTH coverage (1.4 million households) by the end of the year, with 58% of internet net adds via fiber. Meanwhile, Salt entered the fixed broadband market and launched an FTTH network also via CTO utilities on SFN network in March 2018. Its triple-play and quadruple-play offerings (including FTTH broadband, fixed and mobile telephony and TV services) were available in more than 20 cities. By the end of 2018, Salt's service was expanded to 1.4 million households.

There is limited governmental and regulatory intervention in relation to fiber access in Switzerland. However, multi-lateral FTTH discussions since 2008 have resulted in non-discriminatory access to other network operators. Sunrise is therefore able to obtain full open access to the FTTH networks being developed by both Swisscom and SFN without large infrastructure investments of its own. Sunrise's exclusive LLU network also allows it to connect to the fiber network at minimal cost.

While the retail market has been relatively stable in recent years (retail revenue declined on average by 0.4% per annum between 2015 and 2018), the landline B2B business has been growing rapidly at an average take of 10.9% p.a. between 2015 and 2018, totaling an estimated revenue (total fixed wholesale revenue including fixed termination and fees for bitstream resale and LLU; calculated as the difference between fixed service and fixed retail revenue) of CHF 1.2 billion at the end of 2018. Various pan-European operators have built fiber-optic metropolitan area networks in some of Switzerland's largest cities including Zurich, Geneva, Basle, Berne, etc. The leading providers include Sunrise, Swisscom, UPC Switzerland, Finecom Telecommunications, Netstream, Primacall and The Phone House. Swisscom remains the leading service provider for Small Office/Home Office (SoHo) and smaller enterprises as well as medium and large enterprises.

**Next-generation network per 100 inhabitants**



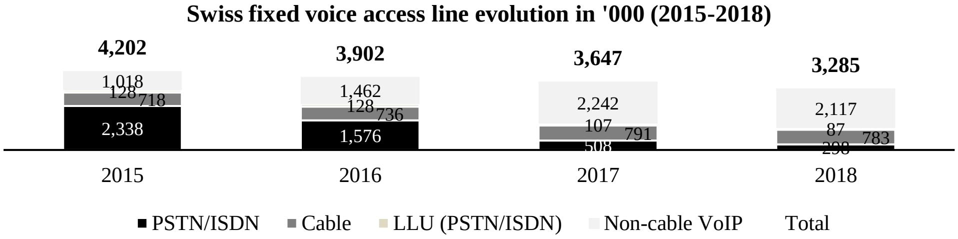

Source: Analysys Mason

## The Retail Voice Market

The retail voice market is primarily based on the analog and digital access lines of the telephone network and the access lines of cable network operators. As with the broadband delivery, historically Swisscom and UPC Switzerland (alongside other smaller providers) owned most of the landline infrastructure in Switzerland but unbundling has made access lines available to other providers, including Sunrise. According to the numbers reported by the operators (Sunrise, Swisscom, UPC Switzerland, Salt and SUISSEDIGITAL), as of June 2019, Swisscom had a 52.1% share of subscriptions in the retail telephony market versus 15.8% for UPC Switzerland, 15.2% for Sunrise, 1.5% for Salt and 15.4% market share for other operators, including utilities operators (based on public reporting from Swisscom, Sunrise, UPC Switzerland, Salt and SUISSEDIGITAL. Salt data based solely on first half-year 2019 Salt company presentation, assuming no fixed subscribers in Salt in prior to 2019 due to lack of further publicly available information).

According to Telegeography, the ongoing development of mobile telephony and VoIP-based alternatives has led to a decline in the number of fixed telephony connections and a reduction in the number of calls made on the fixed network. As a result, retail telephony subscriptions decreased from 4.2 million in 2015 to 3.3 million in 2018 (with a 7.9% decline *per annum*).

**Swiss fixed voice access line evolution in '000 (2015-2018)**

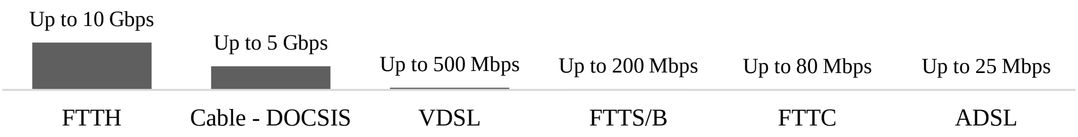



Source: Annual and quarterly reports of Sunrise, Swisscom, UPC Switzerland and SUISSEDIGITAL press release, and Telegeography report

**Landline Internet**

According to Telegeography, there were 4.0 million landline broadband internet connections in Switzerland by the end of 2018, an increase of 2.5% *per annum* since the end of 2015. Landline broadband internet connections can be established via various access technologies, including DSL, cable modem, and fiber. Among the different technologies, currently fiber and DOCSIS 3.1 offer the highest speed of up to 3 Gbps (full deployment of DOCSIS 3.1 Full Duplex (DOCSIS 4.0) could reach a speed of 10 Gbps in the future), while others could provide speeds ranging from up to 25 Mbps to 500 Mbps.

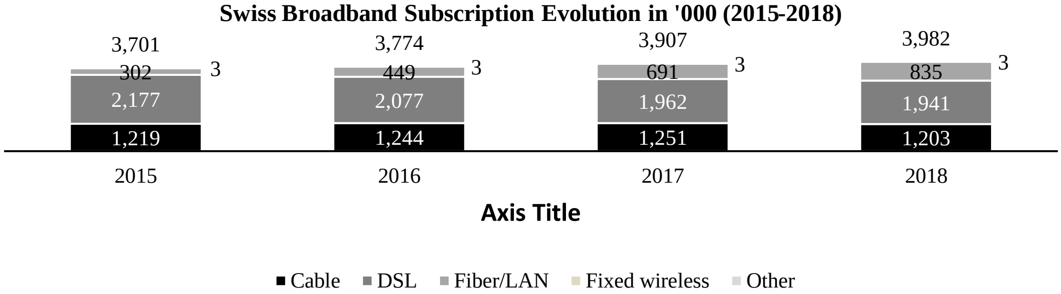
**Broadband speed by technologies (2018)**




Source: Swisscom, UPC, Salt, SUISSEDIGITAL reporting

In Switzerland, residential users are predominantly offered DSL or cable broadband connections, with limited but increasing fiber connections, at a subscription growth of 40.4% *per annum* from 2015 to 2018. Currently 30.5% of permanent residents (including those who do not access fixed-line broadband internet) access broadband network using DSL technology, 18.9% through cable, 13.1% through fiber and 0.1% through other technologies.

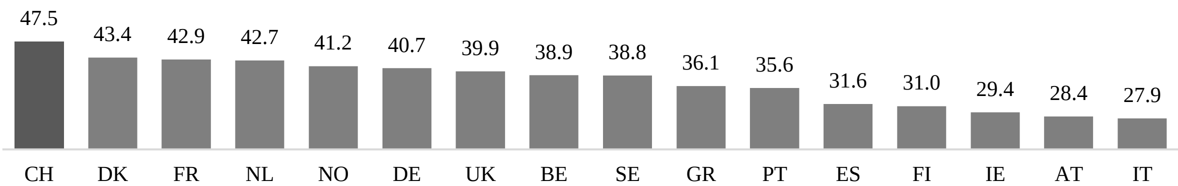
**Swiss Broadband Subscription Evolution in '000 (2015-2018)**




Source: Telegeography

According to the Organisation for Economic Co-operation and Development ("**OECD**"), 46.8% of the population in Switzerland had broadband internet access as of December 2018, making Switzerland the best connected among the OECD countries.

**Broadband Subscriptions per 100 Inhabitants in Western Europe**

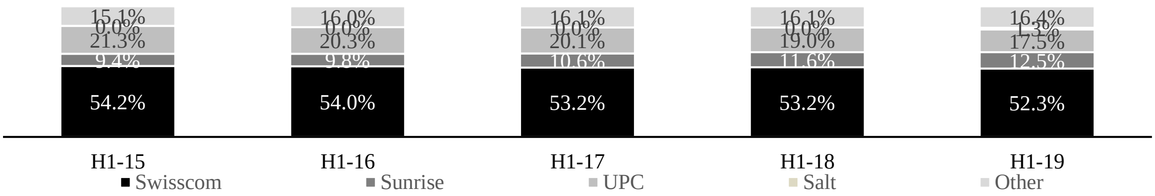



Source: OECD, June 2018

According to the figures reported by different operators, Swisscom leads the total broadband internet market with a 52.8% subscriber market share of as of June 2019. Competition mainly comes from UPC Switzerland, Sunrise and Salt (which launched its FTTH network in March 2018) with 17.6%, 12.6% and 1.3%

of subscribers market share, respectively (based on public reporting from Swisscom, Sunrise, UPC Switzerland, Salt and SUISSEDIGITAL. Salt data based solely on first half-year 2019 Salt company presentation, assuming no fixed subscribers in Salt in prior to 2019 due to lack of further publicly available information). Other market participants include Quickline, Net+, ImproWare, green.ch and other smaller operators through the resale of Swisscom's products or via the irrespective LLU networks.

Swiss Total Broadband Subscription Market Share Evolution (June 2015 - June 2019)




Source: Annual and quarterly reports of Swisscom, Sunrise, UPC Switzerland and SUISSEDIGITAL press releases

In Switzerland and across Europe generally, the market is trending towards higher broadband speeds to support data-intensive applications and the delivery of interactive services. Video content accounts for 58% of internet traffic including where the total of YouTube and Netflix takes up about 30% of internet traffic globally. This trend is expected to be an important driver of broadband growth as consumer uptake and usage of high bandwidth services increases. Operators are typically able to charge premiums for high-end products, which may drive broad-band revenue growth.

**Business Services**

Selected landline operators, such as Sunrise and Swisscom, also offer advanced business services, which are provided in addition to standard landline internet services. These services are typically provided to medium and large enterprises and SoHo/small enterprise on a retail basis

The business services market can be split into two segments. In the first segment, Sunrise competes with other carriers including Swisscom and UPC Switzerland to provide connectivity and applications services, including support and maintenance. The other segment is comprised of system integration services, including the resale of equipment and applications, one-time services (such as consulting, installation and engineering) and recurring services (such as operation and maintenance of local area networks). Companies operating in this segment include, among others, Swisscom, Sunrise (through the acquisition of NextiraOne Switzerland), Connectis and Dimension Data. Swisscom and Sunrise have operations across both segments, enabling both companies to provide end-to-end solutions, without the need to partner with other companies.

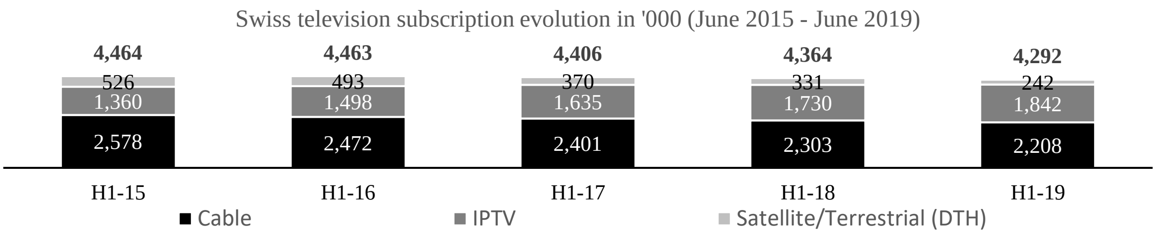
Operators also offer wholesale products, including voice, data, internet and infrastructure services, such as carrier and roaming services, to national and international telecommunications service providers as well as MVNOs. LLU is part of the wholesale business where Swisscom provides access lines to other Swiss operators, including Sunrise.

**The Swiss Television Market**

According to Analysys Mason, the Swiss Pay TV market was forecasted to generate retail revenues of CHF 1.7 billion in 2018. From the figures reported by operators who publicly report (Sunrise, Swisscom, UPC Switzerland, Salt and SUISSEDIGITAL), the Swiss television market covered approximately 4.2 million households in June 2019, a decrease of 1.3% *per annum* from 4.5 million in June 2015. Cable remains the most widely used multi-channel TV distribution platform, although its market share has declined in recent years. Such decline was partially offset by the growth of the IPTV platform (at a CAGR of 7.1% from June 2015 to June 2019) and OTT. The remaining Swiss households were served by satellite and DTT. The legacy analog TV subscription base represented an opportunity for TV connectivity providers in Switzerland as affordable next generation TV hardware, improved set-top box functionality and user experience (*e.g.*, greater depth of content offerings, replay, recording, etc.), at competitive pricing underpinned by product bundling, have driven an increase in digital TV adoption and consumption. As more consumers have migrated to digital TV and the market has become increasingly competitive, operators are consistently improving TV boxes functionality and launching more OTT contents in order to remain relevant.

The TV market has been evolving rapidly over the recent years on the back of changing consumer habits. On top of the introduction of new OTT services, such as Netflix, Amazon TV, Apple TV, etc., the key telecommunications operators have launched new products and services: (i) Swisscom has updated its TV platform to OS 3.2 in May 2019 which offers features including improved image quality, subtitle functionality, HDMI-CEC activation and more; (ii) UPC Switzerland launched its new 4K-TV box (*i.e.*, EOS box with Horizon U.I.) in October 2018 which enhanced customer experience through better graphics and increased functionality; (iii) Sunrise launched the neo app TV (the only OTT TV app supporting UHD/4K) in May 2019; (iv) Salt entered the digital TV market in March 2018 by offering a triple play bundle. As of June 2019, market share by subscriptions of the various operators in the television market was as follows: 36.0% Swisscom, 24.5% UPC Switzerland, 6.2% Sunrise, 1.2% Salt and 33.2% for other operators.

Despite the growth of OTT platforms which may threaten linear TV with market fragmentation and content rights challenges, the linear TV market remains preserved. One main reason is that most of the linear TV players offer their own video streaming and OTT capabilities to complement their bundling strategies. With the development of digital TV boxes, the majority are equipped with OTT function which allows consumers to record, replay and watch content on any device (TV, tablets, mobiles), anywhere and anytime. Another factor is that the OTT platforms and linear TV provide two alternative offerings with distinctive features. On the one hand, OTT attracts the younger generation who access the internet more frequently while linear TV attracts a wider audience. On the other hand, the OTT platform offers a catalogue of on-demand content while linear TV offers a pre-set program. However, because of comeback functions and the fact that linear TV stations are increasingly offering their content in non-linear form via the internet, linear TV and OTT providers are often considered substitutes from the consumers' point of view.




Source: Annual and quarterly reports of Swisscom, UPC Switzerland, Sunrise and SUISSEDIGITAL
* Cable represents predominantly cable, but also includes small portion of fiber

**Cable**

As of June 2019, there were approximately 2.2 million TV subscriptions, according to SUISSEDIGITAL. UPC Switzerland is the largest CATV operator in Switzerland, with 1.0 million subscriptions. In July 2015, it migrated all of its TV customers from the analog network to the digital platform, providing them greater variety of content and better customer experience. The remainder of the CATV market is highly fragmented with players including CityCable and Naxoo.

**IPTV**

As a result of technological improvements, broadband is increasingly being used for the distribution of IPTV and VoD services. IPTV services are predominantly delivered over Swisscom's VDSL infrastructure, although FTTH will increasingly be used as a delivery platform as it is more extensively rolled out. As of June 2019, there were approximately 1.8 million homes using IPTV services, according to the reported figures of Sunrise and Swisscom, with Swisscom accounting for approximately 1.5 million residential subscriptions.

**Satellite and Terrestrial (DTH)**

DTH services are limited in Switzerland due to various legal restrictions, such as construction and zoning regulations, or rental agreements which prohibit or impede the installation of satellite dishes. Homes are currently served via free DTH or a paid subscription scheme (such as Teleclub and Canal+). DTH revenues as a percentage of the overall TV market are relatively small.

**Convergence and Bundling in the Swiss Market**

Swiss consumer trends are driving rapid growth in subscriptions of multiple telecommunication products from the same operator ("bundling"), specifically the subscriptions of both fixed and mobile products from the same operator ("convergence").

Consumers, in search of convenience, are increasingly looking to receive mobile and fixed telecommunication services from the same provider. Such demand has incentivized operators to offer bundled and convergent products at a lower price in order to maintain their competitiveness. Bundled and convergent offerings do not only benefit consumers with lower purchase cost, but also allow operators to enlarge their revenue base through up- and cross-selling opportunities and enhanced customer loyalty, resulting in lower churn rates.

By providing bundled and converged offerings, telecommunications operators are able to capture additional value by maximizing the share of total customer telecommunications wallet and by maximizing lifetime value and reducing costs through churn reduction and reduced acquisition and retention costs. As a result, the joint demand for convergence, where consumers are looking for a one-stop solution and operators are looking to maximize their market share, catalyzes fixed-mobile convergence.

Furthermore, having an integrated fixed-mobile network provides cost benefits to operators. A fixed-mobile integration allows mobile operators to save on backhaul costs associated with connecting mobile towers. It also enables operators to benefit from off-loading mobile traffic to the fixed network, freeing up capacity and reducing maintenance costs of the mobile network. Looking forward, a joint deployment of fiber and 5G network would derive cost saving for operators, allowing them to connect to antenna on fiber at modest cost.

To capture the benefits, the consumer trend around convergence has been seen across Europe. There is an increasing concentration of converged consumers across the European market. In the Swiss market, the proportion of Sunrise convergent-billed customers in total billed customers increased from 24% in June 2017 to 29% in June 2019, while the proportion of Swisscom customers in total customers increased from 10% in June 2017 to 14% in June 2018. There is also a similar trend in other European markets where convergence offerings are becoming more common. For example, the percentage of KPN convergent customers in total residential households increased from 32% to 42% between June 2017 and June 2019. Telenet's proportion of convergent customers in total customer relationship rose from 10% in June 2017 to 22% in June 2019.

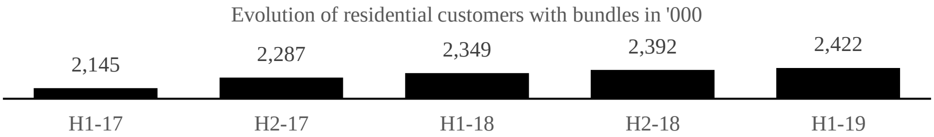
Besides capturing the benefits via organic initiatives (*e.g.* launch of bundled/converged offerings), many operators have also achieved convergence through acquisition which has led to an acceleration of fixed-mobile convergence transactions across the continent. There have been a number of convergent market consolidations within Europe in the past five years.

| **Date** | **Target** | **Acquirer** | **Country** |
|---|---|---|---|
| February 2019 | UPC Switzerland | Sunrise | Switzerland |
| July 2018 | TDC and Get | Telia | Denmark |
| May 2018 | Unitymedia and UPC | Vodafone | Germany and CEE |
| January 2018 | ComHem | Tele2 | Sweden |
| December 2017 | UPC Austria | T-Mobile Austria | Austria |
| December 2016 | SFR Belgium | Telenet | Belgium and Luxembourg |
| February 2016 | Ziggo | Vodafone | Netherlands |
| April 2015 | BASE | Telenet | Germany |
| February 2015 | EE | BT | UK |
| September 2014 | Jazztel | Orange | Spain |
| April 2014 | Numericable | SFR | France |
| March 2014 | ONO | Vodafone | Spain |

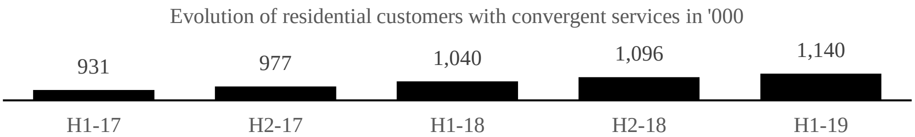
Source: Companies press release

In the Swiss market, operators are also picking up the trend and the number of convergent and bundled subscriptions is rising. As of June 2019, Sunrise and Swisscom had approximately 2.4 million customers with bundled products (6.3% increase *per annum* from June 2017) and 1.1 million customers who had subscribed to convergent services (10.7% increase per annum from June 2017). Sunrise has successfully captured these trends and has achieved the greatest penetration of customers with convergent services in the landline base compared to competitors. As of June 2019, approximately 28.9% of Sunrise's billed customers subscribed to convergent products.

Other players also took advantage of the opportunities and entered the convergent market. In April 2014 upc cablecom (former entity of UPC Switzerland) launched its new mobile service (as an MVNO) to existing customers using the Orange (former entity of Salt) mobile network. In one year's time, its mobile service was available across the entire nation. In January 2018, it also revamped its mobile offering and signed a new MVNO contract with Swisscom which has provided an acceleration to mobile net adds in the first half of 2019. On the other hand, Salt, entered the fixed business in March 2018 and launched its FTTH service through IRUs, enabling it to offer the initial triple-play package which include broadband, TV and mobile services. By the end of 2018, the service expanded to 1.4 million homes.




Source: Annual report and Facts & Figures spreadsheet of Swisscom and Sunrise management estimates (bundled customers refer to Swisscom and Sunrise customers with more than one product in a bundle). Other providers do not publish their figures regarding bundles and convergent services.




Source: Annual report and Facts & Figures spreadsheet of Swisscom and Sunrise management estimates (customers with convergent services refer to Swisscom and Sunrise customers with fixed and mobile bundles)

## BUSINESS OF SUNRISE

### Overview

We are the second-largest integrated telecommunications provider in Switzerland, based on revenue. We offer a broad range of services, including mobile voice and data, landline voice, landline internet and TV services to consumer and business customers across Switzerland, through our own mobile network and mainly wholesale access for landline services. We are the second-largest mobile telecommunications provider, and the third-largest provider of landline voice, internet and TV services in Switzerland.

Our customer base includes consumer, business and wholesale customers. We offer our consumer customers, who accounted for 72.0% of our revenue in the financial year ended December 31, 2018 and 72.1% for the six-month period ended June 30, 2019, mobile calling, landline voice, internet and TV services from a single source. Mobile voice and data services are provided on both a post-paid and prepaid basis. Our offering is tailored to meet our 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 whereby different products can be bundled together, *e.g.*, mobile and internet.

Our business customers can select from a comprehensive range of products and services, from mobile offers and landline voice, internet and data solutions, to systems integration and management of services. The specific needs of our customers are met with a portfolio of standardized products for small businesses, as well as customized, scalable and secure offers for large enterprises. Our wholesale operations provide mobile voice and data as well as internet services to other national and international carriers. We also offer voice hubbing services.

We categorize our products and services in three different groups, which are also our operating segments: mobile, landline voice and other (including hubbing) and landline internet and TV. For the financial year ended December 31, 2018, we generated total revenue of CHF 1,876.5 million and Adjusted EBITDA of CHF 601 million. During that period, our mobile, landline voice & other (including hubbing) and landline internet & TV businesses comprised 67.7%, 17.3% and 14.9% of our total revenue, respectively. We are headquartered in Zurich, Switzerland, and had 1,611 employees (full-time equivalents) as of December 31, 2018.

We believe that the Acquisition of the UPC Group will reinforce our position as the leading fully-integrated challenger in the Swiss telecommunications market. The Acquisition of the UPC Group is intended to create an even stronger, fully-integrated nationwide challenger across all elements of the 4P bundle, including mobile, landline voice, internet and TV. The combined Group will represent the second-largest telecommunications operator in Switzerland providing mobile calling, landline voice, internet and TV services. Following completion of the Acquisition of the UPC Group, we, together with UPC Switzerland, expect to have a combined customer base of approximately 3.0 million mobile customers (approximately 27% market share (including prepaid customers based on the 12-month activity rule and excluding MVNOs for Sunrise)), 1.2 million broadband internet customers (approximately 30% market share) and 1.3 million TV customers (approximately 31% market share). We believe that the scale of the combined Group will enable us to continue to drive innovation, invest in new services and pursue further growth by providing innovative and competitively priced service offerings. In the financial year ended December 31, 2018, UPC Switzerland generated revenues in the amount of CHF 1,296.1 million, an Adjusted EBITDA in the amount of CHF 629.4 million and an Adjusted Operating Free Cash Flow of CHF 384.6 million.

With the addition of UPC Switzerland's landline network, we will be able to offer a superior next-generation infrastructure that is unique in Switzerland. UPC Switzerland's advanced broadband cable network has access to 2.3 million Swiss homes, which equals approximately 60% of all Swiss households (excluding vacation homes). With the Acquisition of the UPC Group, we are able to acquire our own landline internet infrastructure, thus complementing our current internet offering via FTTH partnerships, Swisscom wholesale, local loop unbundling, and mobile broadband (4G/5G). In addition, there is a clear roadmap to increasing speeds on UPC Switzerland's cable network to 1 Gbps by way of the DOCSIS 3.1 upgrade, which was launched in September 2019. We expect the combined Group to be able to serve 90% of all Swiss households (excluding vacation homes) with internet speeds of 1 Gbps or higher by the end of 2021. We also expect that through further upgrades of this technology, speeds of up to 10 Gbps may be attained in the longer term, thus enabling us to further enhance our customer experience.

We estimate that the Acquisition of the UPC Group will generate significant value for our shareholders through cost and capital expenditure synergies as well as revenue synergies with an estimated net present value of approximately CHF 3.1 billion (after integration costs). These include cost and capital expenditures synergies with an estimated annual run-rate of approximately CHF 230 million to be achieved by 2023, which corresponds to an estimated net present value of approximately CHF 2.7 billion over time. With respect to revenue synergies, we estimate synergies at an annual run-rate of approximately CHF 50 million to be achieved by 2023, corresponding to an estimated net present value of approximately CHF 0.4 billion over time. Net present value is calculated as post-tax cash flows derived from the sum of revenue, cost and capital expenditures synergies less integration costs necessary to realize those synergies, assuming a tax rate of 19% and a weighted average of cost of capital of 6%. For a description of expected synergies and other effects of the Acquisition, see "*The Acquisition—Estimated Synergies and Other Effects of the Acquisition*".

For the financial year ended December 31, 2018, on a *pro forma* basis and assuming the Acquisition had been completed on January 1, 2018, the combined Group's revenues would have been CHF 3,172.6 million and EBITDA would have been CHF 1,243.8 million. For the six-months period ended June 30, 2019, on a *pro forma* basis and assuming the Acquisition had been completed on January 1, 2018, the combined Group's revenues would have been CHF 1,532.2 million and EBITDA would have been CHF 581.5 million. See "*Summary Financial and Operational Information—Pro Forma Combined Financial Information*".

**Strengths**

We believe that the following strengths will allow us to execute our growth strategy and to increase shareholder returns:

***Focus on the affluent, quality-driven and data-savvy Swiss market***

We focus on taking advantage of the affluent, quality-driven and data-savvy Swiss market which is supported by several attractive dynamics. Switzerland is one of the wealthiest countries in Europe with an estimated GDP per capita at purchasing power parity of approximately CHF 67,259 for 2018 which was significantly higher than the EU-15 average of approximately CHF 52,371 (source: EIU). The higher levels of Swiss GDP per capita translate into a comparatively high level of total telecommunication retail revenue per capita, at CHF 99.9 in 2018, which is more than twice the EU-15 average of CHF 45.9. Increased consumer spending has translated into higher absolute mobile ARPU levels for Swiss telecommunication providers when compared with the EU-15 average. The average Swiss mobile services ARPU was CHF 34.2 per month in 2018, and the EU-15 average (unweighted average and excluding Luxembourg) was CHF 17.5 per month in the same period, although both for the EU-15 average (unweighted average and excluding Luxembourg) and Switzerland ARPU as a percentage of salary was 0.5%. Switzerland's population has grown at a compound annual growth rate ("**CAGR**") of approximately 1.0% during the eight-year period from 2010 to 2018. This population growth, which creates opportunities for further growth in subscription numbers, has been driven largely by immigration, with the number of foreign residents having grown at a CAGR of 2.5% (2010 to 2018), compared with 0.6% for Swiss nationals, mainly as a result of Switzerland's attractiveness to young and highly-qualified immigrants.

Swiss economic growth has been stable in recent years, with real GDP growing by 1.3% in 2015, 1.6% in 2016 and 1.7% in 2017, before accelerating to 2.5% in 2018, though the EIU projects growth to return to between 1.5% and 1.8% in the subsequent five years. Similarly, unemployment has remained stable at low levels over the same period, with 3.2% in 2015, 3.3% in 2016 and 3.2% in 2017, before sharply improving to 2.6% in 2018. EIU projects the unemployment rate to stay near the range of 2.4% to 2.6% in the next five years. Switzerland's inflation rate hit a record low of negative 1.08% in 2015 and, after a period of deflation, consumer prices again increased in 2017 and inflation accelerated to 0.9% in 2018.

In addition to these favorable macroeconomic and demographic trends, Switzerland benefits from one of Europe's most attractive business environments. The interest rate levels are relatively low compared with other European countries (based on a comparison of the Swiss ten-year government bond yield to the EU-15 average as of May 2019), and according to EIU the Swiss interest rate will remain negative until at least 2021. Swiss corporate and personal tax rates are among the lowest in western European countries.

Switzerland's telecommunications market had a total value of CHF 12.8 billion in 2018 (service revenue), with CHF 5.1 billion, or 40%, derived from mobile services, CHF 6.0 billion, or 47%, derived from landline services and CHF 1.8 billion, or 13%, derived from TV services (source: Analysys Mason). Switzerland is one of Europe's most advanced telecommunications markets in terms of technology, enabling high connection speed and data consumption through 5G, LTE/4G, VDSL, coaxial cable and fiber coverage. According to

ComCom, the penetration rate of mobile telephony in Switzerland was almost 132% at the end of 2018, which means that the number of mobile subscriptions is greater than the resident population, due to certain customers owning multiple SIM cards, non-resident customers and customers that are legal entities. Based on the technological infrastructure, Swiss consumers' preferences for high-quality services have driven and reinforced a strong trend towards convergence. The competitive environment in Switzerland is characterized by a primary focus on the high quality of service rather than price. Similarly, the overall Swiss telecommunications market enjoys a rational regulatory environment where the entry of a fourth MNO to the market is unlikely, there is supportive regulation of the landline business (LLU) and the regulator is independent from European Union policies and is generally perceived as supportive of businesses. For example, unlike the *ex-ante* regime in the European Union, the Swiss LLU regime follows an *ex-post* regulation approach, making it necessary for operators first to negotiate the conditions of access among themselves and only request an intervention by the regulator if such negotiations fail. See "*Regulation—Access Regime*". The capital-intensive nature of the telecommunications industry, the licensing requirements and the administrative restrictions for obtaining permits to build mobile sites in Switzerland have historically resulted in a lack of new market entrants.

***Superior next generation infrastructure***

Our mobile network has been ranked "*Outstanding*" for three consecutive years in the "*Connect*" mobile network test (source: Connect). We benefit from our own mobile network suitable for mobile broadband, with speeds of up to 900 Mbit/s, and we expect to gain further momentum for mobile broadband in connection with the ongoing 5G roll-out ("broadband over the air"). At the 5G spectrum auction that took place in January and February 2019, we acquired 100 MHz frequencies in the 3.5 GHz band, which enables us to build a high-speed 5G network in Switzerland. We also offer the largest alternative fixed network in Switzerland and benefit from a diversified fixed access model across various technologies. Our nationwide state-of-the-art fiber network backbone is secured partially through our own network and partially via partnership agreements with Swiss Fibre Net AG, EWZ, SIG and IWB and through our access agreement with Swisscom, giving us full access to Swisscom's last mile.

We believe that the Acquisition of the UPC Group presents a unique opportunity for us and the Swiss telecommunications market: Our world-class 4G mobile network, 5G spectrum and network and fiber partnerships will be combined with UPC Switzerland's advanced cable network and 18,000 km of fiber-optic in backbone and access to form what we believe will be the most technologically advanced and diverse digital infrastructure in Switzerland. As a result, the combined Group will be able to offer a superior next-generation infrastructure that is unique in Switzerland: high-speed broadband internet (in the gigabit range) across most Swiss households and companies, even in rural regions, with a broad footprint in Switzerland (with approximately 60% of households (excluding vacation homes) covered via UPC Switzerland's DOCSIS network, approximately 30% of households covered via fiber and approximately 90% of households covered via VDSL by our wholesale agreement with Swisscom). The combined Group will therefore be less dependent on Swisscom's last mile and other third-party partnerships and, we believe, will be well-positioned, including through its increased scale, to foster competition in the Swiss telecommunications market and provide a superior customer experience.

Following the Acquisition of the UPC Group, we will be the only nationwide Swiss operator with access to both FTTH and cable technology. There is a clear roadmap to increasing speeds on UPC Switzerland's cable network to 1 Gbps by way of the DOCSIS 3.1 upgrade, which was launched in September 2019. We expect the combined Group to be able to serve 90% of all Swiss households (excluding vacation homes) with internet speeds of 1 Gbps or higher by the end of 2021. We also expect that through further upgrades of this technology, speeds of up to 10 Gbps may be attained in the longer term, thus enabling us to further enhance customer experience. The combined Group will also benefit from 96.0% 4G geographic mobile coverage, providing a solid foundation for our ongoing 5G roll-out. We believe that these advancements and the overall increased scale of operations that the Acquisition of the UPC Group provides will be a significant competitive advantage going forward.

***Successful focus on quality and customer experience***

We focus on providing high-quality telecommunications services and have been constantly improving in this area, bearing in mind the quality-focused characteristic of the Swiss market. In the annual survey conducted by the business magazine, *Bilanz*, we were ranked first as a universal provider in 2018. In addition in the 2019 survey, we were ranked first in the category of "Best Universal provider for SME and large companies", and were ahead of Swisscom, Salt and UPC Switzerland in the mobile communications and TV categories. This result reflects the improvements we have made in the areas of network quality and customer interaction, and our ability to maintain high-quality standards over the years.

Our mobile and landline products have a broad distribution reach, comprising principally our high-quality retail outlet network, our other direct channels (online sales, direct mailings and inbound and outbound call centers) and our indirect channels (third-party distributors, including selected mass merchandisers, electronic chains and telephone retailers throughout Switzerland). As of June 30, 2019, we had 95 self-branded points-of-sale. Our shops were recognized as "best shops" in the *Connect* shop test, evaluating telecommunication services providers' shops in Germany, Austria and Switzerland, both in 2018 and 2019. Our retail outlets typically are in commercially attractive locations, spread throughout most of Switzerland and designed to match the appropriate size for the marketing of all our products. We use our stores for a variety of purposes, including selling Sunrise landline and mobile services for all our brands, including *Business Sunrise*. Through our direct channels, we maintain a high degree of control over the quality of our contacts with actual and potential customers and create opportunities for cross-selling and up-selling our products and services.

With a service team of over 1,000 agents covering the entire *Sunrise* product portfolio, we are committed to delivering an outstanding customer experience. In the last two years, we have increased our focus on service across the entire organization. Our first priority is to further improve our customer service performance with a pragmatic and customer-focused approach. As a key instrument in transforming our organization through continuous constructive closed-loop feedback, we track Net Promoter Score ("**NPS**") throughout our organization as a key metric to measure customer loyalty and advocacy. We have significantly improved our touchpoint NPS score (from 100% in 2013 to 167% at the end of June 2019). In addition, NPS helps to identify quality issues, provide solutions and structurally improve our operations. We have established NPS routines to improve skills based on customer feedback including weekly NPS check-ins and coaching, customer callbacks, and monthly experience sharing. For example, we believe that our thorough approach to implement these measures improved the touch point NPS for our call centers.

We believe that the Acquisition of the UPC Group will provide significant opportunities for implementing our customer-centric approach and culture into the business of UPC Switzerland, where we see considerable potential to improve on customer experience.

***Proven track record of innovation***

We believe that over the last few years we have consistently been at the forefront of innovation in our commercial strategy and have a proven track-record of customer-relevant product launches. Specifically, we were the first MNO to introduce mobile hardware de-coupling without fixed contract terms (*Sunrise Freedom,* launched in 2014). Recent innovations include the launches of *Sunrise One* in April 2017 (the first converged bundle product in the Swiss market with no limits to digital access, combining mobile, landline voice, internet and TV services in one convergent offer), *Sunrise TV neo* in May 2019 (making us the first telecommunications service provider in Switzerland to launch its own streaming service, which enables customers to stream more than 230 TV channels on smartphones, tablets, laptops and TV) as well as *Sunrise Work Smart* (offering a wide range of scalable solutions for efficient communication and collaboration within the organizations of our business customers). With each of these offerings, we introduced new concepts to the Swiss market with distinct advantages over the offerings by our competitors.

In addition, we recently announced our strategic partnership with Apple Music, enabling us to provide access to Apple Music at no charge for six months to all our existing and new post-paid customers. We are currently the only telecommunications service provider in Switzerland offering this service. We were also the first telecommunications provider in Switzerland to launch network protection for secure surfing both on the mobile network and via the Sunrise router with *Sunrise surf protect* and *Sunrise surf protect family*, which provides protection on an unlimited number of devices against phishing, ransomware, viruses and other threats.

We believe that the enlarged scale of the combined Group will enable us to continue our drive for innovation and investment in new services, and pursue growth by providing innovative and competitively priced offers.

***Effective multi-brand approach supported by convergent complementary product portfolio and strong distribution capabilities***

We believe we have developed a competitive advantage by appealing to existing and future customers through our proven multi-brand approach, a differentiated and innovative commercial strategy and strong distribution capabilities. With our multi-brand strategy, we target clearly defined market segments with relevant dedicated products and service offerings in order to optimize our market reach and achieve further growth:

- Our *Sunrise* brand is targeted at the mass market, which comprises the highest value customers.
- Our *yallo* and *Lebara* brands are focused on the budget and ethnic segments, respectively, by offering voice and data service with attractive international rates.
- Our *Business Sunrise* brand addresses the business segment and relies on a dual positioning that allows us to target both small enterprises and small and home offices as well as the enterprise segment, covering medium to large companies.

We believe we are the only telecommunications provider other than the incumbent covering all of these segments with our brands, which we believe gives us a significant competitive advantage over other providers in the Swiss market. We also target specific demographics within these segments to optimize our reach. For example, we recently launched a new *Sunrise Young* advertisement campaign aimed at customers under the age of 30 to strengthen the Sunrise position in the young segment. Our revenue from serving consumer, business and wholesale customers amounted to 72.1%, 16.7% and 9.0% of total revenue, respectively, for the six-month period ended June 30, 2019, excluding head office activities.

We believe that Swiss customers will benefit from the Acquisition through the integration of state-of-the-art communications, entertainment and business solutions. Our consumer customers will benefit from enhanced bundled offers including access to UPC Switzerland's industry-leading video platform with a 4K-capable digital receiver box (launched in October 2018 with early results showing a score of 90 out of 100 points in recent usability tests) and proprietary content of UPC Switzerland, while customers of UPC Switzerland will benefit from improved mobile communication offers, including mobile internet. At the same time, UPC Switzerland's fixed enterprise business will enhance growth and add scale to our strongly growing business customers business, with the potential to cross-sell converged mobile and fixed products and deliver an exceptional customer experience across the full product range.

***Resilient financial performance with strong cash flows, prudent capital structure and attractive dividend policy***

We believe that our recent resilient financial performance is a result of the combined effects of our superior network infrastructure, our proven track record of innovation, our successful focus on quality and customer experience as well as our effective multi-brand approach. Since 2016, our gross profit has been growing at a CAGR of 1.1%, reaching CHF 1,219 million in the financial year ended December 31, 2018. Gross profit continued to increase in the six-month ended June 30, 2019, representing a growth of 3.4% when compared with the six-month period ended June 30, 2018.

We benefit from a competitive cost structure and have historically had a strong focus on efficiencies which has enabled us to achieve Adjusted EBITDA margins of 32.2-32.0% over the period 2016 to 2018. We achieved an historically reported EBITDA of CHF 602.3 million in the financial year ended December 31, 2018, compared with an historically reported EBITDA of CHF 592.3 million in the financial year ended December 31, 2017 and CHF 598.7 million in the financial year ended December 31, 2016.

As a result, we historically displayed a strong historically reported EBITDA to operating free cash flow conversion rate. In the financial year ended December 31, 2018, we generated an operating free cash flow (historically reported EBITDA less capital expenditures) of CHF 299.3 million, representing a 49.7% conversion rate (operating free cash flow divided by historically reported EBITDA). We have also maintained steady dividend growth since our IPO, with a dividend growth rate of approximately 40% between 2015 and 2018 and a guidance of an annual 4% to 6% dividend progression from 2018 to 2020.

We expect the Acquisition of the UPC Group to further support our progressive dividend policy through UPC Group's higher margins and strong cash flow generation together with the realization of expected synergies. For the financial year ended December 31, 2018, on a *pro forma* basis and assuming the Acquisition had been completed on January 1, 2018, the combined Group's revenues would have been CHF 3,172.6 million and EBITDA would have been CHF 1,243.8 million. For the six-months period ended June 30, 2019, on a *pro forma* basis and assuming the Acquisition had been completed on January 1, 2018, the combined Group's revenues would have been CHF 1,532.2 million and EBITDA would have been CHF 581.5 million. See "*Summary Financial and Operational Information—Pro Forma Combined Financial Information*".

***Experienced management team***

Our management team, which has substantial experience in the telecommunications industry, is focused on innovative ideas and taking swift action to allow these ideas to flow to the market more quickly. We believe that our experienced management team has already demonstrated its ability to grow our business, for example, through multi-branding, innovative flat-rate plans, bundled and convergent products and services and distribution channel expansion. At the same time, our management team has already significantly improved efficiency in our business, including through outsourcing the majority of our network operations, managing subscription acquisition and retention costs, reducing billing costs, increasing the efficiency of key operational processes, optimizing our customer care processes and improving our workforce costs despite increases in our sales force.

Our CEO, Olaf Swantee, has approximately 29 years' experience in the information and communications technology industries, of which more than twelve years were spent in the telecommunications industry, with extensive experience from his previous management positions with telecommunications providers in the United Kingdom and France. He also brings significant M&A and integration experience as the former CEO of EE, which was the product of the merger in 2008 of Orange and T-Mobile in the United Kingdom. Since his appointment in 2016, he has substantially expanded our management team and changed its composition by bringing in new personnel with extensive experience in the telecommunications industry in order to execute our growth strategy. Our CTO, Elmar Grasser, has over 24 years' experience in the telecommunications industry and was recently awarded the prestigious "CTO of the Year" award at the Mobile Europe & European Communication awards. Our CFO, André Krause, has more than 14 years' experience in the telecommunications industry.

**Strategy**

Our strategy is to leverage our strong market position as the leading fully-integrated challenger in Switzerland in order to drive further growth and create value by pursuing the following key strategies:

***Continue focus on superior next generation infrastructure***

We believe that the Acquisition of the UPC Group presents a unique opportunity for us and the Swiss telecommunications market: our world-class 4G mobile network, 5G spectrum and network and fiber partnerships will be combined with UPC Switzerland's advanced cable network and 18,000 km of fiber-optic in backbone and access to form what we believe will be technologically the most advanced and diverse digital infrastructure in Switzerland. As a result, the combined Group will be able to offer a superior next-generation infrastructure that is unique in Switzerland: high-speed broadband internet (in the gigabit range) across most Swiss households and companies, even in rural regions, with a broad footprint in Switzerland (with approximately 60% of households (excluding vacation homes) covered via UPC Switzerland's DOCSIS network, approximately 30% of households covered via fiber and approximately 90% of households covered via VDSL by our wholesale agreement with Swisscom). The combined Group will therefore be well-positioned to foster competition in the Swiss telecommunications market and continue to grow our infrastructure going forward.

Following the Acquisition of the UPC Group, we will be the only nationwide Swiss operator with access to both FTTH and cable technology. In addition, there is a clear roadmap to increasing speeds on UPC Switzerland's cable network to 1 Gbps by way of the DOCSIS 3.1 upgrade, which was launched in September 2019. We expect the combined Group to be able to serve 90% of all Swiss households (excluding vacation homes) with internet speeds of 1 Gbps or higher by the end of 2021. We also expect that through further upgrades of this technology, speeds of up to 10 Gbps may be attained in the longer term, thus enabling us to further enhance customer experience. The combined Group will also benefit from 96.0% 4G geographic mobile coverage, providing a solid foundation for our ongoing 5G roll-out.

At the 5G spectrum auction that took place in January and February 2019, we acquired 100 MHz frequencies in the 3.5 GHz band which enables us to build a high-speed 5G network in Switzerland. In June 2018, only six months after setting a world record for speed under laboratory test conditions, we put the first end-to-end standardized Swiss 5G network into operation. 5G is the technology that is expected to facilitate future applications such as self-driving vehicles, the Internet of Things, networking infrastructures with hardware and people, and real-time control of critical production processes. Until these visions become reality, however, we believe that "5G for People" offers the greatest potential. With "5G for People", consumer customers will be able to use 5G to replace ADSL/VDSL and benefit from UHD TV, surfing with up to 1 Gbit/s. For business customers, 5G-based mobile broadband solutions could be particularly important, as they can be obtained as "managed services" using wireless networks instead of fixed-line connections. We, as the Swiss 5G pioneer, launched our second 5G network and the world's first standardized 5G network at a ski resort – at Laax on *Crap Sogn Gion* Mountain (2,252 m above sea level). We intend to continue our 5G roll-out going forward, with a particular focus on less densely populated areas, since these locations typically do not have high-speed broadband connections.

***Drive further convergence***

Leveraging our infrastructure and multi-brand portfolio of products and services offerings, we believe that providing our customers with the best convergent experience contributes to reducing churn rates for customers subscribing to more than one service. By cross-selling and up-selling mobile, broadband and TV services to our existing customers, we are committed to delivering best-in-class convergent services, while being fair, transparent and customer-oriented in all market segments. For example, our customers may combine a broadband/TV bundle with a mobile package. In return, each customer who subscribes to convergent services benefits from a lower base fee in the monthly bill (fairness) which is displayed clearly on the bill (transparency) and may change at any time the different mobile services he or she has initially selected (customer-oriented). As of June 30, 2019, 289.1 thousand customers had subscribed to convergent product offerings to benefit from the convenience of one single monthly bill, one point of contact for all of their telecommunication needs and attractive benefits from our convergent offerings. With our Sunrise *One* offering introduced in November 2018 and our *Sunrise Advantage* offering, we believe that we are providing attractive bundle and convergent offerings with distinct advantages over hard bundling offers that we expect to reduce churn as customers who have subscribed to convergent services are less likely to churn. For example, the churn rate for customers with both fixed internet and mobile subscriptions is approximately half the churn rate for non-convergent customers.

We expect our Acquisition of UPC Group to create an even stronger, fully-converged nationwide challenger across all elements of the 4P bundle. We believe that our customers will benefit from the Acquisition through the integration of state-of-the-art communications, entertainment and business solutions. Our consumer customers will benefit from enhanced bundled offers including access to UPC Switzerland's industry-leading video platform with a 4K-capable digital receiver box (launched in October 2018 with early results showing a score 90 out of 100 points in recent usability tests) and proprietary content of UPC Switzerland, while customers of UPC Switzerland will benefit from improved mobile communication offers, including mobile internet. At the same time, UPC Switzerland's fixed enterprise business will enhance growth and add scale to our strongly growing business customers business, with the ability to cross-sell converged mobile and fixed products and deliver an exceptional customer experience across the full product range.

***Achieve further market share gains by leveraging our position as an innovative fully-converged nationwide challenger for both the consumer and B2B segments***

We intend to further grow our market share by continuing to appeal to Swiss customers with our attractive offerings and multiple brands. We plan to continue to target our markets through segmented and tailored product offerings aimed at maximizing revenue, realizing the benefits of higher market liquidity in specific segments and enhancing our customers' lifecycle value. We plan to support our competitive positioning by continuing our efforts to maintain world-class network quality and customer service, offer innovative services that address the preferences of Swiss consumers and to deliver a best-in-class convergent experience while being fair, transparent and customer-oriented across all segments. We also intend to exploit significant opportunities to grow our revenues from business customers in order to reach a larger business-to-business ("**B2B**") market share by leveraging our integrated mobile and landline offerings as well as our existing distribution capabilities. Leveraging on our strength in the consumer market, we plan to continue to efficiently leverage and develop services to strengthen our product portfolio to serve the needs of business customers.

We believe that the Acquisition of the UPC Group will provide a strong scale advantage which will position us to successfully operate in the long term and enable us to continue our pursuit of further market share gains. The combined Group is expected to have a combined customer base of approximately 3.0 million mobile customers (approximately 27% market share (including prepaid customers based on the 12-month activity rule and excluding MVNOs for Sunrise)), 1.2 million broadband internet customers (approximately 30% market share) and 1.3 million TV customers (approximately 31% market share). We believe that the Acquisition of the UPC Group will further enhance growth and add scale to our growing B2B business through the addition of

UPC Switzerland's fixed B2B business with the ability to cross-sell converged mobile and fixed products and deliver an exceptional customer experience across the full product range. The Acquisition is also expected to significantly improve our internet platform, as UPC Switzerland is the second-largest internet provider in Switzerland, with an 18% market share, while we are currently the third-largest with a 13% market share. UPC Switzerland also has a strong presence in the TV market as the second-largest provider with a 25% market share, which will significantly enhance our current 6% market share. We plan to leverage our new position as a fully-converged challenger nationwide with scale across all elements of the 4P bundle to continue to achieve market share gains going forward, including by expanding our leading position from mobile into landline. We believe that the enlarged scale of the combined Group will enable us to continue our drive for innovation and investment in new services, and pursue growth by providing innovative and competitively priced offers.

***Create value through the realization of synergies***

We believe that the Acquisition of the UPC Group will generate significant value for shareholders. We expect that the Acquisition will enhance our margins and cash flow generation, thus allowing the continuation of our existing dividend policy and supporting the contemplated de-leveraging profile of the Group.

In terms of synergies, we estimate that the Acquisition of the UPC Group will generate significant value for our shareholders through cost and capital expenditure synergies as well as revenue synergies with an estimated net present value of approximately CHF 3.1 billion (after integration costs). These include cost and capital expenditures synergies with an estimated annual run-rate of approximately CHF 230 million to be achieved by 2023, which corresponds to an estimated net present value of approximately CHF 2.7 billion over time. The costs and capital expenditures synergies mostly relate to reduced fixed network access costs, MVNO savings, savings on content and interconnect costs, streamlining of central services and systems such as marketing, IT systems and network, customer care, sales and distribution. With respect to revenue synergies, we estimate synergies at an annual run-rate of approximately CHF 50 million to be achieved by 2023, corresponding to an estimated net present value of approximately CHF 0.4 billion over time. We estimate revenue synergies primarily in the areas of business-to-consumer ("**B2C**") cross-selling and leveraging of other B2C opportunities. Net present value is calculated as post-tax cash flows derived from the sum of revenue, cost and capital expenditures synergies less integration costs necessary to realize those synergies, assuming a tax rate of 19% and a weighted average of cost of capital of 6%. For a description of expected synergies and other effects of the Acquisition, see "*The Acquisition—Estimated Synergies and Other Effects of the Acquisition*". We estimate integration costs of CHF 230-250 million including approximately CHF 30 million of costs in relation to the integration of headquarters and approximately CHF 30 million of costs in relation to the transitional services agreement with Liberty Global.

**The financial goals described above constitute forward-looking statements. Forward-looking statements are not guarantees of future financial performance, and the Group's actual results and ratios could differ materially from those expressed or implied by these forward-looking statements as a result of many factors, including but not limited to those described under "*Forward-Looking Statements*" and "*Risk Factors*". Investors are urged not to place undue reliance on any of the statements set forth above. See also "*Presentation of Financial and Other Information—Other Financial Measures*" for an explanation of EBITDA described above as well as certain factors investors should consider carefully before relying on this non-IFRS measure.**

***Continue progressive and attractive dividend policy supported by a prudent capital structure and strong cash generation***

Since our IPO, we have been, and remain, committed to a prudent capital structure and a dividend which is paid out of tax-free capital reserves, with guidance for increasing our dividend per share at an annual growth rate of 4%-6% between 2018 and 2020. For example, in respect of the financial year ended December 31, 2018, we distributed an ordinary dividend of CHF 4.20 per share, which corresponded to a total dividend of approximately CHF 189 million and a dividend growth of 5% over the previous financial year. Going forward, we intend to continue a similar dividend policy, making our share one of the most attractive dividend yield shares in the Swiss market.

We also believe that the Acquisition of the UPC Group will be accretive to cash flow per share and create value that would support future dividend payments. Further, the proposed financing of the Acquisition will result in an estimated combined *pro forma* net debt of CHF 5,078.9 million, which corresponds to an LTM June 2019 leverage ratio of 3.6x (post run-rate cost synergies) or an LTM June 2019 leverage ratio of 4.2x (before run-rate synergies and excluding IFRS 16 impact). We expect a leverage ratio below 3.0x after achieving the run-rate synergies and target a leverage ratio below 2.5x thereafter.

**Acquisition of the UPC Group**

On February 27, 2019, the Company, as buyer, entered into a share purchase agreement (the "**Share Purchase Agreement**") with Liberty Global CE Holding BV (the "**Seller**") and Liberty Global plc as guarantor regarding the sale and purchase of all shares in Liberty Global Europe Financing BV ("**LGEF**", and together with its subsidiaries, the "**UPC Group**"). Under the terms of the Share Purchase Agreement, the Company will acquire from the Seller all shares in LGEF for a total enterprise value of CHF 6.3 billion (such purchase of all shares in LGEF, the "**Acquisition of the UPC Group**").

In the financial year ended December 31, 2018, UPC Switzerland generated revenues in the amount of CHF 1,296.1 million. See "*Selected Consolidated Financial Information—Historical Combined Carve-out Financial Information and Other Financial and Operating Information of UPC Switzerland*". For a detailed discussion of UPC Switzerland's operations and financial results, see "*Business of UPC Switzerland*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations of UPC Switzerland*".

The Company will finance the Acquisition through a combination of the proceeds from a future rights offering and the assumption of outstanding senior notes, senior secured credit facilities (relating to the outstanding senior secured notes issued by UPCB Finance IV Limited and UPCB Finance VII Limited) and other debt-like items for an aggregate principal amount of approximately CHF 3.6 billion including the hedging portfolio, resulting in a residual cash payment from the Company to the Seller of approximately CHF 2.7 billion (subject to a customary closing adjustment mechanism, see "*—Principal Terms of the Share Purchase Agreement—Purchase Price Adjustments*").

For a description of the UPC financing arrangements that we will assume as part of the Acquisition as well as certain changes to our existing financing arrangements as a result of the Acquisition, see "*Description of Certain Financing Arrangements*".

We believe that the Acquisition of the UPC Group will reinforce our position as the leading fully-integrated challenger in the Swiss telecommunications market. The Acquisition of the UPC Group is intended to create an even stronger, fully-integrated nationwide challenger across all elements of the 4P bundle, including mobile, landline voice, internet and TV. Following completion of the Acquisition of the UPC Group, we, together with UPC Switzerland, expect to have a combined customer base of approximately 3.0 million mobile customers (approximately 27% market share (including prepaid customers based on the 12-month activity rule and excluding MVNOs for Sunrise)), 1.2 million broadband internet customers (approximately 30% market share) and 1.3 million TV customers (approximately 31% market share). We believe that the scale of the Group will enable us to continue to drive innovation, to invest in new services and to pursue further growth by providing innovative and competitively priced service offerings.

UPC Switzerland is the second-largest internet provider in Switzerland, with an 18% market share, while we are currently the third-largest with a 13% market share. UPC Switzerland also has a strong presence in the TV market as the second-largest provider with a 25% market share, which will significantly enhance our current 6% market share.

With the addition of UPC Switzerland's network, we will be able to offer a superior next-generation infrastructure that is unique in Switzerland (see "*Business of Sunrise—Our Strengths—Superior next generation infrastructure*"). UPC Switzerland's advanced cable network has access to 2.3 million Swiss homes, which is approximately 60% of all Swiss households (excluding vacation homes). With the Acquisition of the UPC Group, we are able to acquire our own internet infrastructure, thus complementing our current offering of 4G, 5G and FTTH partnerships. In addition, there is a clear roadmap to increasing speeds on UPC Switzerland's cable network to 1 Gbps by way of the DOCSIS 3.1 upgrade, which was launched in September 2019. We expect the combined Group to be able to serve 90% of all Swiss households (excluding vacation homes) with internet speeds of 1 Gbps or higher by the end of 2021. We also expect that through further upgrades of this technology, speeds of up to 10 Gbps may be attained in the longer term, thus enabling us to further enhance customer experience.

Finally, we estimate that the Acquisition of the UPC Group will generate significant value for our shareholders through cost and capital expenditure synergies as well as revenue synergies with an estimated net present value of approximately CHF 3.1 billion (after integration costs). These include cost and capital expenditures synergies with an estimated annual run-rate of approximately CHF 230 million to be achieved by 2023, which corresponds to an estimated net present value of approximately CHF 2.7 billion over time. With respect to revenue synergies, we estimate synergies at an annual run-rate of approximately CHF 50 million to be achieved by 2023, corresponding to an estimated net present value of approximately CHF 0.4 billion over time. Net present value is calculated as post-tax cash flows derived from the sum of revenue, cost and capital expenditures synergies less integration costs necessary to realize those synergies, assuming a tax rate of 19% and a weighted average of cost of capital of 6%. For a description of expected synergies and other effects of the Acquisition, see "*The Acquisition—Estimated Synergies and Other Effects of the Acquisition*".

**Our History**

Sunrise was formed in 2001 through the merger of two companies, each founded in 1996: landline and mobile operator diAx, which was founded by, among others, Switzerland's six largest electricity companies and SBC Communications, Inc., and landline operator NewTelco AG (Sunrise), which was formed by SBB, UBS and Migros, and whose founding owners were joined by British Telecom and Tele Danmark. Tele Danmark acquired a majority stake in both companies in 2000 and merged them in 2001. In July 2005, we acquired Ascom Business Switzerland, thereby creating the country's second-largest provider to business customers, which was subsequently renamed Sunrise Business Communications ("**SBC**"). In June 2008, we divested SBC following a strategy to re-position ourselves in the business segment. At the end of 2008, we acquired the landline and mobile customers previously served by the Swedish operator Tele2. The consolidation of our internet business with that of TelCommunication Services AG has helped us to become the single major alternative DSL provider to Swisscom in the Swiss market and gain additional benefits by leveraging our LLU platform. In October 2010, CVC Capital Partners acquired Sunrise from Tele Danmark for CHF 3.308 billion.

In November 2011, we acquired NextiraOne Switzerland (which was renamed to Business Sunrise Enterprise Solutions GmbH and subsequently merged into Sunrise Communications AG in October 2012). The combination of our business customer segment with that of NextiraOne was undertaken to create a full service provider for medium and large enterprises in all industries, enabling various services, such as unified communications in combination with data center and security solutions. This merger resulted in the acquisition of a number of well-known customers.

In July 2013, we acquired Ortel and Lebara, two MVNOs with a strong position in the ethnic segment. Together with our *yallo* brand, we achieved a strong position in the budget and ethnic segment by leveraging the individual strength of each brand for specific market segments.

In February 2015, we became a public company and listed our shares on the SIX Swiss Exchange. In addition to the changes to our capital structure and corporate governance, our initial public offering helped to increase international awareness about our company and the strength of the brand in our home market. Following our initial public offering, in March 2016, CVC Capital Partners exited its investment in Sunrise and freenet AG, the largest network-independent provider of mobile telecommunications services in Germany, became our largest shareholder.

In May 2017, we sold 2,239 telecom towers to the Spanish tower company, Cellnex, which provides us with tower infrastructure services. The disposal allowed us to further enhance our network quality by concentrating on our core business, while relying on an experienced partner for site-owner care, maintenance of passive infrastructure, and the acquisition of new towers.

In February 2019, we agreed on the acquisition of the UPC Group from the Liberty Group pending relevant regulatory approvals.

**Business Operations**

***Consumer Segment, Business Customers and Wholesale Operations***

We are the second-largest integrated communications provider in Switzerland. We bring mobile voice and data, landline voice, landline internet and TV services to the consumer segment, business customers and other carriers across Switzerland using integrated nationwide landline and mobile networks.

We are a full-service operator in Switzerland and in the annual survey conducted by the business magazine, *Bilanz*, we were ranked first as a universal provider in 2018. In addition in the 2019 survey, we were ranked first in the category of "Best Universal provider for SME and large companies", and were ahead of

Swisscom, Salt and UPC Switzerland in the mobile communications and TV categories. Each provider was evaluated on innovation, quality, price, flexibility, and customer service. This result reflects the improvements that we have made in the areas of network quality and customer interaction, and our ability to maintain high-quality standards over the years.

We offer the consumer segment mobile voice and data, landline, internet and TV services from a single source. Mobile voice and data services are available on both a post-paid and prepaid basis. Our offers are tailored to meet our 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.

Our business customers can select from a comprehensive range of products and services, from mobile offers and landline voice, internet and data solutions, to systems integration and management of services. We have a portfolio of standardized products for small businesses, as well as customized, scalable and secure offers for large enterprises.

Our wholesale operations include mobile voice and data as well as internet services to national and international carriers. We offer voice hubbing services based on excess capacity on the proprietary landline network.

***Consumer Business***

We are a full-service operator in Switzerland offering the consumer segment mobile, landline, internet and TV from one source. We offer innovative services that address the preferences of Swiss consumers and provide our services on a seamless platform through our integrated network, giving customers the same high-quality experience across each of the products we offer. Our consumer customers accounted for 72.0% of our revenue in the financial year ended December 31, 2018.

We place significant emphasis on marketing and branding, specifically addressed at distinct market segments. Our multi-brand strategy enables us to target the specific needs within the consumer segment, for example, the mass market using the *Sunrise* brand with *Sunrise Freedom* and *Sunrise Freedom Young* offerings and the budget and ethnic markets using the *yallo* and *Lebara* offerings.

*Mobile Offerings*

Our mobile operations contributed 67.7% of our total revenue for the financial year ended December 31, 2018 and 67.0% for the six-month period ended June 30, 2019. We had approximately 2,356.3 thousand mobile subscriptions as of December 31, 2018 and 2,404.0 thousand as of June 30, 2019, compared to 2,349.6 thousand as of December 31, 2017.

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

We offer our post-paid and prepaid mobile tariff portfolio under different brands to target the needs of different customer segments:

- *Sunrise Freedom*, a post-paid and prepaid portfolio targeted at the mass market;
- *Sunrise Freedom Young*, a post-paid and prepaid portfolio, targeted at the youth segment;
- *yallo*, a post-paid and prepaid portfolio, focused on the budget segment; and
- *Lebara*, a post-paid and prepaid portfolio, focused on the ethnic segment, offering voice and data service with attractive international rates.

With all of our brands, we offer a wide range of customized options, including calling, SMS messages, data and roaming, as well as combinations thereof, for a fixed monthly fee.

As of December 31, 2018 and June 30, 2019, 73.3% and 75.4%, respectively, of our subscriptions were post-paid subscriptions. As of December 31, 2018 and June 30, 2019, 81.3% and 80.7% of the post-paid subscriptions were primary subscriptions (*i.e.*, first SIM subscription by a customer), whereas 18.7% and 19.3% were secondary subscriptions (*i.e.*, second SIM subscription by the same customer).

In 2009, we were the first operator in the Swiss market to launch flat-rate post-paid mobile offerings and have continuously expanded our flat rate offerings with flat rates including data. We believe that the customers appreciate the benefits of unrestricted use and have shown a preference for such flat tariffs.

With the increasing use of multiple devices by customers, such as tablets and smart watches, we are increasingly offering multiple SIM or data SIM cards to address convergence trends by customers requiring internet access in multiple devices and to optimize the monetization of data traffic. We designed our "*Sunrise extra SIM surf & talk"* and *"extra SIM watch"* offerings in response to this demand. We count secondary subscriptions as separate subscriptions when calculating ARPU which has a negative effect on our ARPU while secondary SIM cards still result in incremental revenue.

*Sunrise Mobile Offerings*

***Sunrise Freedom***: Our *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. Customers on mid-value and high-value tariffs started enjoying unlimited high-speed surfing on 4G+ at speeds of up to 700 Mbit/s (download) and 300 Mbit/s (upload) in Switzerland.

In March 2018, we relaunched the *Sunrise Freedom* subscriptions by adding more value and keeping the best *Freedom* features: subscription change possible at any time, no minimum contract duration, every device available from CHF 1.00 upfront payment with a device plan.

Below is a description of our different mobile offerings in the consumer business.

***Post-paid offerings***: "*Freedom swiss start*" and "*Freedom swiss calls*" are our entry-level offerings. "*Freedom swiss start*" includes unlimited calls on the Sunrise network and to three favorite numbers, unlimited SMS, as well as 500 MB high-speed 4G+ surfing and unlimited WhatsApp messaging in Switzerland. "*Freedom swiss calls*" offers four times the data volume (2 GB) of "*Freedom swiss start*", together with unlimited calls, SMS and WhatsApp messaging in Switzerland. "*Swiss unlimited*" includes unlimited high-speed 4G+ surfing, calls and SMS in Switzerland.

We also offer the 5G option to customers who have subscribed to the unlimited data plans and who have 5G compatible devices, for an additional monthly charge. This option is automatically activated in 5G devices that customers purchase from us.

We have two international tariffs allowing unlimited surfing and mobile telephone services abroad. *Sunrise Freedom Europe data*, *Sunrise Freedom Europe & US*, and their equivalents for the youth segment, match the needs of customers making international calls regularly. *Freedom Europe & US* includes unlimited high-speed 4G+ surfing, unlimited calls and unlimited SMS in Switzerland and 46 countries and unlimited calls from Switzerland to these countries. *Sunrise Freedom Europe data* is an offer for travelers in Europe that includes unlimited high-speed 4G+ surfing in Switzerland and 44 countries, unlimited calls in Switzerland, SMS and WhatsApp messaging in Switzerland.

*Sunrise Freedom Young*: In September 2010, we launched mobile tariffs that provided attractive products to youth segment customers up to the age of 30. For more than seven years, we have been the only telecommunications brand in the Swiss market to specifically target the youth market.

In March 2018, with the relaunch of our *Freedom* portfolio, we rebranded *MTV mobile Freedom* as *Sunrise Freedom Young*, following the same flexible principles as *Sunrise Freedom*, maintaining our positioning in the youth segment. *Sunrise Freedom Young* offers lower monthly fees and more data for high-speed surfing with 4G+, as well as other popular young benefits such as unlimited WhatsApp messaging and Snapchat use and a 50% discount on the SBB (Swiss Federal Railways). Our *Forever Young guarantee* allows customers to keep their *Sunrise Freedom 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).

In November 2018, we added additional services at constant prices to our *Sunrise Freedom Young* portfolio, adapting it to the new generation's digital lifestyle. Our tariffs under our *Sunrise Freedom Young* portfolio are *Young swiss start*, *Young swiss calls, Young swiss unlimited, , Young europe data and Young europe & US*.

*Sunrise extra SIM surf & talk*: To meet the growing demand for mobile internet access and wearable devices, we launched *extra SIM surf & talk* in May 2017. This tariff lets customers use the high-speed data volume and voice minutes included in their *Freedom* mobile subscriptions on another device equipped with a second SIM card. Customers can purchase up to five additional SIM cards per mobile post-paid subscription, and can also sign up for an additional device plan for a second or a third device.

*Sunrise extra SIM watch*: We have been one of the first telecom providers in Europe to launch and offer the cellular feature for the Apple Watch Series 3 via our *extra SIM watch* option. With this option, customers can use their iPhone mobile number on their Apple watch and tap into voice and data from their *Freedom* tariff without a need for a second SIM card, as the Apple watch has an embedded eSIM. We were one of the first telecommunications companies in Europe to offer the Samsung Galaxy Watch and one of only eight telecommunications providers in Europe to offer the Apple Watch Series 4 (GPS + Cellular) with talk and surf functionality.

***Prepaid offerings*****:** We enhanced our prepaid portfolio in May 2017 with the launch of *Prepaid Unlimited*, a prepaid offer that is on par with the scope of services of a post-paid subscription. *Prepaid Unlimited* is available in Switzerland for a flat fee. *Prepaid Unlimited* customers can make unlimited calls to all Swiss networks, send unlimited SMS/MMS messages and get unlimited surfing at 4G+ speeds for 24 hours. In August 2017, we extended *Sunrise Unlimited* and became the first telecommunications provider to offer two prepaid options that can be used for either 30 or 90 days, including unlimited data, calls and texts. The options are available at our website, and can also be bought with practical top-up cards at more than 4,000 points-of-sale across Switzerland. This makes *Prepaid Unlimited* the perfect solution for customers or tourists who might not use their smartphone every day, but want to have access to maximum performance at all times.

To complete our prepaid portfolio, we have pay-as-you-go offers including a cost-control feature (called “airbag”) as well as two prepaid options. With the *Sunrise Prepaid* airbag plan, customers pay only for the first two minutes of a call, and with *Sunrise Prepaid Young WhatsApp*, they pay a set amount per day for mobile internet usage. The two prepaid options *Sunrise Prepaid budget 10* and *Sunrise Prepaid budget 15* are particularly appealing to regular users, as they provide a specified number of calls, SMS messages to all Swiss networks and megabytes of mobile internet surfing at 4G speeds.

We also offer additional options to prepaid customers which enable them to customize their tariff. *Prepaid surf, SMS 100, prepaid international, travel data and travel talk prepaid* provide flexibility to customers to tailor their tariff according to their specific needs.

***International***: Bearing in mind the diversity of the Swiss population, we use different approaches to accommodate our customers’ wide range of international needs.

*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 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 a certain country. *Sunrise International* option is available for *Sunrise Freedom* post-paid subscribers and provides reduced rates for calls originating from Switzerland to mobile and fixed networks in different groups of countries. The *Sunrise my country* option offers unlimited or discounted calls to all mobile and landline networks in the country of the subscriber’s choice. The *Sunrise international unlimited EU+/USA/CAN* option includes unlimited calls and text from Switzerland to 36 countries.

***Roaming***: We have, and continue to improve, a comprehensive, attractive and competitive range of products and services targeting both regular and occasional roamers. While the frequent roamers can opt for one of the *Freedom* tariffs that include roaming, occasional users benefit from the several roaming options that we offer (*Sunrise travel days*, *travel data options* and *travel talk options*) and pay for roaming services only when they need them. The *Sunrise Cockpit* allows customers to keep roaming costs under control by monitoring usage and enables them to purchase or switch among different tariffs and options.

Over the past few years, we have constantly improved our roaming proposition by increasing the number of countries and the amount of data included in our packages or decreasing the price of roaming packages. We have removed data roaming limits by introducing *travel data unlimited Europe* which covers 44 countries in Europe for lower prices. This package offers unlimited surfing, including 40 GB of high-speed internet in the designated countries.

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. The *Travel day pass* data offers the lowest standard tariff for data roaming in 46 countries, including full roaming cost protection.

*Value-added Innovative Services*

We offer a number of value-added innovative services that aim at enhancing our core telecommunications services. We offer device insurance under our *Sunrise smart protect* option, access to Apple Music, direct carrier billing option, network protection services and premium SMS services.

*Sunrise smart protect* covers our customers for unforeseen damages such as cracked screens and water damage. *Sunrise smart protect plus* offers additional insurance in case of theft. With *Sunrise smart protect*, if a customer's device is damaged, it will be repaired or replaced by the insurance company. This option can be taken out when buying a new device or extending an existing contract, or subsequently at any *Sunrise* shop if the device is inspected for "as new" condition.

In June 2019, we announced our strategic partnership with Apple Music, enabling us to provide access to Apple Music with no charge for six months to all our existing and new post-paid customers. We are currently the only telecommunications service provider in Switzerland offering this service.

Since April 2016, we have been offering our customers a direct carrier billing option, Sunrise Pay, as a payment method for Apple App Store, iTunes, Google Play, CHUBB Insurance, Microsoft Store, McAfee Security and Huawei App Store. With *Sunrise Pay*, customers can make secure purchases without providing credit card or bank account details. The purchase amount is then added to the customer's next mobile phone bill for post-paid customers and deducted from the account balance for prepaid users. We intend to continue our efforts to on-board further partners and services to expand this solution.

We were the first telecommunications provider in Switzerland to launch network protection for secure surfing both on the mobile network and via the Sunrise router with *Sunrise surf protect* and *Sunrise surf protect family,* which provides protection on an unlimited number of devices. *Sunrise surf protect* and *Sunrise surf protect family* offer protection against phishing, ransomware, viruses and other threats. Additionally, we offer the Kaspersky Safe Kids parental control solution that helps parents to protect adolescents and children in the digital world.

Our premium SMS services consist of a wide selection of offerings provided at an extra charge, such as public transport, postal services, horoscopes, news, sports, ring tones, erotica, donations, competitions, and games.

*Mobile Internet*

We offer mobile internet post-paid tariffs, which provide unlimited mobile internet access on a monthly basis with a smartwatch, tablet or hotspot. This offering also follows the same principle as the *Sunrise Freedom* offer of maximum flexibility with the ability to switch subscriptions at any time, and no fixed contract term.

In May 2017, we replaced our previous subscriptions with a new mobile internet offer. This new offer includes different prices per month for different speeds (2 Mbit/s, 10 Mbit/s and up to 300 Mbit/s, with the 300 Mbit/s option including 1 GB of roaming), giving customers an easy and carefree surfing option on-the-go on the best mobile network in Switzerland with no data limits.

We also offer Wi-Fi hotspots which consist of pocket hotspots and home hotspots. Pocket hotspots are for mobile use, while home hotspots are specifically designed for home use. Both hotspots are available with a device plan.

In June 2019, we launched our 5G mobile internet tariff together with our 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 devices, such as smartphones, tablets, laptops, and smart TVs, via Wi-Fi and can be used as a landline replacement if no other fast internet connection is available.

*Devices and Accessories*

We offer our customers a broad range of mobile devices and related accessories sourced from a number of well-known suppliers and distributors, including Apple, Samsung and Huawei. We continuously seek to improve the quality and range of our mobile device and accessory portfolio by embracing new technology developments and mobile device features. In November 2017, we started offering mobile customers the option to pay off accessories that they purchase in convenient monthly installments.

Our *Sunrise Freedom* offering is based on a de-coupling of services and hardware. If the customer enters into the services contract (*Freedom* tariff), the customer may concurrently enter into a separate mobile device contract. Customers are free to change their tariff or cancel at any time subject to certain notice periods independently from their device plan. We offer payment flexibility so that customers have full control and may decide at any time when to pay off the current handset device. Through those hardware contracts we are able to generate additional hardware margin.

We launched the *Sunrise Smartphone Upgrade* option in September 2016. After a one-year subscription, customers are able to trade in their iPhone 7 for an iPhone 8 or iPhone X at no charge. In September 2017 and 2018, the *Sunrise Smartphone Upgrade* option was again available for customers buying the iPhone 8 or iPhone X at no charge. The new phone also comes with a 24-month device plan, and any unpaid installments for the previous iPhone are waived. We plan to make this option available for customers in 2019 as well.

With the *Smartphone Recycling Plan*, Sunrise customers buying the latest iPhone model can sign up for a hardware plan and pay for it in smaller monthly installments over 30 months rather than twenty four months. If the iPhone is returned after 24 months, customers are not required to pay the outstanding six monthly installments.

Our *Buyback* program offers to new and existing customers the opportunity to sell their used mobile device to Sunrise to get a reduction by the amount of the bought-back mobile device on their next invoice, regardless of whether the customer has bought the mobile device from us or from another retailer. The money paid by us may be used to make the upfront payment for the hardware contract in a Sunrise Freedom offering or may be credited to the customer's next invoice. We act as an intermediary between our customer and the dedicated partner who receives the mobile device and makes the payment. We also offer device insurance under our *Sunrise smart protect* option to customers who buy their devices from us.

***Landline Voice, Internet and TV Offers***

We provide internet access and landline voice and television services based on the internet protocol (IP) to both the consumer segment and our business customers. We aim at continuing to provide this high-speed access in Switzerland by leveraging the latest VDSL innovations with G.fast and fiber coverage through partnerships with Swisscom, local utilities and Swiss Fibre Net AG, a joint venture of local energy providers in Switzerland. As a leading challenger, we opt for the best solutions available and operate top-speed, fiber optic connections which also include 5G offerings as of September 2019.

***Sunrise Home****:* We launched *Sunrise Home* in June 2014 as a new flexible fixed portfolio that allows customers to choose the optimal combination of landline voice, landline internet and TV services in line with their needs. The structure of our *Sunrise Home* is simple: there are three internet speeds, two phone products and three TV products and the customers can change the combination at any time at no cost. The portfolio is easy-to-use and convergence of services provides price advantages for the customers. We also offer packages without TV services for customers who would like to receive internet services only. In addition, customers can opt for *Sunrise One*, our convergence package, which includes unlimited mobile voice and data in Switzerland at a discounted price.

To allow for a seamless transition following a new internet order, we launched the quick-start option for a one-time fee in June 2018. This option consists of a "plug and play" solution with a preconfigured LTE USB stick inserted in the *Sunrise Internet Box* and includes unlimited surfing in Switzerland with no speed restrictions for 60 days. Once the *Sunrise Internet Box* is automatically connected to the fiber optics line, the stick can be used as a backup solution.

***Sunrise Smart TV***: We have transformed television into a completely new experience since launching *Sunrise TV* in 2012. In 2017, the Swiss business magazine, *Bilanz*, ranked us first in the category of best TV provider throughout Switzerland. In 2018, we were ahead of Swisscom and UPC Switzerland in the Digital TV category. In April 2017, we launched the *UHD TV Box* (Ultra-High Definition), the most advanced UHD TV Box, with integrated WLAN, remote control over Bluetooth and superb processor performance.

*Sunrise Start*, the basic package, includes more than 230 channels, including more than 100 HD channels. *Sunrise Comfort* includes more than 270 channels and more than 120 HD channels. With *Sunrise ComeBack TV*, customers can watch programs for up to 30 hours with *Sunrise Start* and up to seven days with *Sunrise Comfort* after the broadcast. *Sunrise Start* and *Sunrise Comfort* also include 60 and 1,200 hours of recording, respectively. *ComeBackTV* has a live pause function which enables the customer to start, stop, fast forward and rewind the program. Furthermore, both portfolios offer intuitive user interface, on-demand features, and new subscription video on-demand service. Additional features such as video on-demand, recording, an electronic program guide and easy-to-program individual channel lists give customers the ability to control the TV program according to their needs. Customers can also choose between optional language packages from a variety of countries around the world. Our comprehensive content offering is focused on family and general entertainment.

One of the key elements of TV is the content, and we are continuously expanding our partnerships with the world's largest pay-TV providers. In 2016 and 2017, we entered into partnerships with Sky, Teleclub, and Netflix, which helped us obtain the leading challenger position in sports and entertainment. With Sky and Teleclub, Sunrise customers can access all sports for which our content providers hold the rights in Switzerland, such as Swiss Super League, Swiss Challenge League, UEFA Champions League and UEFA Europa League, Bundesliga, 2. Bundesliga, English Premier League, Italian Serie A, handball, tennis, Formula 1 and golf. The Teleclub offer, integrated in Sunrise Smart TV, includes HD-quality Teleclub live sports content as part of a top-notch package or as individual pay-per-view options. Our partnership with Sky, also provides *Sunrise* customers access to first-rate HBO series, such as Game of Thrones or Babylon Berlin. In July 2018, we launched *Sky Show* and were the first provider in Switzerland to include the new *Sky Show* app on its TV Box. Our TV Box includes Nexflix and a video-on-demand portal.

To be able to provide the best *Sunrise TV* experience on small screen devices such as mobile phones or tablets, we extended our TV product portfolio to include the "*Sunrise TV Smart App*". On the *Sunrise TV Smart App*, the whole family can watch different channels on TV and on up to five smartphones or tablets at the same time, whether at home or on-the-go. Even while abroad, *Sunrise Smart TV* provides customers with access to all *ComeBack TV* content and stored recordings via Wi-Fi. The *Sunrise Smart TV* app lets users find their favorite shows quickly and easily and then transfers those shows directly to their TVs.

***Sunrise TV neo***: In May 2019, we were the first telecommunications service provider in Switzerland to launch a comprehensive TV solution, Sunrise TV NEO the only OTT TV app in Switzerland that supports UHD/4K (currently on the Huawei platform). *Sunrise TV neo*, enables customers to stream more than 230 TV channels on smartphones, tablets, laptops and TVs. *Sunrise TV neo* can be used independently from any of our other offerings including *Sunrise Smart TV*. *Sunrise TV neo* offers live or time-delayed TV streaming, cloud storage for up to 500 hours of recordings, seven days of *ComeBack TV*, and a download feature for mobile devices. With the split-screen feature, customers can watch up to four channels at the same on time on their mobile devices.

*Sunrise TV neo max* allows streaming through Apple TV and IOS devices, as well as smartphones, PC and laptops via a web browser, with simultaneous streaming on up to six devices. *Sunrise TV neo* is a more economical offering, which permits streaming on smartphones, tablets and laptops with one device at a time. *Sunrise TV neo* provides customers with access to all live and delayed content while in Switzerland.

***Convergent Offers: 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.

We launched *Sunrise One* in April 2017, positioning ourselves 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 voice, internet and TV services always with the highest possible connection speed in one convergent offer that comprises *Sunrise Mobile Unlimited* and *Sunrise Home Unlimited*. In response to the increasing demand for unlimited internet by itself, we launched *Sunrise One light* in November 2018. *Sunrise One light* combines mobile, landline, and internet services in one convergent offer, always with the highest possible connection speed. We also offer *Sunrise One Young light* for our customers in the youth segment. *Sunrise One*

*Young light* offers unlimited internet and a mobile subscription at home, as well as unlimited surfing on-the-go and always at the highest-possible connection speed.

Under our *Sunrise Advantage* offering, we provide a 10% discount on all basic fees each month to customers who combine mobile offerings on the one hand and internet, landline voice or TV services on the other hand. This 10% discount does not apply to products which were already purchased with reduced rates on promotion.

Offering a wide range of landline products that can be combined with different mobile plans at attractive rates is intended to encourage our customers to subscribe to all our services, increasing the number of subscriptions across all our market segments as well as ARPU. As of June 30, 2019, approximately 57% of our Sunrise landline customers were subscribing to our convergent offerings.

***Marketing and Branding***

We have been investing in marketing to support the brand positioning, which generated strong momentum for brand awareness and all brand drivers, especially among the convergent target group. Past investments in marketing that supported our brand positioning generated strong momentum for the *Sunrise* brand and all brand drivers. One of the most significant initiatives was naming Roger Federer as the *Sunrise Brand Ambassador* in 2014. Since then, we have been able to significantly improve our brand esteem and recognition and further associate the *Sunrise* brand with quality and success.

According to the brand tracker dated June 2019, Sunrise is the brand with the highest increase in each brand driver between periods January 2014 and June 2019, namely, offer (+0.4), trust (+0.2) and affection (+0.4). With respect to brand awareness, we hold the second position after Swisscom for both mobile (72% compared to 86%) and landline and landline internet services (55% compared to 79%).

Our current marketing strategy mirrors our multi-brand strategy with each brand targeted at a different market segment and addressing the specific needs of that market segment. In 2017, we rebranded our mass market, youth and business customer marketing appearance as part of our effort to reposition ourselves as providing the best convergent experience in the Swiss market. Our current marketing strategy, follows our company mission of becoming the most recommended telecommunications service provider in Switzerland. We put our customers in the center of our activities and use our active customer base as another proof point for quality. Our claim "*Number 1 for 3 million*" stands for our customer base and emphasizes our customer-oriented service approach. In all our marketing activities we follow the three pillars of our brand vales: bold, intuitive and positive. In line with our multi-brand strategy in the mobile market, we address the youth segment with the *Sunrise Freedom Young* portfolio by providing suitable offers to this segment (up to an age of 30). Additionally, we target the budget and the ethnic segments by offering simple and affordable mobile services under our *yallo* and *Lebara* brands. We also have a reseller agreement with *Aldi Suisse* to market and sell our products under its brand. Our MVNO partners that provide their services through our network generally target specific customer segments, supporting our multi-brand-driven customer growth strategy.

Our marketing team utilizes a variety of channels to advertise our products, including television, print advertising, Out-of-Home ("**OOH**"), e-mail and post, internet and social media. Each year, we engage in approximately five large above-the-line advertising campaigns on a nationwide basis with an all-channels approach and a strong focus on OOH advertising in the largest cities. In order to reinforce our presence in specific regions, we also engage in regional marketing activities and campaigns. We enhance our campaigns with massive OOH displays covering heavily frequented areas, such as railway stations, bus stops or shopping centers in Switzerland's largest cities. The core messages of each campaign typically include below-the-line elements as well. These campaigns also frequently showcase mobile devices and other hardware and are often co-financed by vendors. We also participate in a number of smaller advertising efforts, including direct mailings, partner marketing, online marketing, a presence at all major Swiss fairs, and placement in catalogs of retailers, such as *Media Markt* and *Mobilezone*. We also include our existing customer base into our marketing activities in order to increase customer satisfaction, reduce churn and leverage our up-selling and cross-selling potential. We have developed our digital platform extensively, enabling new tools for deeper analytics and for a full digital performance marketing experience, as well as micro-segmentation for targeted campaigns.

*Sales Channels*

We distribute our 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 June 30, 2019, we had 95 self-branded points-of-sale. The new era of Sunrise as *The Unlimited Company* and the pioneer of digital Switzerland is also being reflected in a fresh new look in its shops, which started in 2017 and continued in 2018 and 2019, with a modern and flexible design that gives our brand a clear and distinct appearance that increases footfall. Our shops were recognized as "best shops" in the *Connect* shop test, evaluating telecommunication service providers' shops in Germany, Austria and Switzerland, both in 2018 and 2019. We are aiming at converting all our shops to the new concept by the end of 2020.

In our new shop concept, the customer is the focal point. We changed our classic concept of customers stepping in, pulling a ticket, standing in line and talking to the employee behind a desk. Customers entering a Sunrise shop now can move around freely and touch and try out our products live. We no longer use dummy products in our shops. Our products also include our price tag app which enables customers to review prices of products and different tariffs while they try out products. Employees are also nearby to make recommendations to customers, and to answer questions. Shop acoustics allow conversations at a pleasant volume to make the sales process easy and painless for the customer. We also focus on digitalization in our shops. The *Sunrise ID Checker* lets shop employees to identify subscription customers via an app. We now have modern electronic displays in our shops, instead of printed posters.

In the last few years, we have developed our online shop, which has become an effective and flexible sales channel. As a result of these enhancements and the improvement of the self-care section, digital transactions on our website and our online shop increased by approximately 32% in 2018. The Sunrise website is a powerful channel for providing information and services to our customers.

To support the strong performance by our digital channels, we have been offering *MyDelivery* since November 2016. *MyDelivery* enables customers to choose where and when to receive their device orders; it also has 2,500 pick-up locations across Switzerland.

Indirect channels range from nationwide chains such as Mobilezone (the largest independent telecommunications retailer in Switzerland), Swiss Post (only for our *yallo* brand), Media Markt, Interdiscount and Fust, to regional *Sunrise Premium Partners* and dealers. We maintain a close relationship with our *Sunrise Premium Partners* through continuous training programs. *Sunrise Premium Partners* sell our products exclusively and provide a similar customer experience to our own shops. Indirect channels provide approximately 2,200 points-of-sale across Switzerland.

*YOL Mobile Offerings*

The implementation of our multi-brand strategy has been supported and accelerated by the acquisitions of *Ortel* and *Lebara* back in 2013, in addition to our existing sub-brand *yallo*. Our two brands *yallo* and *Lebara* are aimed at particular segments of the Swiss mobile market. *yallo* is focused on the Swiss budget segment and *Lebara* primarily targets customers coming from all around the world to Switzerland and who need to call their home countries regularly. The high level of immigration to Switzerland creates a liquid market for new customers. With our *Lebara* brand, we enjoy a strong presence in all relevant and complementary customer segments as a result of offering competitive call rates to specific target regions.

***yallo Post-paid Plans***: Since the relaunch of yallo post-paid in March 2015, the portfolio has evolved to better meet the needs of the growing budget market in response to increasing smartphone penetration and data consumption in these segments.

*yallo* offers several tariffs, some of which are exclusively available online, *yallo regular*, *yallo fat* and *yallo super fat*, focusing even more closely on quality-conscious and online-oriented bargain hunters. *yallo regular* includes unlimited calls and SMS messages to all networks in Switzerland, as well as 3 GB of data at 4G speeds also in Switzerland. *yallo fat* includes unlimited calls, SMS messages to all networks in Switzerland, 60 minutes of calls to Europe, unlimited data at 4G speeds in Switzerland and 200 MB of data roaming in Europe. *yallo super fat* includes unlimited calls and SMS messages to all networks in Switzerland, and to 43 European countries, as well as unlimited data at 4G speeds in Switzerland and 1 GB of data roaming in Europe. The post-paid portfolio also includes *yallo slim*, an introductory tariff including unlimited on-network calls, 30 minutes of calls to other networks, unlimited SMS and MMS to all Swiss networks, plus unlimited data including 500 MB at high-speed 4G in Switzerland.

In September 2018, *yallo* added new higher-priced *XL* rates to its online rate portfolio. This strategic move aims to boost customer value, both for the existing yallo customers and new subscribers. y*allo super fat XL* and *yallo fat XL* target customers who frequently travel in Europe, make international calls, and use data roaming.

In May 2019, *yallo swiss flat* was introduced; it includes all unlimited calls, SMS and data within Switzerland. *yallo super fat XL* was also adapted to feature unlimited data usage in Europe.

The popular pre-existing tariffs, *yallo post-paid*, *yallo swiss*, and *yallo swiss flat*, continue to be available in shops, including at Swiss Post, Mobilezone, and Interdiscount.

***yallo Prepaid Plan***: In January 2018, *yallo* launched *All in* options, its new prepaid rate that includes surfing, calling, and texting, with unlimited data or with included data volume in seven options tailored to meet different customer's needs. Together with the new rate, yallo launched *SpeedOn* a data speed option which includes unlimited data for monthly flat rate. *yallo* also provides two other data bucket options (*yallo surf*) and roaming options.

***yallo Mobile Internet***: Since 2016, *yallo* has also been offering unlimited mobile internet meeting the internet needs of the budget segment, both at home and on-the-go. In 2016 *yallo* launched *yallo Go!* an unlimited data proposition with limited upload and download speeds. In February 2018, *yallo* expanded its unlimited mobile internet offer with the *yallo Go! XL* rate (unlimited data volume at max speed of up to 300 Mbit/s for download and up to 150 Mbit/s for upload) and the *yallo Home Box*. *Yallo Go!XL* combined with *yallo Home Box* is the flexible ultra-fast alternative to the traditional landline.

***Lebara Post-paid Plans***: *Lebara*, which was previously known for its favorable prepaid offers, entered the field of mobile subscription offers for the first time in February 2018 with the new unlimited *Europe* rate. This tariff includes unlimited national and international calls in Switzerland and to 29 European countries, as well as unlimited mobile internet in Switzerland with 6 GB high-speed included plus SMS and MMS worldwide within Switzerland, and free high-speed data for WhatsApp messaging in Switzerland. Once the 6 GB included in the tariff are used up different data options can be activated, such as the *Speed Up* data option with additional 1 GB high-speed data volume for a determined price per day, and various other data options (from 1 to 10 GB). In June 2019, Lebara launched two additional tariffs, namely *Lebara Swiss* and *Lebara Europe plus*. *Lebara Swiss* is domestic-only post-paid proposition, featuring unlimited national voice & message usage and 3 GB high-speed data usage. *Lebara Europe plus* features unlimited calls and SMS within Switzerland and to Europe, unlimited data usage in Switzerland and in addition 3 GB data usage and 60 minutes voice usage for roaming in Europe.

***Lebara Prepaid Plan***: The *Lebara* portfolio, called *Lebara Plus*, meets a wide range of needs of its target market (immigrants and Swiss citizens with friends and family abroad), and focuses on customers' rising data usage. *Lebara Plus* offers international savings options, low-cost daily passes for Switzerland (data, voice and SMS), plus free 4G data every time a refill is purchased, therefore successfully replacing the previously used "free cash" model.

***Lebara mobile internet***: *Lebara* launched *Lebara Data*, a mobile internet subscription that offers unlimited high-speed data with up to 100 Mbit/s download and up to 50 Mbit/s upload for a monthly flat rate. The *Lebara Data* tariff can be used with smartphones, tablets, and portable modems.

Throughout 2018, efforts to phase out the *Ortel* brand culminated in a large-scale shift of *Ortel* customers to *Lebara*. All remaining *Ortel* customers were successfully migrated to the *Lebara* brand by mid-November 2018.

***Yallo and Lebara Distribution Strategy***: We offer *yallo* and *Lebara* through a comprehensive and target-segment-specific distribution network with approximately 1,500 points-of-sale offers, including our *Sunrise* shops, ethnic channels and selective retail.

*yallo* has extended the *distribution* of its brand to the mass market through its new online shop, facilitating the purchase of yallo products. This digital approach has been extended to *Lebara* with the launch of *Lebara's* own on-line shop in May 2018. In addition, the post-paid offers from *Lebara Mobile* are available from Mobilezone and from over 100 official *Lebara* re-seller partners.

**Business-to-Business (B2B) Services**

We are the leading challenger in the area of communications services for large and small businesses in Switzerland. Specifically for business customers, we offer a comprehensive range of services, focusing on the "Unlimited Mobile Workplace." Our products range from mobile to connectivity (internet, multi-site and in-house networking and landline voice) and *Work Smart* services with cloud-based apps and system integration. According to the BILANZ Telekom Rating 2019, we were voted the "Best universal provider for SMEs", the "Best universal provider for large-scale companies" and the "Best mobile communications provider for business customers". We were the overall winner of the Computerworld Top 500 Satisfaction Survey 2019, and have been rated the "Best telecom, network, and Internet provider" by business customers.

We follow a segmented approach for the business mass market, covering small enterprises and small and home offices, and the Enterprise segment, covering medium to large companies. Our strategy for the business mass market is to offer "off the shelf" plans at simple and attractive fee rates that focus on enhanced invoice management and efficiency increases. The business solutions we provide to our larger corporate customers in the Enterprise segment, on the other hand, are frequently individually tailored. Each customer may choose the bandwidth and level of service that is necessary for accurate response time in its own IT environment. We offer direct access to our high-capacity internet backbone, with unlimited data volumes, extended management services in terms of operation, maintenance and support and permanent access to wide area network ("**WAN**") solutions and ethernet private lines. Where economically favorable, we provide connectivity to our customers by investing in customer fiber projects. Our dedicated account management teams serve our medium and large enterprise customers, while our business mass market customers are mainly supported by our own retail shops, with members of our sales force dedicated to our B2B customers visiting them regularly and our sales partners.

***B2B Mobile Telephone and Data Services***

*Sunrise business mobile* provides communications solutions for mobile calling and high-speed data needs. Our mobile service offerings include mobile voice and data, as well as other value-added services such as international calls, roaming, business extra SIM, mobile voice and data prioritization services. These mobile service offerings are split into a standard portfolio with certain options and tailor made, dedicated mobile tariffs for our large corporate customers. We also offer mobile phones, tablets, and other hardware and accessories.

Our mobile tariff portfolio includes different post-paid options to target the needs of different customer segments:

- *Sunrise Freedom*, which targets the business mass market;
- *Business mobile*, which targets the Enterprise segment; and
- *Tailor-made tariffs for the Enterprise segment*, which are adjusted tariffs for large corporate customers within the Enterprise segment

For all our segments, we offer an additional wide range of customized options, including calling, SMS messages, data and roaming, and mobile priority services, as well as combinations thereof, for a fixed monthly fee.

Due to the increasing demand to be able to work remotely from anywhere, anytime and with any device, such as smartphones, laptops and tablets, and the use of multiple devices by numerous employees, we are increasingly offering multiple SIM or data SIM cards. We designed our "*Sunrise Business extra SIM*" offering in response to this demand to help our customers to enable their employees to work remotely from anywhere, anytime on any device in line with our *Unlimited Mobile Workplace* strategy.

We have a dedicated organization with 24/7 support in four languages to handle customer care for *Business Sunrise* customers with the entire customer support team based solely in Switzerland. We have our *Professional Services* team, consisting of about 80 subject matter experts, dedicated to our customers in the Enterprise segment.

*B2B Mobile Offerings*

*Sunrise Freedom* post-paid offerings and the *Sunrise extra SIM surf & talk* options offered to the consumer segment are also available to our business customers. In addition, we offer the following tariffs to our business customers only.

***Post-paid offerings for the Enterprise segment***: *Business mobile entry* is an entry tariff with a low monthly fee that includes only calls to other users within the organization of that business customer. All services other than calls are charged separately. *Business mobile world* is our high-end tariff that includes unlimited calls and SMS in 155 countries (including international calls from Switzerland to these countries as well as roaming calls originating from these countries to Switzerland). This tariff also includes unlimited data in 46 countries in Europe, the United States and Canada, as well as a 5 GB data bucket in 109 additional countries, and is the perfect match for international companies with employees frequently traveling worldwide to company, customer or supplier locations.

In addition to our standard mobile portfolio for the Enterprise segment, we offer our large corporate customers customized tariffs, which allow us to take dedicated customer needs into account and build tariffs accordingly. The customized tariffs vary from pay-as-you-go rates up to full flat world tariffs with different bucket sizes on national traffic as well as on international or roaming traffic. We offer our large business customers the option to use one package across their entire organization. For example, a large business customer can purchase a certain data allowance (for example 100 GB data within Switzerland for all its subscribers) and all subscribers from the organization can use this data up to the designated limit.

We apply volume-based discounts to all our Enterprise segment tariffs, which reduces the unit price per subscriber as the number of the subscriptions purchased by the same business customer grows. In addition to the volume based discounts, we apply other discounts depending on the usage volume and use of other Sunrise services by that customer.

***Business extra SIM***: In order to reinforce our strategy of the *Unlimited Mobile Workplace* we have launched "*Business extra SIM*" in June 2019; it includes at least one extra SIM card free of charge per main tariff purchased by the subscriber. We offer *Business extra SIM* as part of our standard business mobile portfolio for the business mass market as well as the Enterprise segment. We believe that currently, and in the future, the ability to work remotely is, and will become, increasingly important. *Business extra SIM* enables our subscribers to work on multiple devices such as smartphones, tablets and laptops and gives them the freedom to work from anywhere and at any time. *Business extra SIM* service also facilitates the use of our *Sunrise* W*ork Smart* portfolio, which combined with our mobile and connectivity services completes the *Unlimited Mobile Workplace* strategy.

***Business Mobile Priority Services***: We are able to prioritize the use of voice and data connection for certain customers to guarantee communication when the networks are extremely busy due to an emergency situation or concentrated usage in a small area such as concerts, stadiums or festivals. Business Mobile Priority Services are instrumental for businesses where such priority might be essential, such as industrial businesses with emergency crews.

***International and Roaming***: In addition to our two international tariffs that we offer across all segments, *Sunrise Freedom Europe data and Sunrise Freedom Europe & US*, we offer our business customers the *Business World* and *Sunrise Freedom Swiss neighbors* tariffs. The *Business World* tariff includes unlimited calls and SMS in 155 countries and unlimited data in Switzerland as well as in 46 countries in Europe, the United States and Canada. Furthermore, it includes a data package of 5 GB data per month in 109 countries. The *Sunrise Freedom Swiss neighbors* tariff is offered to our business customers and includes unlimited high-speed 4G+ data, unlimited calls and SMS in Switzerland and in the neighboring countries of France, Germany, Austria, Italy and Liechtenstein. To meet more specific needs, we offer *Sunrise International* with lower-cost international calling options to a group of countries and *Sunrise my country* with attractive options directed to a certain country.

Our roaming tariffs offered to the consumer segment are also available to our business customers and can be tailored for a certain business customer's needs.

*Devices and Accessories*

We offer device plans to the business mass market similar to the plans offered to the consumer segment, which allow our customers to purchase devices by paying the cost of the device in monthly installments.

In our Enterprise segment, we also offer devices with a subsidy model. We designate the subsidy amount based on the chosen tariff.

*Mobile as a Service*

***Enterprise Services Management***: We provide our business customers an overview of the Sunrise products used by the business customer that also allows them to manage their mobile services on their own with three different tools:

- *Sunrise Business Portal* is a self-service tool that provides an overview and enables management of the Sunrise products, including mobile, *Work Smart* and connectivity services, by the designated fleet manager of the business customer.

- *Sunrise Cockpit* enables overview and management of roaming services by a single subscriber as well as a company administrator through the *Sunrise Business Portal*.

- *Mobile Service Management* is a customizable fleet management tool for business customers that makes it easy to manage mobile subscriptions, SIM cards and device purchases through a web portal, either for a designated fleet manager or for employees individually.

***Enterprise Mobility Management:*** We offer our business customers solutions for registering mobile devices in their company and supplying them with security guidelines. This allows the business customers' employees to easily access corporate apps and data through a secure mobile device, without compromising data protection. *Sunrise Cloud Mobile Device Management* offers secure protection of sensitive corporate data even on private mobile devices that the employees of the business customer might be using for work. We offer our business customers different options under *Sunrise Cloud Mobile Device Management* such as *Enterprise Mobile Management Bundle, SLA Response & Readiness Pack and Service & Support Pack.*

We also offer *Apple Business Manager* to our business clients which automatically activates and configures devices when logged in without a laborious and time-consuming manual configuration process.

*Indoor Solutions*

We provide solutions to our business customers who struggle with mobile reception in their premises due to architecture or dense and well-insulated building structures. We are able to install a base station and a passive antenna network on site that distribute mobile capacity in the relevant building, or an indoor box which creates an independent 3G network within the building from the customer's existing internet connection. We also offer international *Wi-Fi Calling* for our business customers that enables calls over the WLAN network that the user is on at a given time.

*Employee Program*

In addition to customary business services, we also offer our business customers an Employee Program, which allows the employees of our business customers to benefit from a discount over our consumer portfolio as private users.

***Sunrise Work Smart***

We offer a wide range of scalable solutions for efficient communication and collaboration within the organization of our business customers. *Sunrise Work Smart* integrates landline telephony into innovative, cloud-based applications with chat, e-mail, video, file and desktop sharing features. The unified communication and collaboration applications that we offer under *Sunrise Work Smart* include Microsoft Office 365 / Microsoft Teams, Threema Work, Alcatel-Lucent Rainbow, Cisco Webex and Mount 10.

The business customers can access and administer all these features through our *Sunrise Business Portal*. The *Sunrise Work Smart* applications can also be used on-the-go on our mobile network.

***B2B Connectivity Services***

*Sunrise Connectivity* portfolio offers a wide range of services to business customers comprised of private networks, internet access, centralized value-added services and in-house networking.

The ability to access customer locations with different technologies and transmit data in a way that fits customer needs is essential for our *Connectivity* portfolio. Due to the fast evolution of customer requirements, in particular, increased bandwidth, advanced protection mechanisms, and quality of experience expectations, a continuous development of technology and access to technology options such as copper and fiber based networks as well as 4G and 5G mobile technology solutions, which we have access to, are required to remain competitive in this area.

*Private Networks*

We offer a wide range of standardized and fully customized options that enable our business customers to create virtual private networks ("**VPN**") allowing them to exchange information between locations privately and securely within Switzerland and worldwide. We provide services to enable our customers to create the VPN using routing technology (the most common being IPVPN), ethernet (E-LAN and E-Tree) or OTT reusing internet access. Additionally, we offer individual point-to-point connectivity solutions using dark fiber technology.

For international VPN services, we work with select partners that enable access to other telecommunication service providers' networks worldwide.

*Internet Access*

We offer internet access to our business customers as part of the VPN service with a centralized internet break-out, or using a specific access provided with a local break-out. We are able to offer a variety of internet access options, customized to better suit each customer's requirements.

Unlike consumer internet access, internet access for businesses has enterprise grade characteristics, such as quality of service and bandwidth guarantees, and provides redundancy options that guarantee an agreed performance as per service level agreements.

*Centralized services*

We enhance our VPN and internet access services with value added services. We provide additional network security services such as distributed denial of service ("**DDoS**") attack protection for internet services and centralized firewall services.

*In-house networking*

We offer managed in-house networking services to our business customers which include design, implementation and maintenance of the internal network during its entire lifecycle. Our business customers rely on our services for maintenance, upgrades and problem resolution. We offer two different technologies: managed LAN and WLAN using switches and WIFI Access Points, or indoor coverage as a service ("**ICaaS**").

**Wholesale**

Our landline and mobile infrastructure allows us to provide voice, data and internet services to national and international carriers in addition to our own retail network in Switzerland. We offer hubbing services on the basis of excess capacity of our proprietary landline network. To provide these services, we rely on a number of platforms including third-party access lines, transmission networks and voice infrastructure.

Voice hubbing services is a trading environment in which we exchange voice services (minutes of international phone calls) with other carriers and charge a specific fee per minute. Voice hubbing margins tend to be small in general, especially for calls terminating outside of Switzerland because for those we only assume the role of an intermediary party. Our typical customers in this area are major and well-known international telecommunications operators, such as Deutsche Telekom, Orange, Telecom Italia Sparkle and others. Our contracts with these other operators are typically based on interconnection agreements which allow us to interact with them in a framework to buy and sell from each other, subject to more specific service level agreements. Billing for such services usually occurs on a monthly basis by looking at the traded minutes as well as the rates.

Sell and buy rates represent the commercial conditions of the exchange and are reviewed regularly. The constant renegotiation of terms and conditions with our partners is necessary in order for us to be in line with global market trends as well as to reduce financial losses and maximize and optimize overall margins and revenues. We maintain a team dedicated exclusively to wholesale voice services whose duties relate to sales and pre- and post-sales activities, as well as distinct other tasks, such as technical issues, troubleshooting and fraud-prevention. In the financial year ended December 31, 2018 and the six-month period ended June 30, 2019, our wholesale services generated 10.6% and 9.0% of our total revenue, respectively.

**Customer Experience**

With a service team of over 1,000 agents covering the entire Sunrise product portfolio, we are committed to delivering an outstanding customer experience. In the last two years, we have increased our focus on service across the entire organization. Our first priority is to further improve our customer service performance with a pragmatic and customer-focused approach. We continue to focus on our NPS, on-contact resolution and customer feedback. We have significantly improved our touchpoint NPS score from 100% in 2013 to 167% at the end of June 2019. We identify customer pain points and barriers in order to achieve an exceptional customer experience. These pain points are a key component of our service transformation plan. We review these points weekly with the Executive Leadership Team and select other leaders on the newly established Service Steering Committee. The evolution of the service operating model delivers the best structure for providing support to customers.

To meet customer expectations and offer a multichannel experience, we have also been enhancing our digital service capabilities by rolling out new tools and systems, including messaging for support, interactive voice response ("**IVR**") enhancements and an automated chat solution. All our initiatives focus on making information customers need available to them through their preferred channels and as effortlessly as possible.

We continue to put a significant focus on improving the customer experience, a key principle of our business strategy. We have processes in place to survey customers and gather feedback from them after each contact. This information is used to improve services across all channels and touchpoints. These efforts resulted in a number of awards for us in 2018. In addition to being recognized by *Bilanz*, the business magazine, as the best universal provider for the consumer segment offering the best TV and mobile telephony services, we were ranked first in the *connect Shop Test 2018*, providing the best customer service experience in our shops.

***Customer Service***

Our customer service is focused on operational excellence and customer experience. Our customer service processes are generally managed through our central system, *Amdocs Clarify*, and our contact center application *Genesis Pure Connect*. We have integrated support systems, including a knowledge management system and a process guidance tool, *Solvatio*, aiming at improving quality. Our customer service efforts are coordinated through our customer care group, which aims at providing competent, solution-oriented advice to our customers. We offer support across all products and services including sales, administration, dealer support and technical support for both mobile and landline products. Furthermore, our customer care group maintains a focus on customer life-cycle management, including sales, retention, billing inquiries and technical support.

Our customer care group provides services through our dedicated call centers, written correspondence and an online chat service. We have a centralized customer care unit, which has in-house capabilities, but also outsource certain customer services. Our call centers are spread across nine sites; two sites are internal and seven are external operated by a total of five outsourcing partners. We use our in-house capabilities primarily where special knowledge is necessary. We have two physical locations in Switzerland that support four languages: German, French, Italian and English. Our outsourced capacities are located in Germany, Kosovo, Turkey and Romania. We currently outsource approximately 75% of our customer service activities to third-party providers. We generally rely on "near-shoring" units that are able to reduce costs while providing better service than the less expensive, longer-distance outsourcing units. Technical support, billing inquiries and other information are available during opening hours that are in line with Swiss market standards.

We have invested in a comprehensive set of measures to ensure and further improve our quality in customer service while simultaneously increasing efficiency. We implemented a strict focus on quality through an improved hiring and personnel development approach to attract and retain talent, including revised introduction procedures (*Sunrise Academy*) and improved training, including monthly coaching and performance reviews and cross-product training. In addition, NPS helps to identify quality issues, provide solutions and structurally improve our operations. We have established NPS routines to improve skills based on customer feedback including weekly NPS check-ins and coaching, customer callbacks, and monthly experience sharing. We believe that our thorough approach to implement these measures improved the touch point NPS for our call centers.

We recently introduced call centers staffed with subject-matter experts to ensure that customers receive assistance from the most qualified agent at all times. Applying this approach more broadly, the implementation of a benchmark model ensures consistency across the front-line staff with regard to all customer inquiries. The best example is the expansion of our customer service team with a specialized *Fiber Welcome Team* to assist customers wanting to switch to a *Sunrise fiber* optic connection. Customers are assigned a personal contact who provides direct customer support during the entire switching process. This process simplifies the switch significantly and also boosts customer satisfaction.

***Customer Relationship Management***

Our customer care group manages all of our customer relationships. As of June 30, 2019, we employed 1,052 dedicated call center agents serving the consumer segment. The employees fulfill varying roles in order to provide customized and efficient service to our customers. We have a specialized partner call center specifically dedicated to the business mass market segment whose task is to attract new customers with special sales. For the Enterprise segment we employ account management teams, while business mass market customers are served by our shops and our sales and solutions partners (*e.g.*, Mobilezone, Burkhalter and Etavis), depending on the services needed and the customer revenue potential. Across all segments, we place strong emphasis on up- and cross-selling in both mobile and landline platforms, with customers having the opportunity to receive benefits by signing up for bundled services or convergent offers.

We have a dedicated organization with 24/7 support in four languages to handle customer care for *Business Sunrise* customers with the entire customer support team based solely in Switzerland. We also have a *Professional Services* team, consisting of about 80 subject matter experts, dedicated to our customers in the Enterprise segment. The *Professional Services* team is comprised of three teams, namely Work Smart & Connectivity Engineering, Customer Project Management and Managed Services. The Work Smart & Connectivity Engineering team provides on-site and remote engineering support for consulting and implementation of telecommunications solutions including mobile integrations, unified communications, and network solutions. The Consumer Project Management team handles the customer service implementation and migration projects. The Managed Services team coordinates the service implementation projects and together with the customer will define the scope and deliverables as well as the processes for the service operations phase.

Within the customer service unit, we have a dedicated team in place to continuously improve our order, activation and fulfillment processes for all services and across all access technologies, including fiber and TV.

***Sales and Retention***

In addition to answering questions related to administrative issues and providing technical support, our customer care group is also responsible for inbound telesales. We have been able to realize sales growth by emphasizing up- and cross-selling during inbound calls regarding information and administration, billing and technical support.

Our customer management group analyzes customer data to identify candidates suitable for targeted, cross-selling promotions to stimulate usage and retention programs. This results in a broad range of cross-selling and up-selling marketing campaigns which use all direct marketing channels, including direct mailing, SMS, email, bill inserts and outbound telesales. We currently use an online tool that identifies up- and cross-selling opportunities in real time based on a customer’s product portfolio and usage patterns. This tool gives targeted, personalized sales advice to our telephone customer care agents and our retail outlet employees. We also specifically target high-value customers in both the consumer and business markets. These customers are targeted with specific programs based on recurring contact with the customer aiming at understanding the customers’ needs and improving their knowledge of our services and offers.

We also focus on identifying customers who are at risk of disconnecting their services (using statistical models and NPS alerts) and act on these efforts with special offers using all direct marketing channels, including direct mailing, SMS, email, bill inserts, and telesales. Promotions offered through our customer care group are generally not made available to the public or our customer base at large. We allocate only experienced agents to the retention team.

### *Credit Management and Billing*

Our post-paid mobile customers purchase SIM cards and e-SIMs, mobile phones and tablets and accessories such as smart watches directly from us in our shops or on our online shop, or from retailers and dealers who then purchase them from us. We bill our post-paid mobile, landline voice, internet and TV customers directly. We send monthly or bimonthly paper and electronic bills to our customers, and perform credit evaluations on our post-paid consumer and business customers and send monthly, quarterly, semiannual or annual invoices to our business customers. We perform credit evaluations on our post-paid consumer and business customers and monitor customer collections and payments. We maintain a provision for estimated credit losses based on a number of factors, including, but not limited to, credit and payment history, credit rating and specific issues related to our offerings to a particular customer. An assessment of a particular customer's ability to pay, any significant financial difficulties or the probability a customer enters into bankruptcy or financial reorganization and default or delinquency in payments are also considered as indicators that a provision is required. Although we offer direct debit, its use is generally unpopular in the Swiss market. Since the launch of our *Sunrise Freedom* plan in 2014, our customers have the option to pay either the full price of the handset device, tablet or accessory upfront or to pay in installments, usually over a period of 24 months. The second option is subject to a credit check.

Our prepaid mobile customers purchase SIM cards and mobile phones directly from us in our shops or on our online shop, or from retailers and dealers who then purchase them from us. We bill these retailers, dealers and distributors shortly after we deliver these products. These customers then have the ability to "top-up" their accounts through any one of a number of payment channels. Although we do not send regular bills to prepaid customers, the rest of the billing process is similar to the process for post-paid customers.

For our voice hubbing business, we send weekly, bi-weekly or monthly invoices to our partners and perform credit evaluations on them. We maintain a provision for estimated credit losses based on the same criteria as described above. As most of these partners are also creditors, we net invoice amounts or initiate a collection process on a regular basis.

## Network and Infrastructure

### *Overview*

In the past years, we have made significant investments into our network in order to implement our network strategy. Our network strategy aims at providing a high-speed network to ensure a best-in-class customer experience.

We provide mobile services over our own network using 5G, LTE/4G/4G+, UMTS/HSPA and GSM/GPRS/EDGE technologies. In the landline segment, we have more than 630 points of presence in our fully-invested local loop unbundled network, covering over 85% of households in Switzerland. We benefit from a more than 12,400 km long, state-of-the-art fiber optic network spanning Switzerland. As a result of our long-term agreement with Swisscom and a strategic collaborative partnership with Swiss Fibre Net AG, a joint venture of Swiss energy providers and local utilities, we have access to the most advanced, next-generation copper- and fiber-based access technologies, such as vectoring, fiber-to-the-street, fiber-to-the-building and fiber-to-the-home.

At the 5G spectrum auction that took place in January and February 2019, we have acquired 100 MHz frequencies in the 3.5 GHz band which enables us to build a high-speed 5G network in Switzerland. With our existing and new frequencies, we will be able to secure our existing 96% 4G geographic coverage and deliver a 5G network. We continue to invest in the quality, availability and security of our network and remain committed to our strategy of expanding 4G+ technology and driving network quality to a new record value in industrial standards. Currently, we have reached a level of 96% in 4G geographic coverage, while at the same time expanding our 4G population coverage to a level above 99%. Key drivers for this strategy continue to be the sustained rapid growth in data traffic, which currently doubles every 16 months, and the demand for mobile and landline internet services.

### *Mobile Network*

5G technology offers the potential to deliver wide coverage and the capacity to transmit high volumes of data over shorter distances at fiber-optic speeds, even while large numbers of users are using the network at the same time. Frequencies in the 3.5 GHz range are necessary for this capability and we have acquired one third (100 MHz) of the available 3.5 GHz frequencies in Switzerland.

We are deploying our 5G network using Huawei's 5G end-to-end ("**E2E**") network products and terminals. Huawei's 5G product solutions are entirely based on 3rd Generation Partnership Project ("**3GPP**") standards: full range, full scenario and all-cloud. These are the only available options within the industry providing 5G E2E capabilities. Together with Huawei, we have been awarded the GSMA's (*Groupe Spéciale Mobile Association*) "Best Mobile Operator Service for Consumer's" award at the 2019 Mobile World Congress, which recognizes the best operator service or solution for delivering seamless access to mobile users.

We currently offer the 5G mobile option to customers who have subscribed to the unlimited data plans and who have 5G compatible devices, for an additional monthly charge. This option is automatically activated in 5G devices that customers purchase from us. In June 2019, we also launched our 5G mobile internet tariff together with our 5G HTC hotspot option.

Our "*5G for people*" strategy is designed specifically for the market conditions in Switzerland. According to the Fiber to the Home Council, FTTH penetration in Switzerland is lower than in many other European countries. 5G technology can provide fiber optic speeds without a fiber connection, which we refer to as the "fiber-over-the-air" technology in rural parts of Switzerland where fiber technology is not available. Under the current Swiss regulations on non-ionizing radiation exposure limits, most cell sites in urban areas cannot be upgraded to 5G; however, we see opportunities in rural areas to upgrade to 5G and to provide fiber optic speeds over the air without a fiber optic infrastructure. We do not consider 5G as a replacement for FTTH in urban areas, but as a means to deliver high-speed internet in rural areas where the FTTH infrastructure may not reach. As of September 2019, we have provided 5G coverage, covering at least 80% of the local population in 262 towns and locations across Switzerland.

We offer our mobile voice and data services 5G, LTE/4G/4G+, UMTS/HSPA and GSM/GPRS/EDGE technologies. Our focus has been on increasing our mobile network quality and capacity over the last few years. As of June 30, 2019, we operated 3,880 base stations nationwide.

We are the first mobile communications provider to attain the highest score ever achieved in the European Connect network test twice in a row in a comparison made among mobile network operators from more than 70 countries. We also have the only network that has been rated "outstanding" for three consecutive years by Connect. 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 upheld the quality and speed of our mobile network. As far as 4G speeds are concerned, we have been delivering the fastest mobile upload speeds for 2.5 consecutive years, as confirmed by the results obtained by Speedtest by Ookla. We have been providing the highest 4G availability for the past year, as supported by the results obtained by Speedtest by Ookla. Also, OpenSignal's latest Swiss country report, dated November 2018, established that Sunrise has the highest 4G availability.

***Transmission Backbone Network and Landline Network***

Our transmission backbone network consists primarily of a DWDM backbone. This fiber-optic network measures approximately 13,700 km and connects more than 3,650 sites, including all of Swisscom's interconnect points, various connections with international carriers, Switzerland internet exchange points and a number of direct customer connections. The majority of our fiber-optic backbone is either owned by us or held in long-term capital leases, the remaining portion is held under operating leases with typical terms of one to six years.

With increasing demand for higher bandwidth services and IPTV, we have entered into an agreement with Swisscom that provides access to Swisscom-based VDSL BBCS services and next-generation fiber networks. Furthermore our partnership with Swiss Fibre Net AG ("**SFN**") and local utilities provides us with access to their fiber network. Our partnerships with Swisscom, SFN and local utilities are consistent with our last mile capital-expenditure-light strategy insofar as capital expenditures are not required for another roll-out since we can use existing backbone and LLU infrastructure to connect or migrate customers to VDSL and FTTH.

Our internet network is built on IP/MPLS technology and delivers data services to our consumer segment and business customers. We are present in a number of international internet exchanges, such as London, Frankfurt am Main and Amsterdam, and we host content caches for the main content providers, such as Google, Facebook and Netflix, directly in our network. We also developed a customized, dedicated, high-speed optical and carrier ethernet network for Swiss national television, which connects TV studios with football stadiums and ice hockey arenas throughout Switzerland.

***Construction, Maintenance and Development***

We have made significant investments in our network over the last decade. Our legacy 2G/3G RAN and Core network equipment has been replaced by state-of-the-art MSR and core network equipment, which has reduced complexity and cost and greatly increased quality and capacity. By leveraging our technically superior spectrum position, we can efficiently provide deep indoor as well as rural U900 and LTE800 high-speed data and high-quality voice services by primarily upgrading existing sites, and therefore need fewer new sites, which are costly and difficult to build. U900 and LTE800 are being used to provide a solid coverage layer for HD voice and VoLTE and high-speed mobile data. LTE1800 and LTE2100 are used to add additional capacity. Additionally, LTE/4G 2600 MHz is used for capacity hot spots and micro cells. MSR equipment is ready for LTE-Advanced, combining L800/L1800 or L1800/L2600. LTE-A now reaches a level of 83% population coverage. In the 800-MHz spectrum, LTE/4G does support VoLTE services. As of May 2019, 72% of the Sunrise post-paid base used VoLTE enabled devices. The latest MSR network equipment allows cost-efficient continuation of 2G-based legacy services with improving performance and quality for 2G basic services: 2G/GSM remains coexistent with 4G using a radio feature. Consequently, this enables us to provide 2G/GSM with nationwide coverage after 2021. We have made significant investments to provide additional area coverage for 4G in rural areas, and to improve our network coverage and capacity for indoor service. We are very well advanced in the rollout of the nationwide LTE-A technology to expand our current network capacity by using L2100 radio site upgrades, and will continue to invest until the rollout is complete. We introduced WiFi Calling services, therefore no more femto-cells need to be installed in order to provide deep indoor coverage. As a 5G pioneer, we achieved a series of firsts: The world's fastest 5G connection (December 2017); Switzerland's first operational 5G antenna (June 2018); and the world's first standardized 5G network at a ski resort (November 2018). As of September 2019, we have provided 5G coverage, covering at least 80% of the local population in 262 towns and locations across Switzerland.To advance the 5G rollout as quickly as possible, 5G is mainly being deployed at existing antenna sites during the first phase. As of June 2019, 212 logical 5G Radio site upgrades have been completed. As we continue to roll out 5G, we are focused on providing the highest speeds (up to 2 Gbit/s) and great coverage quality by using 3.5GHz spectrum. Our future capital expenditures in our networks will consist of maintenance expenditures and discretionary expansion of our network. The network has already undergone such transformation that future capital expenditure will maintain the simplified product portfolio and focus on efficiency, which we expect to lead to network cost stabilization.

In 2012, we entered into an extended supply and service agreement with Huawei. Huawei is our preferred equipment supplier and is responsible for the operation, maintenance and construction of our entire network, while planning, engineering and optimization of the network remain our responsibility. We consider it to be strategically important to have the responsibility for the network design, engineering and quality control in-house in order to have a long-term and vendor-independent view on the technical infrastructure. The outsourcing of the network as defined by the scope of the outsourcing agreement with Huawei included the transfer of employees, tools and equipment from us and our former outsourcing partner Alcatel-Lucent to Huawei. Huawei is responsible for the operation and maintenance of the network infrastructure and the deployment and construction according to our network planning and engineering plans and rules. We are also responsible for the optimization of the network in close cooperation with our outsourcing partner. The focus of Huawei as our outsourcing partner is with respect to network quality, specifically detecting network outages and service degradations as quickly as possible and resolving them by field force intervention in cooperation with our engineering departments. Our agreement with Huawei is effective until 2023. See "*—Certain Contracts Relating to the Operation of Our Business*". We believe that the contract with Huawei allows us to provide high-quality standardized services for the consumer market as well as scalable customized services for business and wholesale customers. At the same time, customer service activities for business customers have been insourced to efficiently support the growth targets in the business segment.

**Information Technology Systems**

Our information technology systems are highly integrated into every aspect of our business, providing capabilities for a variety of purposes, such as online portal and App services, point-of-sales support, third-party integration of sales channels and resellers, service provisioning, billing, customer relationship management, data warehousing and big data, enterprise resource management and workplace support. A stable and robust IT infrastructure is a key component of our convergence strategy. Our strategy is focused on delivering values to our customers through technology innovation.

Our existing IT infrastructure is stable and reliable, but is also constantly evolving in order to ensure that it continues to fulfill our business needs. We have continuously invested to further improve IT effectiveness and efficiency through increased standardization, consolidation and virtualization of IT systems. We use professionally selected software systems that increase our efficiency, including internally developed software, open-source software and third-party commercial software. Despite continuous cost optimization, mostly well-established suppliers for hardware and software have been chosen to prevent cost-intensive product and frequent design changes. We have made significant investments in the system stabilization by reconsidering the system architecture, reducing the number of vendors and standardizing our IT environment. We reduced the complexity of our application landscape in order to optimize costs and reduce time to market. By streamlining our processes, we enable increased quality of our products and services. As a result, our simplification measures have enhanced efficiency and resulted in reduced transaction costs.

Our systems are mainly hosted in two data centers in the Zurich region, positioned strategically to maintain business continuity. The information technology services are managed by in-house resources in close cooperation with selected outsourcing, nearshore and offshore partners, especially in the IT infrastructure development, testing and operations areas. The implemented IT, sourcing strategy and scalable capacities allow us to react in a flexible and efficient manner to changing market demands by rolling out new product developments in the most efficient way. Furthermore, we established a new billing system for post-paid convergent services. We have replaced our prepaid billing system in order to provide more real-time services to our customers, and we are using our customer relationship management system, which has been enhanced through multiple software upgrades, to support customer service journeys. Further, we are moving our integration architecture to microservices in order to provide faster responses to business needs, flexibility in using technologies, future-proof salability and pave the way to an omni-channel system.

Since December 2014, we have been annually renewing the ISO 27001 certification relating to our technology infrastructure and operating processes. ISO 27001 represents the only international standard to define the requirements for an Information Security Management System (ISMS), and provides a model for establishing, operating, reviewing and improving comprehensive information security measures. The ISO 27001 certification relates to the data of our consumer and business customers.

**Licenses**

We believe that we acquired all necessary licenses to operate our business at the Swiss spectrum license auction in January and February of 2019. See "*Industry Overview*" and "*Regulation*". At the 5G spectrum auction that took place in January and February 2019, we acquired 100 MHz frequencies in the 700 MHz, 1.4 GHz and 3.5 GHz bands which enable us to secure our existing 4G coverage and to deliver a 5G network. These licenses are assigned for 15 years. In June 2019, we paid CHF 89 million in fees for the 5G spectrum that we acquired in February 2019, which we have funded with cash from operations. See "*Risk Factors—Risks Related to Our Market and Our Business—Our licenses and permits to provide mobile services have finite terms, and any inability to maintain or renew these licenses or permits upon termination, any withdrawal of these licenses when a third party obtains control over us, any inability to obtain new licenses and permits for new technologies or any excessive prices charged for renewing or obtaining licenses and permits could adversely affect our business*".

**Certain Contracts Relating to the Operation of Our Business**

The following is a summary of certain contracts relating to the operation of our business.

- *Wholesale Agreements with Swisscom*. Wholesale agreements with Swisscom provide us access to Swisscom's physical infrastructure that is necessary to deliver certain telecommunications services to our customers in Switzerland. These wholesale agreements concern, for example, access to local-loop, ducts, leased line services for high-bandwidth connectivity of antenna sites and dark fiber connectivity to local exchanges. These agreements further detail the provision, installation, quality of service, and maintenance of new infrastructure and equipment regarding these services. In 2018, we agreed with Swisscom to renew the existing commercial agreement for landline access. Based on roughly similar economic terms, the agreement is valid from January 1, 2019 to June 30, 2022. It will allow us to continue using Swisscom internet access, including FTTH and xDSL, to deliver connectivity, internet, voice and TV services. The contract extension is in line with our strategy of underpinning internet growth with FTTH partnerships in urban areas and with mobile internet.

- *Wholesale Agreements with Alternative Access Providers.* Wholesale agreements with alternative/regional access providers (*e.g.*, utility companies) provide us access to the provider’s physical infrastructure that allows us to deliver certain telecommunications services to our customers in Switzerland on alternative access lines beside Swisscom’s physical infrastructure. These wholesale agreements concern, for example, FTTH or business dark fibers. These agreements also detail the provision, installation, quality of service and maintenance of new infrastructure and equipment regarding these services. Fiber lease agreements to connect to our customers have been concluded with municipal and private utility companies, such as, among others, Elektrizitätswerk der Stadt Zürich, Canton of Fribourg and, through Swiss Fibre Net AG, with Services Industriels de Genève, Energie Wasser Luzern, Energie Wasser Bern, City of Winterthur, Sankt Galler Stadtwerke and IWB Net AG (Basle). While some of the agreements have terms of 20 to 25 years (with different roll-over and extension options), others have indefinite terms and may be terminated with an advance notice of between twelve and twenty-four months. We concluded a series of agreements for backbone connectivity with Nordostschweizerische Kraftwerke, S.A., L’Energie de l’Ouest-Suisse, Elektrizitäts-Gesellschaft Laufenburg AG, BKW FMB Energie AG, Centralschweizerische Kraftwerke and Aare-Tessin AG für Elektrizität Atel regarding the use of high voltage infrastructure for fiber cables. We entered into agreements with Schweizerische Bundesbahnen SBB regarding the granting of cable laying rights along the existing infrastructure of SBB and the lease of bandwidth and optical fibers as well as the purchase of optical fibers. Approximately 85% of our fiber-optic backbone is either owned by us or held under long-term capital leases typically with remaining terms between 33 and 35 years that grant us the right to sub-lease capacity and fiber; a few of them are set to expire within the next five years.

- *Service contract with Cellnex regarding the provision of tower infrastructure services.* In 2017, we sold Swiss Towers, which used to be a wholly-owned subsidiary of Sunrise, to a consortium led by Cellnex Telecom S.A. Swiss Towers had a portfolio of 2,239 telecom towers across Switzerland. In conjunction with the sale, we have entered into a long-term service agreement regarding the provision of tower infrastructure services by Swiss Towers, along with service agreements pursuant to which Sunrise will provide certain transitional services to Swiss Towers, as well as a build-to-suit agreement based on Sunrise being subcontracted to build new telecom towers.

- *Interconnection Agreements*. We have entered into several national and international interconnection agreements (including with Swisscom, Salt, UPC Switzerland, Telecom Italia Sparkle S.p.A., Deutsche Telekom, France Telecom, Telefónica Germany GmbH & Co. oHG and Telia Sonera) that connect our networks to each of their respective networks. Under these agreements the parties grant each other connecting transit and termination services, allowing the conveyance of telecommunication services. This is accomplished by means of points of interconnection, bilateral networks, direct circuits between or among the parties, switched lines or by a combination thereof. Generally, these agreements have an initial term of one year and then continue indefinitely until one of the parties gives written notice of termination. The time from when this notice must be given to when the termination may become effective varies from three to six months. Furthermore, the agreements typically may be terminated upon certain events of default, such as bankruptcy or insolvency.

- *Wireless Site Sharing Agreements.* We are party to framework agreements with Swisscom and Salt for colocation of antenna sites. In 2014, we entered into a limited pilot network sharing agreement with Salt.

- *Roaming Agreements*. We are party to a large number of roaming agreements with operators around the world (including Orange France, Telefónica Global Roaming GmbH, Deutsche Telekom AG, Vodafone Roaming Services S.à r.l. and Wind Telecommunicazioni S.p.A). These agreements allow our mobile subscribers to access other mobile networks by providing international roaming. Although the particular terms vary by country, the agreements generally regulate billing and accounting, settlement procedures, fraud prevention, technical aspects of the roaming agreements, testing, security, information on signaling interconnection and connectivity. These agreements usually continue indefinitely or automatically renew until one of the parties gives written notice of termination. This notice is required to be issued anytime from two months to a year prior to termination. Further, the agreements typically may be terminated upon certain events of default, such as bankruptcy or insolvency.

- *Agreements with Branded Resellers, MVNOs and FVNOs*. We are a party to Branded Reseller (e.g. with Aldi Suisse AG) and MVNO agreements (*e.g.*, with *TalkTalk* (a subsidiary of *Mobilezone*) and *Quickline AG*) that, for a fee, provide other Swiss mobile operators that do not possess their own network infrastructure access to our network. These mobile providers then have the right to resell this network access to their own customers. In addition, we are a party to one FVNO agreement (with *TalkTalk*, a subsidiary of *Mobilezone*) that, for a fee, provides access to our fixed network infrastructure. These agreements address, among other things, required service levels, network coverage, payments, fraud prevention, intellectual property and marketing rights, sanctioned products, and data and consumer protection. The initial terms of these agreements vary from one to five years and thereafter usually continue indefinitely until terminated by one of the parties. Typically, a written notice of intent to terminate must be given between six and twelve months prior to termination. Additionally, the agreements normally contain exclusivity provisions with terms anywhere from one to five years.

- *Outsourcing Agreement with Huawei.* On April 26, 2012, we entered into an agreement with Huawei, pursuant to which Huawei provides services relating to operation, maintenance, design, planning, expansion, implementation, engineering, field services and operational support for our fixed and mobile network (the "**Huawei Outsourcing Agreement 2012**"). The Huawei Outsourcing Agreement 2012 was replaced by a second version dated November 11, 2013 with the objective to amend the scope of Huawei's services and to revise the agreement in other aspects. The amendments regarding the services included the back-sourcing of services to us in the areas of network planning, engineering and optimization for radio, core and transmission which led to a reduced base fee. In addition, a framework agreement was entered into pursuant to which Huawei undertakes to deliver and upgrade a number of mobile sites and modernize the core and upgrade the transmission of our network as required to meet our traffic forecast. In May 2014, we concluded a further amendment agreement with Huawei. Under the framework agreement, we are party to numerous work agreements with Huawei with respect to specific projects and services related to our network. Our agreement with Huawei is effective until 2023.

- *Network Agreements*. We maintain agreements with suppliers from which we source additional network equipment, including Huawei, Nokia, Juniper, Genband Ireland Ltd. and others, including for reselling purposes agreements with equipment suppliers, such as Cisco, Huawei and Nokia.

- *IT Agreements.* In order to operate our IT system, we rely on a wide variety of comprehensive agreements in different areas of IT with suppliers including Huawei Technologies Switzerland AG (IT Operations), Amdocs Software Systems Limited (customer relationship management software), Microsoft Switzerland (server and client licenses), Oracle Software (Schweiz) GmbH (hardware systems and software solutions), Dell/EMC (storage), Huawei (server/storage), Fujitsu (MVS), RedHat (Opensource), SoftwareONE (software reseller for products such as VMware), Seavus AB (billing services and operational support), CCR/Genesys (contact center solution), Hewlett-Packard (Schweiz) GmbH (personal computer client hardware), Cisco Systems International BV (server and telecommunication products), SAP (Schweiz) AG (system enterprise software), Tech Mahindra Limited (development and testing) and others.

- *Sourcing Agreements*. We maintain agreements with each of the suppliers from whom we source our hardware (*e.g.*, Apple, Samsung, HTC and Huawei). These agreements govern the purchase and resale of mobile devices and allow us to import devices directly from these vendors. The terms vary, but frequently include provisions relating to stock protection conditions, minimum marketing contributions, support for testing, training and technical issues, after-sales support and, in some cases, logistics bonuses and cash discount policies.

- *Partnership Agreement with Freemove*. In 2017, we entered into a partnership agreement with Freemove, a mobile telecommunications organization, designed to provide better service integration for its members' roaming customers. Formed in 2003, Freemove brings together Orange, Deutsche Telekom, Telecom Italia and TeliaSonera, among other telecommunications service providers. Under the partnership agreement, Freemove is able to access our mobile network which has strengthened our offering to our multinational customers as our customers have access to Freemove's extended footprint and streamlined processes.

- *Partnership Agreement with Telefónica, S.A.* In 2011, we joined the Telefónica "partners program", through which Telefónica offers to selected mobile and fixed operators, directly or through affiliated companies, some of its most relevant and feasible business capabilities. Telefónica uses this program to create value by accessing selected areas, with particular emphasis on network, IT, devices purchasing, roaming, wholesale and tenders. By an amendment agreement dated October 10, 2013, the term of the partnership agreement was extended until September 19, 2015. Currently, the agreement is renewed automatically every year unless terminated by six-month prior notice.

- *Call Center and Billing Agreements.* We entered into contracts with outsourcing partners abroad (*e.g.*, in Germany), providing our customers with call center services (including sales push activities) for technical support, administration and billing customer inquiries. We concluded call center service agreements with Competence Call Center GmbH, Invoco Helpline, Conduent and Speeeks. The call center services include, among others, answering questions related to the mobile, landline and TV products, product changes, technical and commercial complaints and related activities, contact center and back office services. In terms of billing, we agreed on a framework and service agreement with Swiss Post Solutions regarding the mailing of our customer invoices. These agreements have varying minimum terms and can be canceled thereafter on between six and eighteen months' prior notice.

- *Distribution Partners*. In addition to our direct channels, we offer our products through a variety of third-party distributors, including independent specialized telecommunications dealers, independent online dealers, branded stores of our hardware suppliers and door-to-door sales teams. For example, we entered into a non-exclusive retail distribution contract with Mobilezone AG pursuant to which Mobilezone AG undertakes to offer our services and products via the wide net of its sales points. Further major distribution agreements have been concluded with Aldi Suisse AG, Interdiscount / COOP Genossenschaft, Dipl. Ing. Fust AG, MediaMarkt AG and callExpert GmbH. These relationships and the terms on which these partners sell our products and services are generally governed by distribution partner agreements. Each of our partners signs certain standard Sunrise agreements, and we also typically negotiate and enter into other related agreements governing commissions, sales targets, bonuses and advertising support.

- *Additional Contracts*. We are party to service and sales contracts with large enterprises and other carriers (wholesale) for which we provide carrier and integration services and products. We have numerous agreements in place for property leases, power supply, television content, hosted services (*e.g.*, Netstream and Microsoft Office365), advertising, logistics, handset insurance and collection, document management and consultancy services as well as endorsement agreements, such as with Roger Federer.

**Real Property**

As of June 30, 2019, we leased a total of seven properties and two data centers. We also lease wireline sites and space in a number of third-party data centers. All of our leased properties are located in Switzerland.

As of June 30, 2019, we leased properties for 95 retail shops. We do not own any real estate. Our headquarters at Opfikon, Zurich, Switzerland, is our largest rented site with approximately 19,860 square meters.

As of June 30, 2019, we used 3,879 antenna sites for our mobile network. Those antenna sites, that are not covered by the service agreement with Swiss Towers, are leased (either wholly or a space on the site) under operating lease agreements.

We believe that our facilities meet our present needs and that our properties are generally well maintained and suitable for their intended use. We believe that we generally have sufficient space to satisfy the demand for our services in the foreseeable future, but maintain flexibility to move certain operations to alternative premises.

## Legal Proceedings

We are subject to various court, arbitral or administrative proceedings in the ordinary course of our business. In addition, we are subject from time to time to audits and investigations by administrative and other authorities, some of which may in the future result in proceedings being instituted against us. Other than the cases pending before local authorities, administrative and civil courts regarding the installation of antennas, we are involved in legal proceedings with a total amount in dispute of approximately CHF 32.2 million, with approximately CHF 0.1 million involving proceedings in which we are the defendant.

We have an intellectual property claim against Swisscom arguing that Swisscom's "*InOne*" brand infringes our rights in our registered trademark "*Sunrise One*". Swisscom has raised a counter-claim arguing that "One" is generic and cannot be registered as a trademark.

We also have a claim of CHF 32.1 million against Swisscom before ComCom regarding the pricing of services that we obtain from them for using their landline network.

Although we are not a part of this investigation, we are monitoring the ongoing legal dispute between the Financial Market Supervisory Authority ("**FINMA**") against Swisscom with regards to anti-money laundering measures around their carrier billing services used in public transportation. After a decision against Swisscom by the Federal Administrative Court the case is now pending with the Federal Court. We are in the process of aligning our operations with the requirements of regulatory authorities.

We have been subject, and are subject, to a number of claims concerning building permits, installation and authorizations relating to antenna sites. Currently, approximately 160 cases are pending before local authorities, administrative and civil courts, in which we are a party, regarding the installation of antennas. Generally, suits related to antennas do not claim a specific monetary amount of damages, but rather seek the prohibition of the construction of a new antenna. See "*Risk Factors— Risks Related to Our Market and Our Business—We face legal and regulatory dispute risks that could have a material adverse effect on our business, financial condition and results of operations*".

In addition, we are also subject to various legal proceedings arising in the ordinary course of business such as claims by customers or suppliers, none of which in our belief, if adversely decided, are likely to have a material adverse effect on our business, financial condition or results of operations.

## Environmental Matters

In the environmental domain, we focus mainly on energy efficiency and climate protection and waste and recycling. Energy efficiency is essential to our operations, as the largest direct environmental impact of our operations to climate is electricity consumption. Electricity consumption is also an important internal cost driver. We monitor our environmental key performance indicators regularly in an effort to reduce our ecological footprint.

Waste and recycling is our other area of focus in the context of the global environmental issue of e-waste and packaging. We are currently participating in various sustainability initiatives and ratings. For example, we joined the Carbon Disclosure Project (CDP) in 2018 and are also part of the supplier ratings conducted by EcoVadis. In addition, our environment and sustainability performance has been positively rated by agencies assessing socially responsible investment (SRI), such as Vigeo Eiris, Inrate, zRating, ISS-oekom, J. Safra Sarasin, and Sustainalytics. Our impact on the environment is constantly evaluated by our Corporate Responsibility Steering Committee which holds quarterly meetings.

### *Energy Efficiency and Climate Protection*

One of the biggest challenges for us in the environmental domain is to control the increasing direct electricity consumption as the data usage increases rapidly in the era of ongoing digitalization. Energy efficiency plays a key role in driving sustainable development with the limited use of finite resources. We assess our energy efficiency as part of a voluntary energy efficiency target agreement with the Swiss federal government and we launched several efforts in 2018 to improve our energy efficiency. The biggest source of harmful emissions we can have a direct effect on is our direct electricity consumption, more than 80% of which is attributable to our network infrastructure. To this end, we 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 212,945 kWh of electricity per year. Despite the rapid growth in data usage and increased network performance, our total direct electricity consumption has increased only slightly over the past five years.

We aim to make our environmental protection efforts measurable and assessable by defining energy efficiency objectives. Our goal is to increase energy efficiency by at least 13.5% (based on 2012 levels) by 2020 as part of our voluntary efficiency agreement with the Swiss federal government. Given that we have already increased our energy efficiency by more than 12% in 2018, we expect that our energy efficiency rate will surpass the original target set in 2012.

We calculated our environmental footprint for the first time in 2016 and since then, we have added additional metrics. In addition, we joined the Carbon Disclosure Project in 2018 to continue improving our environmental reporting. The environmental footprint analysis included the factors that we have direct control over: greenhouse gas emissions from fuels and combustibles and direct electricity consumption (Scopes 1 and 2). The environmental footprint analysis did not include indirect (Scope 3) emissions, which would, for example, also take into consideration the environmental impact of mobile phone production. Greenhouse gas emissions from combustible fuels include heat generation for offices and points of sale. We have a relatively low score in this area, since our headquarters and other larger buildings use district heating. The opening of several new *Sunrise* shops has mainly led to an increase in combustible emissions in 2018. Vehicle emissions include the our vehicle fleet. In 2018, 174 vehicles travelled an average of 25,750 kilometers. The expansion of the B2B sector and its vehicle pool led to an increase in $CO_2$ emissions. The average $CO_2$ emission per company car has slightly decreased from 128g $CO_2$ per kilometer in 2015 to 117g $CO_2$ per kilometer in 2018. The "Other emissions" category mainly accounts for refrigerant losses in air conditioning systems installed at our network sites. Direct electricity consumption (Scope 2) produces the largest part of greenhouse gas emissions. As announced in 2016, we switched our electricity supply to 100% renewable energy sources, taking an essential step toward climate protection. In 2018, more than 75% of the total renewable energy share was domestically sourced, and water power is the most used renewable energy source. This climate protection measure had a major impact on the environmental footprint: in 2017, Scope 2 emissions were reduced by almost 90%. In 2018, Scope 2 emissions increased slightly due to rising electricity consumption at our network sites.

***Waste and Recycling***

Waste and recycling is an important aspect for us to meet our customers' and other stakeholders' expectations of sound environmental management. We have several initiatives in place to reduce waste and improve the recycling process of our products. Since 2015, we have been offering a take-back program for mobile phones and tablets. We have continued the program in 2018, taking back a large number of mobile phones and tablets for proper recycling or refurbishment. We also have 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 this hardware while decreasing e-waste. Digitalization is an important driver toward sustainable office ecology. We seek to minimize paper consumption and waste by offering our employees a modern, paperless, digital work experience in our new headquarters that we moved into in 2019, which also includes a state-of-the-art recycling system.

**Employees, Pension Obligations and Work Place Health and Safety**

As of December 31, 2018, we had 1,671 employees by headcount (or 1,611 full-time equivalents) throughout Switzerland (a decrease of 2.5% over the previous year). As of December 31, 2017 and 2016, we had 1,713 employees by headcount (or 1,645 full-time equivalents) and 1,723 employees by headcount (or 1,656 full-time equivalents), respectively. These jobs are located at our headquarters in Zurich, our offices in Prilly, Geneva, Bern, Basel and Lugano, and at some 92 points of sale across the country's different linguistic regions.

Women account for 27.8% of our workforce and 13.7% of our leadership positions. Of the overall workforce, 62.4% work under the collective employment contract. The employee-initiated attrition rate for the financial year that ended on December 31, 2018 averaged 13.5%. The average age of employees is 39 years, and they stay with us for an average of 7.3 years. The overall part-time quota is 12.7%, 63.7% of which are women.

We have an active partnership with the Swiss trade union, Syndicom (*Gewerkschaft Medien und Kommunikation*). We negotiated a new collective employment contract ("**CEC**") with Syndicom in 2017, which entered into force on January 1, 2018 and will be in force until the end of 2022. The agreement is applicable to approximately 60% of our staff. We believe that health care and vacation time for employees is essential. We have agreed with Syndicom that our employees 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.

We provide retirement benefits to our employees as required by Swiss law by means of a pension fund that is a separate legal entity. The pension fund operates a basic pension plan for all of our employees, and a supplemental plan for employees having an insured annual salary in excess of CHF 150,000. Both plans qualify as defined benefit plans under IAS 19. As of December 31, 2018, we reported an employee benefit obligation of CHF 85 million, which remained stable compared to the employee benefit obligation that we reported for the financial year ended December 31, 2017 which was also CHF 85 million. However, under Swiss GAAP FER 26, our pension fund as of December 31, 2018 was overfunded and covered 116% of our pension obligations under the basic and supplemental pension plans. 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. We believe that Swiss GAAP FER 26 is the more appropriate way to determine the funded status of our basic and supplemental pension plans as we would typically not be required to make additional payments until the funding level drops below 90% as calculated in accordance with Swiss law. We maintain flexibility to adjust benefit levels under the plans that would mitigate any cash liability.

As part of our responsibility as an employer, we seek to protect our employees from workplace accidents and health hazards. In 2018, we concluded an external occupational safety audit conducted by *Schweizerisches Büro für integrale Sicherheit*, which consisted of all safety-related aspects of our business activities. Occupational safety officers of Sunrise and our network partners meet on a regular basis to evaluate the status of occupational safety at both network and antenna locations.

**Intellectual Property**

We have registered our core trademarks in Switzerland. Our registration focus is on the registration of the "*Sunrise*" brand name and logo and other names of which "*Sunrise*" is a part (for example, "*Business Sunrise*" and "*Sunrise Freedom*") and "*yallo*". We own or have rights to use the "*Sunrise*" brand name and logo and other names of which "*Sunrise*" is a part (for example, "*Business Sunrise*" and "*Sunrise Freedom*"). There are pledges in favor of Deutsche Bank AG on a small number of combined "*Sunrise*" trademark registrations. The protection covers the relevant international classes, including the class, which we use in conjunction with the operation of our business. The "*Sunrise*" name rights include Swiss trademarks (both word marks and figurative marks, including applications and registrations), trademarks, service marks, trade names and domain names. Outside of Switzerland, the "*Sunrise*" name is also protected by way of a Community Trademark and an IR (U.S.) registration. We monitor our trademarks and enforce them if necessary. We have an intellectual property claim against Swisscom arguing that Swisscom's "*InOne*" brand infringes our rights in our registered trademark "*Sunrise One*". Swisscom has raised a counter-claim arguing that "One" is generic and cannot be registered as a trademark.

We do not own any registered patents or copyrights that we consider to be material to our business as a whole. We grant licenses on our registered trademarks to our business partners, if such license is necessary for them to conduct their business. A number of other Swiss companies use the word "Sunrise" in their names outside of our core business classes, but we do not consider these usages a risk of any material litigation related to our *Sunrise* brand. In accordance with a previous settlement between us and a company based in California, United States, we are not permitted to use our *Sunrise* brand on certain electronic telecommunications testing equipment. We hold licenses to certain other trademarks we use in our business. For example, we concluded license agreements with Lebara Group BV and Lebara LLC.

We develop concepts and documentation as well as software that are protected by copyrights and capitalized in our statement of financial position.

**Insurance**

Our current insurance coverage is provided under company-owned insurance policies and in amounts that we believe are consistent with customary industry practices, including insurance for property damage and business interruption, professional indemnity (products and services liability), insurance against terrorism, directors' and officers' liability insurance, commercial crime insurance and certain mandatory property insurance.

## BUSINESS OF UPC SWITZERLAND

### History of UPC Switzerland

Cablecom was founded in 1994 in Switzerland through the merger of various cable operators. Through the years, it became a full-service provider, offering telephony, television and internet services for consumer and business clients. In 2005, Liberty Global acquired Cablecom, rebranded it as UPC Cablecom in 2011 and as UPC in 2016.

Since the acquisition of Cablecom, significant investments were undertaken by Liberty Global to expand the hybrid fiber coaxial ("**HFC**") footprint, upgrade the network and enhance the brand recognition of UPC. Today, UPC Switzerland's footprint covers over 2.3 million homes passed or approximately 60% of all Swiss households (excluding vacation homes), and delivers all digital cable services to another 450,000 homes passed through partner cable networks. In addition, UPC Switzerland delivers digital services over approximately 200,000 FTTH connections. UPC Switzerland is therefore the largest cable operator and key challenger to Swisscom in the market for residential video, broadband and telephony, reaching in total some 79% of Swiss households.

Throughout the years, UPC Switzerland has invested in increasing internet speeds based on DOCSIS while the competition provided internet services based on DSL technologies. Although over the last decade FTTH was rolled out in approximately 35% of Switzerland, in the remaining parts of Switzerland where FTTH is not available, UPC Switzerland's HFC footprint provides UPC Switzerland with an infrastructure advantage in delivering higher broadband speeds of up to 600 Mbps as of June 30, 2019 and up to 1 Gbps in September 2019.

To complement its triple-play offering with mobile services, UPC Cablecom launched its own mobile service as an MVNO in April 2014, making the company a full-service provider at home and on-the-go.

In September 2017, UPC Switzerland launched *MySports*, its new sports channel, which brought a fundamental change to live sports broadcasting in Switzerland. *MySports* was launched in September 2017 after the Swiss Ice Hockey Federation had awarded the media distribution rights to UPC for five years starting with the 2017/2018 season.

### Overview

UPC Switzerland offers a variety of services, which are delivered to its residential and business customers including TV, broadband internet, and fixed and mobile telephony.

UPC Switzerland's hybrid fiber coaxial network passes 2,353,300 homes in Switzerland or approximately 60% of all Swiss households, allowing residential customers access to TV, internet and fixed telephony services. Furthermore, UPC Switzerland additionally reaches approximately 450,000 homes with its services via partner networks, and approximately 200,000 homes via leased FTTH infrastructure, increasing its total coverage of the Swiss market to 79% of Swiss homes. In addition, UPC Switzerland has an MVNO agreement with Swisscom to allow its customers to purchase mobile telephony services via UPC Switzerland in addition to the fixed-line services offered.

UPC Switzerland sells bundled product packages to its residential customers with a "triple-play" offering (video, internet and telephony) being sold in one single subscription. In response to increasing demand, UPC Switzerland also sells "quad-play" services which include a mobile product in addition to the triple-play product suite.

UPC Switzerland's smaller business customers have access to a product offering which includes video, internet, fixed and mobile telephony, while UPC Switzerland's larger business customers have access to business standard VoIP and data services, wireless services for mobile voice and data and business network solutions.

As of June 30, 2019, UPC Switzerland was selling services to 2.2 million revenue generating units ("**RGUs**"), or 2.2 services on average per customer to its residential customer base, including 173,400 mobile customers.

The following tables present certain operating data for each of the financial years ended December 31, 2016, 2017 and 2018 and the six-month periods ended June 30, 2018 and 2019.

| | Year ended December 31, | | | Six-month period ended June 30, | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2018 | 2019[11] |
| Homes Passed[1] | 2,236,800 | 2,281,600 | 2,338,200 | 2,302,500 | 2,353,300 |
| Two-way Homes Passed[2] | 2,236,800 | 2,281,600 | 2,338,200 | 2,302,500 | 2,353,300 |
| Customer Relationships[3] | 1,294,700 | 1,236,800 | 1,115,800 | 1,168,500 | 1,070,700 |
| **Total Revenue Generating Units[4][10]** | **2,513,400** | **2,487,500** | **2,302,900** | **2,390,000** | **2,228,200** |
| Basic Video Subscribers[5] | 576,500 | 520,600 | 437,200 | 469,200 | 441,300 |
| Enhanced Video Subscribers[6] | 675,200 | 679,900 | 645,800 | 665,300 | 599,400 |
| **Total Video** | **1,251,700** | **1,200,500** | **1,083,000** | **1,134,500** | **1,040,700** |
| Internet Subscribers[7] | 749,800 | 749,300 | 700,300 | 725,100 | 676,700 |
| Telephony Subscribers[8] | 511,900 | 537,700 | 519,600 | 530,400 | 510,800 |
| Mobile Subscribers[9] | 80,300 | 114,800 | 146,300 | 129,400 | 173,400 |

(1) Homes Passed are homes, residential multiple dwelling units or commercial units that can be connected to UPC Switzerland's networks without materially extending the distribution plan ("**Homes Passed**"). Homes Passed counts are based on census data that may change based on either revisions to the data or from new census results. Due to the fact that UPC Switzerland does not own the partner networks (see footnote 10 below), it does not report homes passed for partner networks.

(2) Two-way Homes Passed are Homes Passed by those sections of UPC Switzerland networks that are technologically capable of providing two-way services, including video, broadband internet and telephony services ("**Two-way Homes Passed**").

(3) Customer Relationships is the number of customers who receive at least one of UPC Switzerland's video, broadband internet or telephony services that it counts as RGU, without regard to which or to how many services they subscribe "**Customer Relationships**". To the extent that RGU counts include equivalent billing unit ("**EBU**") adjustments, UPC Switzerland reflects corresponding adjustments to its Customer Relationship counts. For further information regarding EBU calculation, see footnote 4 below. Customer Relationships generally are counted on a unique premises basis. Accordingly, if an individual receives UPC Switzerland's services in two premises (*e.g*., a primary home and a vacation home) that individual generally will count as two Customer Relationships. UPC Switzerland excludes mobile-only customers from Customer Relationships.

(4) Each Basic Video Subscriber, Enhanced Video Subscriber, Internet Subscriber or Telephony Subscriber is considered a separate RGU. A home, residential multiple dwelling unit or commercial unit may contain one or more RGUs. For example, if a residential customer subscribed to enhanced video service, telephony service and broadband internet service, the customer would constitute three RGUs. Total RGUs is the sum of Basic Video, Enhanced Video, Internet and Telephony Subscribers. RGUs generally are counted on a unique premises basis such that a given premises does not count as more than one RGU for any given service. On the other hand, if an individual receives one of UPC Switzerland services in two premises (*e.g*., a primary home and a vacation home) that individual will count as two RGUs for that service. Each bundled cable, broadband internet or telephony service is counted as a separate RGU regardless of the nature of any bundling discount or promotion. Non-paying subscribers are counted as subscribers during their free promotional service period. Some of these subscribers may choose to disconnect after their free service period. Services offered without charge on a long-term basis (*e.g*., VIP subscribers, free service to employees etc.) generally are not counted as RGUs. UPC Switzerland does not include subscriptions to mobile services in externally reported RGU counts. In this regard, UPC Switzerland's RGU counts as of June 30, 2019 exclude its separately reported post-paid mobile subscribers.

UPC Switzerland provides fixed-line telephony, broadband internet, data, video or other business services. Certain of UPC Switzerland's business service revenue is derived from small or home office ("**SOHO**") subscribers that pay a premium price to receive enhanced service levels along with video, broadband internet or telephony services that are the same or similar to the mass-marketed products offered to its residential subscribers. All mass-marketed products provided to SOHOs, whether or not accompanied by enhanced service levels and/or premium prices, are included in the respective RGU and customer counts of broadband communications operations, with only those services provided at premium prices considered to be "SOHO RGUs" or "SOHO customers". With the exception of business SOHO subscribers, UPC Switzerland generally does not count customers of business services as customers or RGUs for external reporting purposes.

Certain of UPC Switzerland's residential and commercial RGUs are counted on an EBU basis, including residential multiple dwelling units and commercial establishments. EBUs are generally calculated by dividing the bulk price charged to accounts in an area by the most prevalent price charged to non-bulk residential customers in that market for the comparable tier of service. As such, UPC Switzerland may experience variances in EBU counts solely as a result of changes in rates.

(5) Basic Video Subscriber is a home, residential multiple dwelling unit or commercial unit that receives UPC Switzerland's video service over its broadband network via a digital video signal without subscribing to any recurring monthly service that requires the use of encryption-enabling technology ("**Basic Video Subscriber**"). Encryption-enabling technology includes conditional access security cards or "smart cards", or other integrated or virtual technologies that UPC Switzerland uses to provide its enhanced service offerings. With the exception of RGUs that UPC Switzerland counts on an EBU basis, it counts RGUs on a unique premises basis. In other words, a subscriber with multiple outlets in one premise is counted as one RGU and a subscriber with two homes and a subscription to UPC Switzerland's video service at each home is counted as two RGUs.

(6) Enhanced Video Subscriber is a home, residential multiple dwelling unit or commercial unit that receives UPC Switzerland's video service over its broadband network or through a partner network via a digital video signal while subscribing to any recurring monthly service that requires the use of encryption-enabling technology ("**Enhanced Video Subscriber**"). Enhanced Video Subscribers that are not counted on an EBU basis are counted on a unique premises basis. For example, a subscriber with one or more set-top boxes that receives its video service in one premises is generally counted as just one subscriber. An Enhanced Video Subscriber is not counted as a Basic Video Subscriber. As UPC Switzerland migrates customers from basic to enhanced video services, it reports a decrease in its Basic Video Subscribers equal to the increase in its Enhanced Video Subscribers. Subscribers to enhanced video services provided over partner networks receive basic cable services from the partner networks as opposed to UPC Switzerland's operations.

(7) Internet Subscriber is a home, residential multiple dwelling unit or commercial unit that receives broadband internet services over UPC Switzerland's networks, or that UPC Switzerland services through a partner network ("**Internet Subscriber**"). UPC Switzerland's Internet Subscribers do not include customers that receive services from dial-up connections. UPC Switzerland offers a 2 MBps internet service to its Basic and Enhanced Video Subscribers without an incremental recurring fee. Internet Subscribers include 73,200 subscribers who have requested and received this service as of June 30, 2019.

(8) Telephony Subscriber is a home, residential multiple dwelling unit or commercial unit that receives voice services over UPC Switzerland's networks, or that UPC Switzerland services through a partner network ("**Telephony Subscriber**"). Telephony Subscribers exclude mobile telephony subscribers. UPC Switzerland offers a basic phone service to its Basic and Enhanced Video Subscribers without an incremental recurring fee. Telephony Subscribers include 167,000 subscribers who have requested and received this service as of June 30, 2019.

(9) Mobile Subscriber is an active subscriber identification module ("**SIM**") card in service rather than services provided ("**Mobile Subscriber**"). For example, if a Mobile Subscriber had both a data and a voice plan on a smartphone this would equate to one Mobile Subscriber. Alternatively, a subscriber who had a voice and a data plan for a mobile handset and a data plan for a laptop (via a dongle) would be counted as two Mobile Subscribers.

(10) Pursuant to service agreements, UPC Switzerland offers enhanced video, broadband internet and telephony services over networks owned by third-party cable operators referred to as "partner networks". A partner network RGU is only recognized if there is a direct billing relationship with the customer. As of June 30, 2019, UPC Switzerland's partner networks accounted for 122,900 of UPC Swizerland's Customer Relationships, 300,000 of its RGUs, 106,800 of its Enhanced Video Subscribers, 109,000 of its Internet Subscribers and 84,200 of its Telephony Subscribers.

(11) In June 2019, UPC Switzerland changed its subscriber counting methodology associated with certain cable customers with more than one set-top box in their home. These changes resulted in a decrease to Customer Relationships and Enhanced Video RGUs of 2,500 and 26,000, respectively, and an increase to Basic Video RGUs of 22,200 as of June 30, 2019. Prior periods have not been adjusted for this change in methodology, and as such, amounts in the table above for periods prior to June 30, 2019 are not fully comparable.

The table below presents UPC Switzerland's network data and product penetration for the financial years ended December 31, 2016, 2017 and 2018 and the six-month periods ended June 30, 2018 and 2019.

| | Year ended December 31, | | | Six-month period ended June 30, | |
|---|---|---|---|---|---|
| | **2016** | **2017** | **2018** | **2018** | **2019** |
| **Network Data:** | | | | | |
| Two-way homes passed (HP) percentage(1) | 100 | 100 | 100 | 100 | 100 |
| Video availability percentage(2) | 100 | 100 | 100 | 100 | 100 |
| Broadband internet availability percentage(2) | 100 | 100 | 100 | 100 | 100 |
| Fixed-line telephony availability percentage(2) | 100 | 100 | 100 | 100 | 100 |
| Bandwidth percentage(3) | | | | | |
| at least 860 MHz | 100 | 100 | 100 | 100 | 100 |
| 750 MHz to 859 MHz | — | — | — | — | — |
| less than 750 MHz | — | — | — | — | — |
| **Product Penetration:** | | | | | |
| Cable television penetration(4) | 56 | 53 | 46 | 49 | 44 |
| Enhanced Video penetration(5) | 54 | 57 | 60 | 59 | 58 |
| Broadband internet penetration(6) | 34 | 33 | 30 | 31 | 29 |
| Fixed telephony penetration(6) | 23 | 24 | 22 | 23 | 22 |
| Double-play penetration(7) | 18 | 17 | 16 | 17 | 16 |
| Triple-play penetration(7) | 38 | 42 | 45 | 44 | 46 |
| Fixed-Mobile Convergence Penetration(8) | 8 | 10 | 14 | 12 | 16 |
| **Video services:** | | | | | |
| Number of out-of-home channels available (second screen) | 60 | 150 | 304 | 150 | 304 |
| Availability of Replay TV | Yes | Yes | Yes | Yes | Yes |
| Number of channels in basic digital tier | 125 | 135 | 240 | 135 | 240 |
| **Broadband internet service:** | | | | | |
| Maximum download speed offered (Mbps) | 500 | 500 | 500 | 500 | 600 |
| **Fixed-line telephony and mobile services:** | | | | | |
| Number of post-paid Mobile SIM cards (in 000's)(9) | 80 | 115 | 146 | 129 | 173 |

(1) Percentage of total Homes Passed that are Two-way Homes Passed.

(2) Percentage of total Homes Passed to which video, broadband internet or fixed-line telephony services, as applicable, are made available as of June 30, 2019.

(3) Percentage of total Homes Passed served by a network with the indicated bandwidth. Information as of June 30, 2019.

(4) Subscribers to a cable television service (Basic Video Subscribers or Enhanced Video Subscribers) as a Percentage of total Homes Passed (excluding partner networks).

(5) Percentage of cable television subscribers (Basic Video Subscribers and Enhanced Video Subscribers) that are Enhanced Video Subscribers.

(6) Percentage of Two-way Homes Passed (excluding partner networks) that subscribe to broadband internet or fixed-line telephony services, as applicable.

(7) Percentage of total customers that subscribe to two services (double-play customers) or three services (triple-play customers) (video, broadband internet and fixed-line telephony).

(8) Fixed-Mobile convergence penetration represents the number of customers who subscribe to both UPC Switzerland's broadband internet service and its post-paid mobile service, divided by the number of customers who subscribe to its broadband internet service.

(9) Represents the number of active SIM cards in service.

**Products and Services**

***Video Services***

UPC Switzerland's video service is, and continues to be, one of the key foundations of its product offerings. Its cable operations offer multiple tiers of video programming and radio services starting with a basic cable service ("**BCS**"), that is no longer actively sold. UPC Switzerland still maintains a customer base on this legacy BCS product, which was available on a standalone basis (mainly TV broadcasting) or was required as a basis for legacy digital products. Subscribers to BCS pay a fixed monthly fee and generally receive at least 90 video channels in digital quality (including a limited number of high definition ("**HD**") channels) and several digital and analog radio channels.

UPC Switzerland also offers an enhanced video offering that includes an electronic programming guide, access to Video on Demand ("**VoD**") services and the recording of TV programs. These offerings are available through a set-top box, online on PC or laptop or through an online app (iOS and Android based).

To meet customer demands, UPC Switzerland has enhanced its video services with various products that enable its customers to control when, where and how they watch their programming. These products range from common interface (CI+) cards (conditional access) and legacy set-top boxes to the latest generations of set-top boxes such as the new UPC TV experience that includes a highly functional mobile application. The new UPC TV experience offers a sophisticated user interface that enables customers to view and share, across multiple devices, linear channels, VoD programming and personal media content and to pause, replay and record programming.

For the enhanced video subscribers, UPC Switzerland offers various features and functionalities, including over 330 television apps for various online services (such as YouTube, Netflix, social media platforms, sports experience, music, news and games). UPC Switzerland also offers an online mobile app for viewing on a second screen. This is available on mobile devices (iOS and Android), some third-party devices, such as Chromecast, and via an internet portal (PC and laptop) and allows video customers to view linear channels and VoD, with a substantial part of this content available outside of the home. The app also contains various other functionalities such as remote control and remotely recording TV programs. The latest remote control that comes with UPC TV offers voice control functionality and use of profiles for various members in a household.

One of UPC Switzerland's key video service is "*Replay TV*". *Replay TV* records virtually all programs across numerous linear channels. The recordings are available for seven days after the original broadcast. This feature allows customers to catch up on their favorite television shows without having to set their DVR or browse separate menus on their set-top boxes. Instead, customers can open the electronic programming guide, scroll back and replay linear programming instantly. *Replay TV* also allows customers to replay a television program from the start even while the live broadcast is in progress.

Subscribers access the enhanced video service by renting a set-top box with a smart card from UPC Switzerland's operators, or without a set-top box if a subscriber is only using its basic cable service. No set-top box or smart card, however, is required to receive UPC Switzerland's basic digital services in its unencrypted footprints. In addition, expanded channel packages and premium channels and services are available for an incremental monthly fee.

For an additional monthly charge, a subscriber may upgrade to one of UPC Switzerland's extended digital tier services and receive an increased number of video and radio channels, including the channels in the basic tier service and additional HD channels. Subscribers may also subscribe to one or more packages of premium channels that meet the special interests of certain subscriber groups for an additional monthly charge. UPC Switzerland also offers access to thousands of movies and series through its subscription VoD service "*MyPrime*" which is included in some of the digital video tiers. UPC Switzerland continues to develop its VoD services to provide a collection of programming from local and international suppliers, such as ABC/Disney, A+E Networks, NBC/Universal, CBS/Paramount, BBC, Warner TV and Sony, among others.

UPC Switzerland tailors its video services based on programming preferences, culture, demographics and local regulatory requirements. Its channel offerings include general entertainment, sports, movies, documentaries, lifestyles, news, adult, children as well as ethnic and foreign channels.

UPC Switzerland offers to subscribers a bundle of two or more of UPC Switzerland's services ("**bundled services**"): video, broadband internet, fixed-line telephony and mobile services. UPC Switzerland's ability to offer such bundles, including fixed-mobile converged bundles is one of its key strategies to attract and retain customers.

***WiFi and Broadband Internet Services***

UPC Switzerland's fiber-rich broadband network is the backbone of its business and the basis of its connectivity strategy. To meet its customers' expectations to be seamlessly connected, UPC Switzerland invests in the expansion of its broadband network WiFi solutions and customer premises equipment.

Internet speed is of crucial importance to customers, as they spend increasingly more time streaming video and other bandwidth-heavy services on multiple devices. Its extensive broadband network enables UPC Switzerland to deliver ultra high-speed internet services of up to 600 Mbps as of June 30, 2019 and up to 1 Gbps in September 2019. In addition, by leveraging its existing fiber-rich broadband networks and its network extension programs, UPC Switzerland is well-positioned to deliver Gbps services. By deploying the next-generation DOCSIS 3.1 technology in September 2019, UPC Switzerland has started to offer download speeds of 1 Gbps in September 2019. DOCSIS technology is an international standard that defines the requirements for data transmission over a cable system.

UPC Switzerland's broadband internet service generally includes email, address book and security features such as anti-spam and anti-phishing. It offers value-added broadband services for an incremental charge. These services include security (*e.g.*, anti-virus, anti-spyware and firewall protection). Subscribers to UPC Switzerland's broadband internet service pay a monthly fee based on the tier of service selected. In addition to the monthly fee, customers pay an activation service fee upon subscribing to an internet service. This one-time fee may be waived for promotional reasons. UPC Switzerland determines pricing for each different tier of internet service through an analysis of speed, market conditions and other factors.

In late 2015, UPC Switzerland introduced the "Connect Box", a dedicated connectivity device (modem or router) that delivers superior in-home WiFi coverage. The Connect Box is UPC Switzerland's next generation WiFi and telephony gateway that enables UPC Switzerland to maximize the impact of its ultra high-speed broadband networks by providing reliable wireless connectivity anywhere in the home. It has an automatic WiFi optimization function, which selects the best possible wireless frequency at any given time. This gateway can be self-installed and allows customers to customize their home WiFi service. Robust wireless connectivity is increasingly important with customers spending more and more time using bandwidth-heavy services on multiple devices. By the end of the second quarter of 2019, over 75% of the broadband subscribers had a Connect box as their gateway.

UPC Switzerland has deployed community WiFi via routers in the home ("Community WiFi"), which provides a secure access to the internet for its customers. Community WiFi is enabled by a cable modem WiFi access point ("WiFi modem") of internet customers. The Community WiFi is created through the sharing of access to the public channel of the customers' home wireless routers. Use of the Community WiFi does not affect the internet speeds of the customers. The public channel is a separate network from the secure private network used by the customer within the home and is automatically enabled when the WiFi modem is installed. Access is free for UPC Switzerland's internet customers. As of June 30, 2019, UPC Switzerland had more than 500,000 WiFi access points in its footprint and customers were also eligible to use more than 10 million access points throughout Europe and the United States when travelling.

***Telephony Services***

Multi-feature telephony services are available through VoIP technology. UPC Switzerland pays interconnect fees to other telephony and internet providers when calls by its subscribers terminate on another network and receives similar fees from providers when calls by their users terminate on UPC Switzerland's network through interconnection points.

UPC Switzerland's telephony service includes a basic fixed-line telephony product for line rental and various calling plans, which may consist of any of the following: unlimited network, national or international calling, unlimited off-peak calling and minute packages, including calls to fixed and mobile phones. UPC Switzerland also offers value added services, such as a personal call manager, unified messaging and a second or third phone line at an incremental cost.

### *Mobile Services*

Mobile services are another key element for UPC Switzerland to provide customers with seamless connectivity. UPC Switzerland offers mobile services as an MVNO over a third-party network (Swisscom) in Switzerland. UPC Switzerland leases the third-party's radio access network and owns the core network, including switching, backbone and interconnections. This arrangement permits UPC Switzerland to offer its customers mobile services without having to build and operate a cellular radio tower network.

Subscribers pay varying monthly fees depending on whether the mobile service is combined with fixed-line telephony service or includes mobile data services via mobile phones, tablets or laptops. UPC Switzerland offers its customers the option to purchase mobile handsets and to make such purchase pursuant to a contract independent of their mobile services contract, which it refers to as split contracts. However, the purchase of a mobile handset without an existing UPC mobile service contract is not possible.

UPC Switzerland typically charges a one-time activation fee to its customers for each SIM card. UPC Switzerland's mobile services typically include voice, short message service and internet access. Calls, both within and outside of network, incur a charge or are covered under a post-paid monthly service plan. UPC Switzerland's mobile services are solely on a post-paid basis. Subscribers to a double-or triple-play bundle may receive a discount on their mobile service fee or other promotional value.

### *Landlords and Partner Networks*

For approximately two thirds of the Basic Cable Subscribers, UPC Switzerland maintains billing relationships with landlords or housing associations and provides basic cable service to the tenants. The landlord or housing association administers the billing for the basic cable service with their tenants and manages service terminations for their rental units. When tenants purchase any of the currently offered bundles, with or without mobile service from UPC Switzerland, they then migrate to a direct billing relationship with UPC Switzerland.

UPC Switzerland offers enhanced video, broadband internet and telephony services directly to the basic cable subscribers of those partner networks that enter into service operating contracts with UPC Switzerland. UPC Switzerland has the direct customer billing relationship with these subscribers. By permitting UPC Switzerland to offer some or all of its enhanced video, broadband internet and telephony services directly to those partner network subscribers, UPC Switzerland's service operating contracts have expanded the addressable markets for UPC Switzerland's digital products. In exchange for the right to provide digital products directly to the partner network subscribers, UPC Switzerland pays to the partner network a share of the revenue generated from those subscribers. UPC Switzerland also provides network maintenance services and engineering and construction services to its partner networks.

### *Business Services*

In addition to its residential services, UPC Switzerland offers business services. UPC Switzerland aims to enhance its capabilities and offerings in the business sector to become a preferred provider in the business market. Customer experience and strategic marketing play a key role in this strategy.

For business and public sector organizations, UPC Switzerland provides a range of voice, advanced data, video, wireless and cloud-based services, as well as mobile and converged fixed-mobile services. UPC Switzerland's business customers include SOHO (generally up to five employees), small businesses and medium and large enterprises including large retailers, cantonal banks, hospitals and public administrations. It also provides business services on a wholesale basis to other operators.

UPC Switzerland's business services are designed to meet the specific demands of its business customers with a wide range of services, including increased data transmission speeds and virtual private networks. These services fall into six broad categories:

- VoIP and circuit-switch telephony, hosted private branch exchange solutions and conferencing options;
- data services for internet access, virtual private networks and high-capacity point-to-point services;
- wireless services for mobile voice and data, as well as managed WiFi networks;

- business network and information and communication technology solutions;
- video programming packages and select channel line-ups for targeted industries; and
- value added services, including web-hosting, managed security systems and storage and cloud-enabled software.

UPC Switzerland's business services are provided to customers at contractually established prices based on the size of the business, type of services received and the volume and duration of the service agreement. SOHO and small business customers pay business market prices on a monthly subscription basis to receive enhanced service levels and business features that support their needs. For more advanced business services, these customers generally enter into a separate service agreement. For medium to large business customers, UPC Switzerland enters into individual agreements that address their specific needs.

**Network and Infrastructure**

UPC Switzerland's video, broadband internet and fixed-line telephony services are transmitted over a hybrid fiber coaxial cable network. This network is composed primarily of national and regional fiber networks, which are connected to the home over the last few hundred meters by coaxial cable.

UPC Switzerland closely monitors its network capacity and customer usage. Where necessary, it increases its capacity incrementally, for instance by splitting nodes in its cable network. UPC Switzerland also continues to explore improvements to its services and new technologies that will enhance its customers' connected entertainment experience. Such actions include recapturing bandwidth and optimizing its networks by increasing the number of nodes, exchanging active components within lifecycle management, converting linear TV channels to nonlinear IP channels in order to increase DOCSIS capacity, moving from DOCSIS 3.0 to DOCSIS 3.1, bringing optic fiber further closer towards the home within the node split projects, using digital compression technologies and increasing network quality by new technologies in order to enhance modulation and gain capacity. In addition, improvements also include freeing spectrum for high-speed internet, VoD and other services by shifting broadcasted channels in quadrature amplitude modulation (QAM) towards IP delivery without changes in customer experience, increasing the efficiency of its networks by moving head-end functions (encoding, transcoding and multiplexing) to cloud storage systems, enhancing its network to accommodate business services, using wireless technologies to extend its services outside of the home, offering remote access to its video services through laptops, smart phones and tablets and testing new technologies.

UPC Switzerland is expanding its hybrid fiber coaxial cable network through its network extension program. In addition, it is seeking mobile service opportunities where it has established cable networks and expanding its fixed-line networks where it has a strong mobile offering. This will allow UPC Switzerland to offer converged fixed-line and mobile services to its customers.

UPC Switzerland delivers high-speed data and fixed-line telephony over its broadband network. UPC Switzerland's cable networks are connected to Liberty Global's "Aorta" network backbone. The Aorta backbone is recognized as a "Tier 1 Carrier" among international network operators, which permits UPC Switzerland to serve its customers through settlement-free collaboration with other carriers without the cost of using a third-party network. According to the terms of a transitional services agreement to be entered into at completion of the Acquisition of the UPC Group under which Liberty Global will provide certain transitional services to UPC Switzerland, UPC Switzerland will not lose its Tier 1 Carrier status for a period of at least two years after it is acquired by Sunrise.

In support of its connectivity strategy, UPC Switzerland is moving its customers into a connected, digital world with faster data transfer speeds. UPC Switzerland's network is already capable of supporting the next generation of ultra high-speed internet service at Gbps speeds. To provide these speeds to its subscribers, UPC Switzerland is launching its next generation gateways that will enable DOCSIS 3.1 technology throughout its footprint. The launch of DOCSIS 3.1 technology in September 2019 allows UPC Switzerland to offer faster speeds and better services. The new gateways and the continued upgrades to UPC Switzerland's network in the coming years will allow it to maximize high-speed connectivity over its broadband network and deliver gigabit services in a cost-effective manner. UPC Switzerland believes it will also allow UPC Switzerland to meet the expectations of its customers for high-speed internet access both in cities and rural areas of its footprint.

**Supply Sources and Certain Contracts Relating to the Operation of UPC Switzerland's Business**

***Content***

UPC Switzerland's content strategy is based on:

- proposition (exceeding its customers' entertainment desires and expectations);
- product (delivering the best content available);
- procurement (investment in the best brands, shows and sports); and
- partnering (strategic alignment, acquisitions and growth opportunities).

UPC Switzerland licenses almost all of its programming and on-demand offerings from content providers and third-party rights holders, including broadcasters and cable programming networks. For such licenses, it generally pays a monthly fee on a per channel or per subscriber basis, with minimum pay guarantees in certain cases. UPC Switzerland generally enters into long-term programming licenses with volume discounts and marketing support. For on-demand programming and streaming services, it generally enters into shorter-term agreements. For its distribution agreements, UPC Switzerland seeks to acquire the rights to offer the licensed programming to its customers through multiple delivery platforms and through its app for smartphones and tablets.

In seeking licenses for content, UPC Switzerland's primary focus is on partnering with leading international providers, such as Disney, Time Warner (including HBO), Fox, NBC Universal and Discovery. It also seeks to carry key public and private broadcasters and it acquires local premium programming through select relationships with companies. For its VoD services, UPC Switzerland licenses a variety of programming, including box sets of television series, movies, children's programming and documentaries. In addition, UPC Switzerland has entered into a multi-year revenue sharing arrangement with Netflix to provide its customers with premium over-the-top services. The partnership results in Netflix's content being available via set-top boxes to UPC Switzerland's video customers.

Exclusive content is another element of UPC Switzerland's content strategy. To support this approach, it invests in content assets. For example, UPC Switzerland launched the premium sports network, *MySports*, in 2017. In addition, UPC Switzerland is commissioning its own dramas, such as the Lionsgate/Liberty Global co-produced TV series "The Rook" or local entertainment shows such as the "Stand-up Comedy Show" or the Swiss sitcom "Die Lehrer" that are exclusively available to UPC Switzerland's video customers.

***Customer Premises Equipment***

UPC Switzerland purchases each type of customer premises equipment from a number of different suppliers with at least two or more suppliers providing its high-volume products. Customer premises equipment includes set-top boxes, modems, WiFi routers, DVRs, tuners and similar devices. For each type of equipment, it retains specialists to provide customer support. For its broadband services, UPC Switzerland uses a variety of suppliers for its network equipment and the various services it offers. Similarly, it uses a variety of suppliers for mobile handsets to offer its customers mobile services.

***Software Licenses***

UPC Switzerland licenses software products, including email and security software, and content, such as news feeds, from several suppliers for its internet services. The agreements for these products require UPC Switzerland to pay a per subscriber fee for software licenses and a share of advertising revenue for content licenses. For its mobile network operations and its fixed-line telephony services, UPC Switzerland licenses software products, such as voicemail, text messaging and caller ID, from a variety of suppliers. For these licenses it seeks to enter into long-term contracts, which generally require UPC Switzerland to pay based on usage of the services.

***Access Arrangements***

For its mobile services provided through MVNO arrangements, UPC Switzerland is dependent on third-party wireless network providers. For its MVNO operations, UPC Switzerland has an agreement with

Swisscom to carry the mobile communications traffic of its customers. It seeks to enter into medium to long-term arrangements for these services.

The following is a brief summary of certain supply sources and contracts relating to the operation of UPC Switzerland's business.

- *Swiss Ice Hockey Federation License Agreement*. In February 2017, UPC Switzerland and the Swiss Ice Hockey Federation entered into a license agreement regarding the granting of exclusive media distribution rights to UPC for five seasons starting with the 2017/2018 season. The license covers, *inter alios*, the rights to broadcast the games of the first and second Swiss national ice hockey league (National and Swiss League) and the home games of the Swiss national team. The agreement also provides a corresponding obligation to broadcast (*Verwertungsverpflichtung*) several games, e.g. UPC Switzerland is required to broadcast all games of the first Swiss ice hockey league. The games can be watched on UPC Switzerland's new sports channel *MySports*. Under the agreement, UPC Switzerland may grant sub-licenses to third parties. See "*—Court, Arbitral and Administrative Proceedings"*.

- *Cooperation Agreement for PayTV Distribution with Sky Deutschland.* In July 2017, UPC Switzerland as channel provider and Sky Deutschland Fernsehen GmbH & Co. KG ("**Sky Germany**") together with Sky Switzerland SA (formerly known as Homedia SA) entered into a cooperation agreement for PayTV distribution under which Sky Germany grants UPC Switzerland the non-transferable right to exhibit Sky Germany's television channels broadcasting the first and second German football league (*1. Bundesliga* and *2. Bundesliga*) games for a four-year period starting with the 2017/2018 season. The cooperation agreement was amended by an amendment agreement in September 2018 under which UPC Switzerland granted Sky Switzerland SA the non-exclusive right to market, distribute and sell *MySportsGo* on behalf of UPC Switzerland on the Sky App to end customers.

- *Swisscom MVNO*. Effective as of November 30, 2017, Swisscom as service provider and UPC Switzerland as service recipient entered into an MVNO agreement regarding the provision of a host network and certain services to enable UPC Switzerland to offer mobile communication services to its customers on the mobile network of Swisscom. The MVNO agreement has an initial term of five years. UPC Switzerland may terminate the agreement by twelve- months' notice prior to the end of the initial term. Swisscom has an extraordinary termination right due to a change of control clause that will be triggered at completion of the Acquisition. If a notice of termination is given, the parties shall continue to perform their obligations under the MVNO agreement until such time as all UPC customers have been transferred to a third party up to a maximum period of eigthteen months from the date of effective termination. See "*Risk Factors—Risks related to the Acquisition of the UPC Group—The Acquisition could entitle suppliers, service providers or other contractual partners to terminate their contracts with UPC Switzerland or result in contractually agreed restrictions for our business*".

- *Copyright levies paid to SUISSEDIGITAL*. SUISSEDIGITAL is the trade association of Swiss communication networks. UPC Switzerland pays copyright fees to the copyright collecting societies, Suisa, Suissimage and Société Suisse des Auteurs, via SUISSEDIGITAL.

- *Network Infrastructure Agreements.* In 2011, UPC Switzerland (formerly known as Cablecom GmbH) entered into various network infrastructure framework agreements with Cablex AG, Cablegroup AG and Isen Tiefbau AG. These suppliers provide infrastructure, construction and maintenance services to UPC Switzerland. The agreements have indefinite terms and may be terminated by giving six months' prior notice.

**Information Technology Systems**

UPC Switzerland's IT system is a highly integrated and adapted system for UPC Switzerland's business needs, serving all areas of IT functionalities from network operations support systems to customers and sales channel support. It uses state-of-the-art capabilities, such as micro services or representational state transfer interfaces to react quickly on changing demands and to maintain simplicity within the IT system stack. Core functionalities which are reusable for other Liberty Global entities are shared, developed and operated, whereas local needs are covered by local applications optimized for Swiss market needs. IT applications that are operated for reusable applications are hosted in data centers across Europe, whereas local applications are hosted in a data center in Switzerland operated by UPC Switzerland.

UPC Switzerland has an IT operating and development model that has been adapted to agile and traditional methods to best serve its business needs. UPC Switzerland has continuous improvement programs that it can complete in two to three-week cycles. UPC Switzerland's digital systems provide an omni-channel experience for its customers and a full 360-degree handling and view for its call center agents. The digital transformation is based on a layered and data-driven IT system.

**Sales Channels**

UPC Switzerland distributes its products through a mixed channel approach using both direct and indirect channels. For direct distribution, UPC Switzerland uses online channels, inbound and outbound telesales, and a network of own stores and service points within third-party locations. As of June 30, 2019, UPC Switzerland operated ten stores and 41 service points. With its digitalization program "*Simply Digital*", UPC Switzerland targets to further improve the performance of its online channels. For indirect distribution, UPC Switzerland has entered into agreements with both larger chains, such as Mobilezone, Interdiscount, MediaMarkt and Fust and specialized retailers. In total, UPC Switzerland works with more than 600 third-party points of sale. Additionally, UPC Switzerland's sales activities include temporary points of sale such as pop-up stores and fairs.

**Marketing and Branding**

UPC Switzerland believes that it has a well-known, innovative and solid brand image that focuses on speed leadership and best entertainment.

As the first telecommunication services provider to launch superfast internet in Switzerland more than ten years ago, UPC Switzerland positioned itself at the forefront of connectivity technology. UPC Switzerland's entertainment and TV offering has also been central to shaping the brand. Brand tracking results in 2019 commissioned by UPC Switzerland reveal that UPC Switzerland leads in brand attributes for connectivity and entertainment, including fastest internet connection, and provides access to a world of entertainment on all devices.

UPC Switzerland's brand, communication and media strategy focuses on the customer value proposition. It utilizes a full range of channels and strategies focusing on delivering the right message, to the right consumer, at the right time. Classic TV media is used for fast awareness across the whole country, while Out of home delivers a more targeted message in high traffic areas around Switzerland. UPC Switzerland uses data and new digital technology to drive online sales, and to take the relevant messages to consumers whilst strengthening its brand.

In addition, UPC Switzerland focuses on direct customer communication thorough its below-the-line and point-of-sale materials to support its marketing initiatives. It covers all main channels including online, retail and customer care and partner networks.

**Credit Management and Billing**

For UPC Switzerland's digital cable customers (video, broadband internet and telephony), bills are sent out directly on a monthly basis. Recurring fees are billed in advance for the upcoming months and usage fees are billed for the previous month. For business customers, the same procedure is applied; however, for a small number of business customers, bills are sent out less frequently than monthly. For BCS customers, billing is either done directly, mostly on a quarterly basis, or via the landlord. For the latter, UPC Switzerland is providing BCS services to the landlord for its buildings based on the number of tenants using this service. The landlord, in turn, may or may not charge the tenant for providing this service via the utility bill. The landlords are mostly billed on an annual basis. UPC Switzerland offers only post-paid for mobile customers. Customers are billed on a monthly basis similar to digital cable customers. UPC Switzerland performs for all customers credit evaluations, monitors customer collections and payments, and maintains a provision for estimated credit losses.

**Competition**

UPC Switzerland operates in a highly competitive and rapidly evolving market. Technological advances and product innovations have increased and are likely to continue to increase giving customers several options for the provision of their telecommunications services. UPC Switzerland's customers want access to high-quality telecommunication services that allow for seamless connectivity. Accordingly, UPC Switzerland's ability to offer converged services (video, internet, fixed telephony and mobile) is a key component of its strategy. UPC Switzerland competes with companies that provide fixed-mobile convergence bundles, as well as companies that are established in one or more communication products and services. Consequently, its business faces significant competition. UPC Switzerland seeks to differentiate its telecommunication services by focusing on customer service, competitive pricing and quality high-speed internet, positioning itself as a speed leader in the delivery of broadband services, and as a provider of the leading and innovative video platform (set-top box and app). This goal is supported by UPC Switzerland's "value for money" pricing strategy and strong customer service.

**Real Property**

As of June 30, 2019, UPC Switzerland held a total of 435 lease contracts with a total space of 47,300 square meters, 5,300 square meters of which are subleased to third parties. The vast majority of these lease contracts relate to smaller locations for hubs and the head-end. Furthermore, 17 of these leased properties are datacenters, ten of them are shops and two are TV studios. The biggest rental space is the UPC Switzerland headquarters in Wallisellen with a total area of 21,100 square meters, approximately 5,000 square meters of which are subleased to third parties.

As of June 30, 2019, UPC Switzerland also owned 20 properties, ten of which are antenna sites. UPC Switzerland also held 43 building rights, mainly for antenna sites. Owned property and building rights serve important network functions and are partly subleased.

While the UPC Switzerland's real estate portfolio for its offices and shops is simply structured, the portfolio for its network includes a variety of different arrangements customary for a network operator.

UPC Switzerland believes that its facilities meet its present needs and that its properties are generally well maintained and suitable for their intended use. Sunrise intends to restructure some of UPC Switzerland's real properties upon completion of the Acquisition.

**Employees**

As of June 30, 2019, UPC Switzerland including its consolidated subsidiaries, had an aggregate of approximately 1,638 employees (FTE), certain of whom belong to organized unions and works councils. Certain subsidiaries also use contract and temporary employees, which are not included in this number, for various projects. UPC Switzerland believes that its employee relations are good. UPC Switzerland had 1,547, 1,430 and 1,457 employees (FTE), as of December 2018, 2017 and 2016, respectively.

UPC Switzerland sponsors four defined contribution pension plans. The total plan assets amounted to CHF 333.6 million as of December 31, 2018.

**Court, Arbitral and Administrative Proceedings**

UPC Switzerland is subject to various court, arbitral and administrative proceedings in the ordinary course of its business. In addition, it is from time to time subject to audits and investigations, some of which may in the future result in proceedings being instituted against UPC Switzerland. In May 2017, ComCo opened an investigation against UPC Switzerland regarding an alleged abuse of a dominant position for the transmission of the ice hockey championship on pay TV, based on the exclusive broadcasting rights licensing agreement between UPC Switzerland and the Swiss Ice Hockey Federation. As of the date of this Shareholder Information Document, the investigation is still ongoing. ComCo may impose fines on UPC Switzerland and sub-licenses might have to be granted to competitors. Subject to certain specifications, the Seller agreed to indemnify Sunrise under the Share Purchase Agreement from all penalties and costs of proceedings (*Verfahrenskosten*) that may be imposed on UPC Switzerland by ComCo in relation to this matter.

As of June 30, 2019, UPC Switzerland was involved in legal proceedings with a total amount in dispute of approximately CHF 15.5 million, with approximately CHF 0.4 million involving proceedings in which it is the defendant (excluding any exposure with regards to the ComCo investigation described above). See "*Risk Factors— Risks Related to Our Market and Our Business—We face legal and regulatory dispute risks that could have a material adverse effect on our business, financial condition and results of operations*".

**Environmental Matters**

In the environmental domain, UPC Switzerland focuses mainly on reducing network energy consumption and, consequently, on reductions in greenhouse gas emissions. Energy efficiency is essential to its operations, as the largest direct environmental impact of its operations to climate is electricity consumption. Electricity consumption is also an important internal cost driver.

**Intellectual Property**

Liberty Global has registered UPC Switzerland's most important trademarks in Switzerland and, to the extent necessary, specific trademarks in other European jurisdictions. Its registration focus is on the registration of relevant brand names and logos, such as "*upc cablecom*" and "*MySports*". Liberty Global owns rights to use the "*UPC*" brand name and logo and other names of which "UPC" is a part. Liberty Global and Sunrise have entered into an agreement for temporary licensing of these trademarks upon closing of the Acquisition. Under this agreement, Sunrise is under the obligation to re-brand UPC Switzerland within two years as of the closing of the Acquisition.

The trademark protection on UPC Switzerland's registered trademarks covers the relevant international classes, including the class, that UPC Switzerland uses in conjunction with the operation of its business. The "UPC" name rights include Swiss trademarks (both word marks and figurative marks, including applications and registrations), trademarks, service marks, trade names and domain names. Outside of Switzerland, the "UPC" name is also protected by way of a Community Trademark and an IR (U.S.) registration. UPC Switzerland monitors its trademarks and enforces them if necessary. UPC Switzerland does not own any registered patents or copyrights that it considers to be material to its business as a whole. It grants license agreements relating to its registered trademarks to various parties, including distributors in its indirect channels, content providers for the mobile market and its subsidiaries.

UPC Switzerland develops concepts and documentation as well as software that are protected by copyrights and capitalized in its statement of financial position.

**Insurance**

UPC Switzerland's current insurance coverage is provided under company-owned insurance policies and in amounts that UPC Switzerland believes are consistent with customary industry practices, including insurance for property damage and business interruption, professional indemnity (products and services liability), directors' and officers' liability insurance, commercial crime insurance and certain mandatory property insurance. Insurance coverage for UPC is covered by insurance at the Liberty Global group level.

**Auditors**

The statutory auditors of UPC Switzerland are KPMG AG, Raffelstrasse 28, PO Box, CH-8045 Zurich, Switzerland who have been the auditors since 2007. The current auditor in charge is Radim Chalupa.

## REGULATION

### Overview

The Group's activities as a telecommunications services provider in Switzerland are subject to statutory regulation and supervision by various Swiss authorities, in particular ComCom and OFCOM. ComCom is the independent licensing and market regulatory authority whereas OFCOM prepares the regulatory decisions of ComCom, makes the necessary applications and implements decisions of ComCom. ComCom has delegated some of its competences to OFCOM (*e.g.*, certain allocations of frequencies for the broadcasting of radio and television programs).

In addition to ComCom and OFCOM, the Swiss antitrust authority, ComCo, as well as the Swiss price surveillance authority are also involved in regulatory issues relating to the telecommunications sector. Examples for regulatory actions by these regulators include the amicable settlement of the price surveillance authority with UPC Switzerland regarding the subscription price for cable access (the settlement expired at the end of 2015), the fine of ComCo against Swisscom regarding prices for ADSL services or regarding sport on pay TV (see "—*ComCo Investigations*" below).

Finally, the Swiss Post and Telecommunications Surveillance Service ("**PTSS**") is responsible for gathering data from telecommunications service providers if requested by law enforcement agencies and required for criminal investigations.

The relevant regulatory framework is set forth mainly in the Swiss Federal Telecommunications Act (*Fernmeldegesetz*) (the "**TCA**") and associated regulations (*e.g.*, the Swiss Federal Ordinance on Telecommunications Services (*Verordnung über Fernmeldedienste*) (the "**TCO**")), but also in the Swiss Cartel Act (*Bundesgesetz über Kartelle und andere Wettbewerbsbeschränkungen*), the Price Surveillance Act ("**PSA**"), the Swiss Ordinance on Telecommunication Installations (*Verordnung über Fernmeldeanlagen*) (the "**OTI**"), the Swiss Federal Act (the "**ASPT**") and Ordinance (the "**OSPT**") on the Surveillance of Post and Telecommunication, and the Swiss Federal Radio and Television Act (the "**RTVA**") and a related ordinance (the "**RTVO**"). With respect to certain limited services offered by the Group, the Swiss Anti-Money Laundering Act and its implementing ordinance and regulatory guidance also apply.

Although Switzerland is not a member of the European Union or the EEA and is therefore not subject to the EU telecommunications regulation, the liberalization of the Swiss telecommunications market has moved largely in parallel with the deregulation in the European Union, and it is likely to further develop in line with future regulatory developments in the European Union. Under the current regulation, there are, however, some conceptual differences between Swiss and European regulations, the most important being (i) the *ex-post* regulation in Switzerland as opposed to the *ex-ante* regulation as applicable in the European Union, (ii) the technology-based local loop unbundling ("**LLU**") regime in Switzerland granting access at LRIC conditions only to the incumbent's copper infrastructure, and (iii) the lack of specific regulation on international and national roaming, mobile termination and MVNO prices in Switzerland, it being understood that the general principles of the Swiss Cartel Act apply. However, the recently amended TCA will address some of the afore-mentioned issues, *e.g.*, roaming (see "—*Telecommunications Industry Regulation—International Roaming*" below).

### Telecommunications Industry Regulation

#### *The Swiss Federal Telecommunications Act*

The Swiss telecommunications market was liberalized in 1998, when the TCA first came into effect. This initial market liberalization was dominated by two main factors, namely considerable pressure to foster competition in the market, and at the same time, avoiding inefficient investments in duplicative infrastructure. Further, there was, and continues to be, the vision to guarantee the country-wide supply of technologically advanced telecommunications services at reasonable prices to business customers and consumer customers. In March 2019, the Swiss parliament adopted another partial revision of the TCA, which has, however, not yet entered into force. In parallel, the TCO is being revised as well. The TCA and the TCO are currently expected to be enacted during the second half of 2020.

The current TCA, provides for a substantially liberalized access regime regarding LLU (see "—*Access Regime*" below) and sets forth the general framework for the transmission of information by means of landline and mobile telecommunication. This framework includes all landline and mobile voice transmission, narrow and broadband data transmission, and the transmission of television and radio programs, irrespective of the infrastructure used. That said, television and radio programs are also regulated by the RTVA. The TCA provides a considerable degree of freedom to operate, while also protecting end-consumers. As a matter of principle, providers of telecommunications services organized and incorporated under Swiss law are not subject to any authorization or licensing requirements; instead, telecommunications providers must simply notify OFCOM of their intent to provide such services. OFCOM maintains a list of registered telecommunications providers, which is both publicly accessible and updated on a regular basis. If a foreign provider wants to offer telecommunications services in Switzerland, it may also do so upon notifying OFCOM. However, subject to bilateral or multilateral conventions, ComCom may issue an order of prohibition if the foreign provider's country of origin does not grant the same operational freedom to Swiss-incorporated providers offering services in that particular country of origin. According to the TCA, all providers must possess the technical skills and capabilities necessary to offer telecommunications services and comply with applicable laws and regulations, including compliance with labor laws and specific labor conditions in the industry.

The TCA sets forth general rules on: (i) resources, including rules regarding landline and mobile numbers; (ii) telecommunications equipment, such as devices, installations, that only regulates technical compliance, where the market has been fully liberalized; (iii) universal services, including financing (in practice, Swisscom is the only licensed provider of universal services), confidentiality of the contents of communications, and data protection (see "*Risk Factors—Risks Related to Our Market and Our Business—We collect and process customer data as part of our daily business and the leakage of such data may violate laws and regulations which could result in fines and customer churn and damage our reputation.*"); (iv) notification requirements and licenses; (v) granting of access by dominant providers; and (vi) particular obligations of telecommunications providers to protect vital national interests in certain extraordinary circumstances. The TCA also provides certain penalties for abuses, such as manipulation and prohibited use of information and interference with telecommunications and for other violations of the law. Any manipulation or abuse of communicated information or interference with telecommunications may be punished by imprisonment and fines. Less serious breaches, including, but not limited to, breaching notification and registration duties, are subject to fines up to CHF 100,000, depending on the specific facts of the case.

Under the revised TCA of March 2019, there is no general notification obligation and providers of telecommunication services must only register with OFCOM if they use (i) radio frequencies whose use requires a concession or (ii) address resources, which are administered at the national level. Registered providers may only allow the use of these resources to other providers of telecommunication services if they are also registered beforehand. The competent authority may prohibit the use of radio frequencies or addressing resources to foreign providers if their country of origin does not grant the same rights to Swiss incorporated providers offering services in that particular country of origin, *provided* there are no contradicting bilateral or multilateral conventions. According to the revision of March 2019, the LLU is still limited to the twisted metallic pair. The revised TCA of March 2019 also adds additional rules including but not limited to network neutrality (see "—*Network Neutrality*" below), internet domains and youth protection transparency requirements and roaming (see "—*International Roaming*" below). In addition, sharing of mobile networks should be facilitated by frequency pooling.

***Access Regime***

Differently from the regime in the European Union, the Swiss LLU regime follows an *ex-post* regulation approach, making it necessary for operators first to negotiate the conditions of access and only request an intervention by the regulator if such negotiations fail. As in the European Union, the dominant operator is required to grant full access and bitstream access to its local loop at non-discriminatory and Long-run incremental cost (**"LRIC"**) conditions. However, shared-line access is not subject to mandatory LLU. Bitstream access is mandatory for a trial period of four years from the launch by Swisscom of a country-wide bitstream access offering only, which was ended in the meantime.

Pursuant to the TCA and its implementing ordinance, any dominant provider of telecommunications services must grant all other listed providers, upon request, the following minimum access to its infrastructure and services on a non-discriminatory and transparent basis and at cost-based (including LRIC) prices:

- unbundled access to the local loop;
- direct billing *(i.e.*, re-billing for fixed network local loops) in connection with carrier preselection;
- interconnection services, including, at a minimum, (i) origination, transit and termination of calls, (ii) number identification and suppression, (iii) access to value-added services (08xx, 09xx), and

(iv) third-party physical interconnection for connection of services;

- leased lines; and
- access to cable ducts with sufficient capacities.

The mandatory LLU in Switzerland (as discussed above) is, unlike in the European Union, limited to incumbent Swisscom's legacy infrastructure (twisted copper pair local loops) and notably excludes cable, FTTH access and mobile infrastructures.

The revised TCA of March 2019 does not change this and provides for non-discriminatory, transparent and cost based unbundled access to the local loop for the whole frequency spectrum of the twisted metallic pair. The provisions regarding bitstream and direct billing have been abolished. We have entered into agreements with utilities for the access to the fiber infrastructure. In the future, we expect to have access to homes over the infrastructure of UPC Switzerland. However, UPC Switzerland and utilities are under pressure to provide access at non-discriminatory and competitive conditions, noting though that in the context of the TCA revision, the Swiss legislature rejected the inclusion of a technology neutral access regulation. Furthermore, in the future such pressure to provide access might decrease due to the growing number of substitutes (*i.e.* 5G). In addition, Swisscom entered into an agreement with us for the access to Swisscom's copper lines, including VDSL and G-Fast technologies where deployed, and FTTH lines which includes a one-time co-investment of CHF 74 million. We cannot exclude that the access regime will be further extended in the future, and our own landline and mobile infrastructure may become subject to requirements to grant access at regulated prices.

In addition, ComCo could require us to grant access to competitors if it finds a dominant position of our peers in a relevant market and an abuse of such dominant position.

***Procedures and Disputes on Access and Interconnection***

Each market dominant telecommunications provider must publish the technical and commercial conditions of its mandatory access services. Access must be granted at cost-based prices. The provisions regarding the calculation of cost-based prices in the TCO became effective on July 1, 2014. The calculation is based on the LRIC, an added constant premium based on a proportional share of the relevant joint and common costs and a return on the capital used for investments as well as the replacement costs of modern equivalent assets (current cost accounting). According to the revised TCO, ducts are assessed based on infrastructure renewal accounting. Since July 1, 2014 costs are based on a modern fiber and IP-infrastructure (next generation network and access).

The mandatory access regime for dominant providers is an *ex-post* regulation scheme. This means that the regulator, in this case ComCom, fixes the conditions and prices of access services of dominant providers only upon request and only if negotiations during a three-month negotiation period have failed. An access dispute concerns (i) whether the defending provider is dominant, (ii) the scope of mandatory access obligation (or whether the defending provider, if deemed dominant, must offer the technical access service as particularly requested by the claiming provider), and (iii) the price at which the requested access should be granted. ComCom will only issue an order regulating such access if the defending provider is held dominant, the requested access is considered mandatory, and the parties disagree on the price.

Accordingly, we are subject to a risk of being sued by competitors seeking access to our infrastructure, particularly to our mobile or the FTTH infrastructure of UPC Switzerland, at regulated prices. That said, there are discussions from time to time with our competitors, notably Swisscom, to settle the terms on which we are granted access to the infrastructure and services of competitors, notably Swisscom. Some of these discussions may result in litigation before ComCom. However, such litigation may not be successful. For example, on June 21, 2018, ComCom rendered a decision rejecting a request from Sunrise to order "Virtual Unbundled Local Access" on the network of Swisscom for lack of a legal basis. Currently, several access proceedings that separately involve interconnection, LLU and the prices for interconnection and ULL, collocation, access to ducts and access rebilling for 2012 to 2014 are pending before ComCom or the Federal Administrative Court (*Bundesverwaltungsgericht*). In a decision issued in February 2019, upon our and Salt's request, ComCom applied the above mentioned LRIC cost test for the first time with regard to the prices of the incumbent Swisscom for the period 2013-2016. It concluded that the prices for carrier line services were 65-80% and for copper lines were 10%-25% too high. Swisscom has appealed against this decision. We and Salt have also submitted appeals against certain elements this ComCom decision. An overview of pending procedures and disputes is set forth above under *"Business of Sunrise—Legal Proceedings."*

The TCA would also allow ComCom, based on a request from another operator, to regulate mobile termination rates ("**MTR**") (or other types of interconnection or access, such as MVNO access) on an LRIC basis if the operator is held dominant in the relevant market. Albeit fairly old precedents on market definitions, we may not exclude that ComCom (and, following an appeal, the courts) will require us to interconnect at regulated (LRIC) prices. However, no final decision regulating MVNO access or MTR on an LRIC basis has been taken by the authorities so far. We can, therefore, not exclude that, by invoking interconnection, our competitors might force us to lower our MTR or grant MVNO access. Further, there is constant political pressure to lower mobile retail rates.

***Universal Services***

Another piece of regulation is the regime on universal services to be offered throughout Switzerland to the entire population (even in remote regions). The provision of universal services requires ComCom to grant a license (*Grundversorgungskonzession*) for a limited time based on specified conditions. Theoretically, any telecommunications provider may apply for a universal services license, which are auctioned and allocated to those providers that best satisfy the quality requirements. As a matter of practice, though, Swisscom is the only owner of a universal services license in Switzerland and is thus obligated to supply a certain range of high-quality voice telephony, data transmission and additional services at *ex-ante* regulated prices, while complying with the technical specifications issued by OFCOM. In turn, Swisscom would receive government compensation for uncovered costs incurred in providing universal services. This compensation would be funded by fees obtained from all registered telecommunications service providers in Switzerland, including us, on the basis of each provider's gross revenues. To date, Swisscom has not received government compensation for providing universal services, and we believe that it is unlikely to occur in the foreseeable future but the risk remains that Swisscom may request compensation given the increased bandwidth requirements as of January 1, 2018 (*i.e.*, 300/3000 kbit/s). In May 2017, ComCom awarded the license to Swisscom from 2018 onwards, for a term of five years until the end of 2022. Swisscom might not apply for another universal service license in 2021. If no telecommunications service provider applies for a universal service license, ComCom could be expected to force a telecommunications service provider to do so.

***Specific Regulations Applicable to Landlines***

Landline telecommunications services are significantly liberalized in Switzerland. In fact, any registered telecommunications provider may offer voice and data transmission services. It may base its services either on its own landline network infrastructure or, by means of the above mentioned agreements see "—*Access Regime* and *Procedures and Disputes on Access and Interconnection*"), on the infrastructure of other providers.

Pursuant to the regulatory framework, subject to antitrust standards and the rules of the PSA, all telecommunications providers are free under certain circumstances to set their wholesale and retail prices for landline telecommunications services, with the only exceptions being (i) dominant providers, that must offer certain access services at *ex-post* regulated prices and (ii) the provider(s) of universal services, that is (are) subjected to an *ex-ante* regulation of universal services (as set out above in more detail). We might be held dominant in certain markets. Whether this would lead to an obligation to grant access to competitors at regulated conditions would depend on the specific markets in which we were held to have a dominant position. While we do not see the risk in being forced to grant access on the local loop layer of our network, there might be a remote risk of being subjected to grant access in other areas.

Our provision of landline telecommunications services is, on the other hand, based on a combination of agreements with Swisscom and on agreements with utilities for the access to the fiber infrastructure. We signed a commercial access agreement with Swisscom to get access to their hybrid copper/FTTH infrastructure. As a result, we do not buy any regulated ULL services from Swisscom. Should Swisscom successfully challenge its dominance on certain access markets, we might be faced with considerable price increases in areas where we are, and may continue to be, factually dependent on Swisscom's infrastructure. As a result, the potential failure of our access partners to comply with the current agreements could create interruptions or quality problems with our landline telecommunications services. Lastly, we also face the risk of agreements, including our agreement with Swisscom for access to Swisscom's copper lines, including VDSL and G-Fast technologies where deployed, and FTTH lines being canceled, not being extended or being extended on less favorable conditions.

***Licenses to Use Radio Frequencies***

In order to provide mobile telecommunications services in Switzerland, an operator must obtain, among other things, a license from ComCom for the use of the radio spectrum. The auction format was designed in a way that both the number of licenses and the available bandwidth were not predetermined by ComCom but were generally open. We currently hold all licenses to operate our network and provide mobile telecommunications services. At the beginning of 2012, ComCom reallocated all existing and additional mobile radio frequencies for the provision of mobile telecommunications services. In addition to the frequencies already employed using GSM and UMTS technology, additional frequencies were awarded in the 800 MHz and 2600 MHz ranges (so-called "digital dividend"). Thus, as a result of the auction significantly more spectrum is available to us. The license was issued on June 5, 2012 and is comparable to the licenses granted to other operators and includes, *inter alia,* the following provisions:

- The license entered into force on July 6, 2012 and will expire on December 31, 2028;
- The subject matter of the license is the right to use the radio spectrum for the offer of telecommunications services by way of a national digital cellular mobile network in Switzerland based on the GSM standard, the UMTS standard and other standards of compliance and recommended for use by the CEPT/ECC for 800 and 900 MHz and 1.8, 2.1 and 2.6 GHz Frequency Division Duplex frequency bands;
- The license is subject to specific provision regarding transfer or non-compliance with statutory provisions and laws.
- The price for the license amounted to CHF 481,720,000 (plus an administrative fee determined and charged on an annual basis) and has been fully paid in the meantime.
- Besides the provisions excluding any reimbursement or compensation if the license is withdrawn or returned, our licenses contain provisions that exclude compensation in case of an extension of the access regime.

In February 2019, ComCom auctioned new frequencies (700 MHz, 1400 MHz and 3500 MHz) required for the development of the 5G technology. The frequencies are allocated for fifteen years, and Salt, Swisscom and we acquired those licenses. The price of our license amounted to CHF 89,238,101 and we have already paid for the license in full. As a result, the spectrum available to us increased by 84.4%, allowing us to secure our existing 4G geographic coverage of 96% and deliver 5G network in the future, including "optical fiber speed over the air" for suburban and rural areas.

In addition to the licenses regarding mobile radio frequencies, we own three licenses to use the radio spectrum with regard to radio relay (expiration on December 31, 2021 with option for renewal upon our request). UPC Switzerland is also registered with OFCOM regarding the operation of point to multipoint radio relay systems.

In 2014, we started to implement a pilot for network sharing with Salt for a limited scope and without frequency sharing. Frequency-sharing would require the approval of ComCom. No mobile operator has requested such approval so far. Under the revised TCA of March 2019, sharing of components of radio networks is subject to prior notification of ComCom, whereas shared frequency use requires the approval of ComCom.

***Telecommunications Installations***

In Switzerland, a permit by the cantonal and municipal authorities is generally required to construct telecommunications installations. Antennas are the most important telecommunications installations. The radio spectrum licenses do not grant the right to obtain such permit.

Depending on whether an antenna is planned within or outside of a building zone, different requirements by different authorities apply, (*i.e.* , the provisions regarding antennas within a building zone are defined by the cantons and communities whereas the provisions regarding antennas outside of a building zone (for which permits are only granted in exceptional cases) are defined at the national level). In addition, apart from the provisions regarding spatial planning, the provisions regarding nature and landscape protection, the protection for built landscapes, the protection from radio emissions, the protection from non-ionizing radiation with lower limit values for specific installations (*e.g.,* 6 v/m for UMTS) (compared to similar general exposure limit values of 61 v/m for UMTS) like in the European Union, as well as the provisions of the OTI regulating technical compliance need to be taken into account. In order to secure consistency in the application of various requirements, the federal authorities have issued guidelines regarding the construction of antennas. These guidelines, *inter alia,* set forth principles for the responsible authorities when deciding on the permit to construct an antenna. Furthermore, our license explicitly sets forth that we are obliged to respect, *inter alia*, the statutory provisions regarding spatial planning, protection from radio emissions, nature and landscape protection as well as the protection of built landscapes and the respective guidelines of the responsible federal authorities and the ordinance on the protection from non-ionizing radiation (which was last amended on June 1, 2019).

Accordingly, there is a risk that the further deployment of our mobile network could encounter problems and delays due to disputes and discussions regarding the positioning of particular antennas. Recently, the Cantons of Geneva, Jura and Vaud announced that they would not allow 5G antennas until there is more clarity regarding health risks. Also in some other cantons and communities, there is resistance against 5G antennas. However, on May 3, 2019, the Federal Office for the Environment (*Bundesamt für Umwelt*) and OFCOM announced in a joint statement that such 5G moratoriums violate federal law and telecommunications service providers may appeal against such decisions. All telecommunications service providers, including us, face certain disputes and particular negotiation situations in relation to the construction of antennas. See *"Risk Factors—Risks Related to Our Market and Our Business—Our business may be adversely affected by actual or perceived health risks and other environmental requirements relating to mobile telecommunications transmission equipment and devices, including the location of antennas"* and *"Risk Factors—Risks Related to our Market and Our Business—The telecommunications industry is subject to extensive regulation and we may be adversely affected by regulatory measures applicable to our products or services."*

The locations of antennas in Switzerland are published in an overview map provided by OFCOM.

***International Roaming***

Currently, Switzerland does not have any regulation on roaming. However, the revised TCA of March 2019 contains a provision on international roaming allowing the Swiss Federal Council (*Bundesrat*) to enact measures (such as maximum price limits based on international agreements, require mobile telecommunications providers to offer bundled packages, including roaming services or require mobile telecommunications providers to allow their customers the use of third-party roaming services abroad ) against excessive end-user tariffs and measures for the promotion of competition. Such measures could reduce revenue both from our own customers roaming on other networks and from other networks' customers roaming on its network. In addition, the revised TCA of March 2019 stated that telecommunication providers must ensure that their prices are transparent to their customers.

***Network Neutrality***

To date, there are no specific regulations on network neutrality in effect in Switzerland. However, the revised TCA of March 2019 contains specific rules in this respect (open internet). In principle, open internet will be required by law. Providers are only allowed to transmit information differently (i) if it is necessary to comply with a regulation or a court decision, (ii) to protect the integrity or safety of the net, (iii) upon express request of the customer, or (iv) to fight temporary and exceptional network congestion. Further, the providers may offer special services (*e.g.*, voice telephony via fourth generation mobile telephony (VoLTE) and certain television services (IPTV)) over the same line as internet. However, the quality of the internet access must not be impaired in any case. If information is treated differently regarding transmission, customers and the public must be informed by the internet service provider.

Until the revised TCA enters into force, the largest Swiss ICT companies (including us), agreed on a code of conduct and issued explanatory notes on the code of conduct on network neutrality in April 2017 in order to ensure open internet access in Switzerland. Under the code of conduct, the providers undertake not to lock services and applications and not to limit the freedom of speech and information. In principle, all users will be granted access to the full range of content, services, applications, hardware and software. However, according to the code of conduct, specific prioritisation of certain content, *inter alia*, for the purpose of network management and to improve the network's quality, remains possible. It is explicitly stated that zero rating is permitted. Bandwidth throttling, as a part of traffic management measures, may be applied according to the code of conduct. Yet, users may call upon a conciliation body in the event of a provider's alleged breach of obligations under the code of conduct. The conciliation body continuously evaluates the code of conduct and its impact on the openness of the internet and reports on this subject matter on an annual basis. The conciliation body commenced its work in September 2015.

Once the new TCA enters into force, we will face the risk of an enforcement of network neutrality which could lead to additional restrictions in providing internet-based services.

**ComCo Investigations**

According to antitrust laws, ComCo may intervene on the Swiss telecommunications market whenever there is alleged abusive conduct of dominant telecommunication service providers or alleged restraining contracting among telecommunication service providers or between them and their suppliers or large customers. Further, the law against unfair competition and general price regulation law play a role; the latter, however, only in case of excessive pricing by dominant providers. Further, the price surveillance authority may intervene based on the PSA, if a company has market power and its prices are abusive (*i.e.*, not the result of effective competition).

As to pricing, mobile telecommunications providers are free, subject to antitrust standards applicable in general and interconnection obligations as set forth in the access regime discussed above, and may set wholesale (such as MTR) and retail prices at market conditions (see above regarding international roaming and disputes on access and interconnection).

ComCo could declare that the few telecommunications operators in Switzerland, including us, have a collectively dominant position in certain infrastructure or downstream service provision markets. Regulators could conclude that we have acted in collusion due to its agreement on mobile termination rates with the other two significant players in the market, Swisscom and Salt. Should we be held in the future as being, solely or collectively, dominant, it may face *de facto* price regulation and, in addition, the risk of being fined up to 10% of its revenue for the preceding three years in case of proven excessive or predatory pricing. Other regulatory restrictions on the conduct of its business, such as the prohibition to bundle certain services, may be relevant in such case as well.

In addition, ComCo would be involved if negotiations regarding the mandatory access regime should fail and the question of dominance is to be assessed. In such cases, OFCOM would be required to consult with ComCo.

Recent examples of ComCo actions in the telecommunications industry include the following:

- As has been reported, Swiss mobile operators, including us, have been under investigation by ComCo for alleged abuse of dominant market positions for the termination of mobile voice traffic in their respective networks. The Swiss Federal Supreme Court (*Bundesgericht*) did not recognize an abuse of dominant position and suspended the fine against Swisscom. In the meantime, termination rates have been substantially lowered by all mobile operators in Switzerland, and we may not exclude that retail rates will come under additional pressure in the future as well. Depending on the development of market shares, the profitability of our mobile operations may be adversely affected.

- Further, ComCo investigated an alleged margin squeeze with regard to Swisscom's prices for ADSL services and prices for wholesale access and concluded in 2009 that Swisscom had abused its dominant position and imposed a fine on Swisscom. The Swiss Federal Administrative Court (*Bundesverwaltungsgericht*) confirmed the decision of ComCo, although it reduced the fine from CHF 219 million. to CHF 186 million. The case is currently pending before the Swiss Federal Supreme Court. If the decision is upheld, we could have claims under civil law.

- In 2015, ComCo sanctioned Swisscom with a fine of CHF 7.9 million for an abuse of a dominant position regarding broadband access. In a tender of Swiss Post, Swisscom set the wholesale prices charged to competitors (including us) so high that they could not compete with Swisscom's retail offer (margin squeeze). In addition, Swisscom has used this pricing policy to force excessive prices *vis-à-vis* Swiss Post. Swisscom has appealed ComCo's decision and the case is currently still pending before the Swiss Federal Administrative Court (*Bundesverwaltungsgericht*).

- In 2016, ComCo imposed a fine of CHF 71.8 million on Swisscom relating to sport on pay TV. According to ComCo, Swisscom had abused its dominant position with respect to live sports broadcasting on pay TV. The appeal is still pending before the Swiss Federal Administrative Court. In 2017, ComCo opened a similar investigation against UPC Switzerland regarding an abuse of a dominant position for the transmission of the ice hockey championships on pay TV (see "*Business of UPC Switzerland – Legal Proceedings*" for further information on this proceeding).

## Other Regulations Applicable to our Business

### *Regulation on Transmission of TV and Radio Programs*

Since we are offering quadruple services, including the distribution of TV and radio programs over landline networks, we are subject to regulations pertaining to the Swiss TV and radio market. The applicable regulation is, apart from the TCA and its application to the transmission of TV and radio programs, the RTVA.

As a matter of principle, the transmission of TV and radio programs is considered a telecommunications service and as such, it is subject to the regulations set forth in the TCA. The RTVA determines that broadcasters of program services are generally required to obtain a license. However, broadcasters that neither request a share of fees nor guaranteed wireless terrestrial distribution can operate their service without a license. The only requirement is prior notification to OFCOM. In addition, broadcasters of program services of minor editorial importance (such as program services that can only be received by fewer than 1,000 devices at the same time) do not fall under the scope of the RTVA and do not require a license or prior registration. UPC Switzerland is a registered broadcaster for the Swiss television program "MySports."

The RTVA provides for some additional regulatory requirements. Most importantly, a network operator that transmits TV and radio programs needs to offer distribution to all broadcasters on a non-discriminatory basis. The RTVA further regulates the permitted contents of TV and radio, and network operators must comply with orders of the regulator (the OFCOM in this case) not to distribute prohibited content.

Broadcast media advertising (form and content) is specifically regulated in the RTVA and the RTVO. As regards form, advertising must be clearly separated from the editorial programs and must be clearly identifiable as such. While surreptitious advertising is always illegal, product placement may be allowed if it fits into the dramaturgy of a program and is clearly declared as sponsorship. Regular radio and television program staff are banned from appearing in advertisements. Local and regional broadcasters with limited financial resources are excluded from this restriction. As regards content, the RTVA prohibits advertising for certain groups of products and services on radio and television, including tobacco products, certain alcoholic beverages, therapeutic products and political parties. Advertising is also prohibited if it disparages religious or political convictions, is misleading or unfair, or encourages behaviour that is prejudicial to health, environment or personal safety. Since April 2010, less restrictive rules (in particular with regard to commercial breaks and product placement) apply to private broadcasters.

As regards must-carry obligations, the RTVA differentiates between broadcasting distribution networks that transmit content by wireless terrestrial broadcasting and by wire. In case of wireless terrestrial broadcasting, the program services of the SRG (*Swiss Broadcasting Company*) and the program services of broadcasters that hold a license with a performance mandate are entitled to access the network. Broadcasters pay the owner of a radio communication license cost-based compensation for the broadcasting. In case of broadcasting by wire, in addition to the mentioned program services the Swiss Federal Council has specified the program services of foreign broadcasters that are to be transmitted by wire because of their special contribution to education, cultural development or free opinion-forming. Furthermore, on application by a broadcaster and subject to certain conditions, OFCOM can require a telecommunications service provider for a specific period to provide broadcasting by wire of a program service within a specific area. The RTVO provides for a maximum number of program services that have to be broadcasted by wire free of charge.

### *Surveillance of Telecommunications Services*

Pursuant to the ASPT, a telecommunications service provider is, upon request of the PTSS, obliged to gather data required for criminal investigations. Telecommunications service providers are therefore required to maintain their own infrastructure appropriate for such surveillance and to be capable of running surveillance operations at any time. Further, telecommunications service providers are bound to provide the PTSS with the names of particular internal contact persons. The revised ASPT entered into force on March 1, 2018, and extended its personal scope of application. It also contains an obligation for telecommunications service providers to pre-inform the PTSS upon request about new services they intend to bring on the market within the next six months. We could face the risk of extended surveillance obligations or delays in the implementation, which could materially adversely affect our business, financial condition and results of operations and could result in additional capital expenditures and increased operational costs and lower compensation for individual surveillance operations. The ASPT provides for a fine up to a maximum of CHF 100,000.

***Blocking of Foreign Gambling Websites***

On June 10, 2018, Swiss voters voted on and approved the new Swiss Gambling Act (*Geldspielgesetz*), which, *inter alia*, provides for an obligation of telecommunications services providers to block access to foreign web sites with gambling offerings in certain cases. The new Gambling Act entered into force on January 1, 2019. The provision regarding blocking access to unauthorised online games entered into force on July 1, 2019. While we already have certain procedures to block access to websites in place in the context of existing obligations *e.g.* as a consequence of a court decision, under the new Swiss Gambling Act, telecommunications services providers may face liability in case of non-compliance with such obligation.

## BOARD OF DIRECTORS AND SUNRISE MANAGEMENT

### The Board of Directors

#### *Election and Term of Office*

The Company's articles of incorporation (the "**Articles of Incorporation**") provide that the Company's board of directors (*Verwaltungsrat*) (the "**Board of Directors**" or the "**Board**") is composed of at least four and not more than nine members, including the chairman of the Board (the "**Chairman**"). Should the Board of Directors be composed of fewer than four members, the next annual general meeting of shareholders will at the latest elect the additionally required members of the Board of Directors. As of the date of this Shareholder Information Document, the Board of Directors consists of eight members, including the Chairman.

Members of the Board of Directors, the Chairman, the members of the compensation committee (who must also be members of the Board of Directors) and the chairman of the compensation committee are elected individually, and may only be removed, by the general meeting of shareholders. In the event that the position of the Chairman of the Board of Directors or the chairmanship of the compensation committee is vacant, the Board of Directors will appoint a new Chairman of the Board of Directors or chairman of the compensation committee, as appropriate, for the remaining term of office.

Members of the Board of Directors and the Chairman are elected for a one-year term ending upon completion of the annual general meeting of shareholders following their election. Re-election is possible and there is no limitation on the number of terms a member can serve.

#### *Powers and Duties*

The Board of Directors is entrusted with the ultimate direction of the Company and its subsidiaries and has the ultimate responsibility for the business and affairs of the Company and of its subsidiaries. Such direction and responsibility include the duty to select carefully, to instruct properly and to supervise diligently the CEO and the other members of the Executive Leadership Team.

The Board of Directors' non-transferable and inalienable duties include: (i) the ultimate management of the Company and the giving of the necessary directives in this regard; (ii) establishing the organization of the Company; (iii) structuring the accounting system, the financial control as well as the financial planning; (iv) appointing and removing the persons entrusted with the management and representation of the Company; (v) the ultimate supervision of the persons entrusted with the management of the Company, in particular with respect to their compliance with the law, the Articles of Incorporation, regulations and directives; (vi) the preparation of the annual report and the remuneration report (*Vergütungsbericht*) as well as the preparation of general meetings of shareholders and the implementation of their resolutions; (vii) notification of the judge in case of over-indebtedness; and (viii) the non-transferable and inalienable duties and powers of the Board of Directors pursuant to the Swiss Federal Merger Act (*Fusionsgesetz*) and any other applicable law.

In accordance with Article 18 of the Articles of Incorporation, the Board of Directors has delegated the executive management (*Geschäftsführung*) of the Company, to the extent not provided otherwise by law, the Articles of Incorporation and the Company's organizational regulations enacted by the Board of Directors on May 11, 2016 (the "**Organizational Regulations**"), to the CEO. The Board remains entitled to resolve any matters that are not delegated to or reserved for the general meeting of shareholders or another executive body of the Company by law, the Articles of Incorporation or the Organizational Regulations.

#### *Composition*

The table sets forth the name, function, committee membership and year of first election of each member of the Board of Directors as of the date of this Shareholder Information Document. All members of the Board of Directors are non-executive directors. A short description of each member's business experience, education and activities is set out below. Unless otherwise indicated, the equity securities of companies where members of the Board of Directors hold positions (other than the Company itself) are not listed on a stock exchange.

| Name | Function | Committee Membership | First elected |
|---|---|---|---|
| Peter Kurer | Chairman | Nomination and Compensation Committee<br>Audit Committee | 2016 |
| Peter Schöpfer | Vice-Chairman | Nomination and Compensation Committee (chairman) | 2015 |

| Name | Function | Committee Membership | First elected |
|---|---|---|---|
| Jesper Ovesen | Member | Audit Committee (chairman)<br>Nomination and Compensation Committee | 2015 |
| Robin Bienenstock | Member | Audit Committee | 2016 |
| Michael Krammer | Member | Nomination and Compensation Committee | 2016 |
| Christoph Vilanek | Member | Nomination and Compensation Committee | 2016 |
| Ingrid Deltenre | Member | Nomination and Compensation Committee | 2018 |
| Ingo Arnold | Member | Audit Committee | 2019 |

The business address for each of the members of the Board of Directors is c/o Sunrise Communications Group AG, Thurgauerstrasse 101B, 8152 Glattpark (Opfikon), Switzerland. The term of office of each of the members of the Board of Directors is the closing of the 2020 annual general meeting of the Company's shareholders.

*Peter Kurer* is a Swiss citizen and has served as the Chairman of the Board of the Company since 2016. Mr. Kurer is also a member of the Nomination and Compensation Committee and of the Audit Committee. Mr. Kurer is a partner and executive member of the board of directors of BLR & Partners AG, Thalwil, Switzerland. He is also a non-executive member of the board of directors of SoftwareONE Holding AG, Stans, Switzerland, the non-executive chairman of the board of directors of Kein & Aber AG, Zurich, Switzerland as well as a member of the advisory board (which is not a supreme governing body) of Accenture AG, Zurich, Switzerland. Mr. Kurer was previously, from 2010 to 2019, a member of the advisory board (which is not a supreme governing body) of Spencer Stuart & Associates B.V., Zurich Branch, Switzerland. From 2001 to 2009, Mr. Kurer was the general counsel and a member of the group executive board of UBS AG, Zurich Switzerland and from 2008 to 2009 non-executive chairman of the board of directors of UBS AG, Zurich, Switzerland. Before that, from 1991 to 2001, he was a partner at Homburger, Zurich, Switzerland. Mr. Kurer holds a law degree (*lic. iur.*) from the University of Zurich, a PhD in law (*Dr. iur.*) from the University of Zurich, and a Master of Laws (LL.M.) from the University of Chicago.

*Peter Schöpfer* is a Swiss citizen and has served as the Vice-Chairman of the Board of the Company since 2016. Mr. Schöpfer is also the chairman of the Nomination and Compensation Committee. Mr. Schöpfer is a non-executive member of the board of directors of Avaloq Group AG, Freienbach, Switzerland and of the board of directors of Netric AG, Biel, Switzerland. Previously, from 2006 to 2011, Mr. Schöpfer was Chief Marketing Officer at Avaloq Group AG, Freienbach, Switzerland. He holds an International MBA from the University of Freiburg, Switzerland and a degree in Engineering and Information Technology from the Berne University of Applied Sciences (*Berner Fachhochschule*).

*Jesper Ovesen* is a Danish citizen. He has served as a member of the Board of the Company since 2014, as the Chairman of the Audit Committee. Mr. Ovesen is also a non-executive member of the board of directors of ConvaTec Group PLC, Reading, United Kingdom (listed), and of Scandinavian Enskilda Bank, Stockholm, Sweden (listed). From 2011 to 2014, he was executive chairman of the Nokia Siemens Network Group, Finland/Germany and previously, from 2008 to 2011, the CFO of TDC Group, Copenhagen, Denmark. Mr. Ovesen is a state authorized public accountant in Denmark and holds an MSc in Finance from Copenhagen Business School, Denmark.

*Robin Bienenstock* is a British and Canadian citizen serving as a member of the Board of the Company since 2016. Ms. Bienenstock is also a member of the Audit Committee. Ms. Bienenstock is a partner at RBMP Capital LLP, London, United Kingdom and at Marlin Sams Fund, New York, USA. Ms. Bienenstock is also a non-executive member of the board of directors of Pretium Resources Inc. (listed), Vancouver, Canada. Previously, from 2014 to 2016, she was a member of the board of directors of Tele Columbus A.G., Berlin, Germany (listed) and, from 2015 to 2016, a member of the board of directors of Oi S.A., Rio de Janeiro, Brazil (listed). From 2007 to 2014, she held the position of Senior Analyst at Sanford C. Bernstein Ltd, London, United Kingdom. Ms. Bienenstock holds an MA in International Relations from the University of Toronto, Canada, an MA in International Economics and Management from SDA Bocconi, Milan, Italy and a BA in Politics, Philosophy and Economics from Trinity College, University of Oxford, United Kingdom.

*Michael Krammer* is an Austrian citizen and has served as a member of the Board of the Company since 2016. He is a member of the Board's Nomination and Compensation Committee. Mr. Krammer is a founder and managing partner of Ventocom GmbH, Austria and also serves as non-executive member of the board of directors of techbold technology group AG, Vienna, Austria and as the non-executive president and chairman of the board of directors of Sportklub Rapid Wien, Vienna, Austria. Between 2009 and 2011, he was a non-executive of the board of directors of Invitel Holdings A/S, Budaörs, Hungary. From 2007 to 2013, he was the CEO of One GmbH/Orange Austria Telecommunication GmbH, Vienna, Austria. Mr. Krammer holds a Master of Military Leadership from the Theresian Military Academy, Vienna, Austria.

*Christoph Vilanek* is an Austrian citizen and has served as a member of the Board of the Company since 2016. He is also a member of the Nomination and Compensation Committee. Mr. Vilanek is the CEO of freenet AG, Büdelsdorf, Germany (listed). He is also the non-executive chairman of the supervisory board of Ströer SE & Co KGaA, Cologne, Germany (listed). From 2015 to 2018, Mr. Vilanek was a non-executive member of the board of directors of gamigo AG, Hamburg, Germany and held, between 2016 and 2019, the chairmanship of the supervisory boards of several subsidiaries of freenet AG. From 2005 to 2008, Mr. Vilanek was Vice President Customer Care at debitel AG, Stuttgart, Germany. He holds a Magister in Business Administration from the University of Innsbruck, Austria.

*Ingrid Deltenre* is a Swiss and Dutch citizen. She has served as a member of the Board of the Company since 2018 and as a member of the Nomination and Compensation Committee. Ms. Ingrid Deltenre is a non-executive member of the supervisory board of Deutsche Post DHL, Bonn, Germany (listed), a non-executive member of the board of directors of Givaudan SA, Vernier, Switzerland (listed) and a non-executive member of the board of directors of Banque Cantonale Vaudoise, Lausanne, Switzerland (listed). She also serves as a non-executive member of the board of directors of Agence France Presse. From 2010 to 2017, Ms. Deltenre was the Director General of the European Broadcasting Union, Geneva, Switzerland and, before that, from 2004 to 2009, the CEO of the Swiss Television, Zurich, Switzerland. Ms. Deltenre holds an MA in Educational Sciences, Communication and Biological Anthropology from the University of Zurich, Switzerland.

*Ingo Arnold* is a German citizen and a member of the Board of the Company since the 2019 Annual General Meeting. He is a member of the Audit Committee. Mr. Arnold is the CFO of freenet AG, Büdelsdorf, Germany (listed). He is also the non-executive chairman of the supervisory board of Media Broadcast GmbH, Cologne, Germany and a managing director of a number of subsidiaries of freenet AG. From 2008 to 2018, Mr. Arnold held senior positions within freenet AG, including Designated CFO and Head of Controlling, Treasury, Bad Debt Management, Internal Audit and Investor Relations. Mr. Arnold holds a Diploma in Economics from the Berufsakademie Mannheim, Germany.

### *Board Committees*

There are two committees within the Board of Directors: the Nomination and Compensation Committee (the "**NCC**") and the Audit Committee (the "**AC**").

*Nomination and Compensation Committee*

According to Article 17 of the Company's Articles of Incorporation, the NCC is composed of at least three members of the Board of Directors. The members and the chairman of the NCC are each elected annually and individually by the annual general meeting of shareholders. Their term of office ends at the close of the next annual general meeting of shareholders. Re-election is possible.

If the position of chairman of the NCC is vacant, the Board of Directors will appoint a new chairman for the remaining term of office. If there are vacancies in the NCC, the Board of Directors may appoint substitute members from among its members for a term of office extending until the closing of the next annual general meeting of shareholders.

The NCC meets whenever required by business, but at least three times per year.

The NCC has the powers and duties of the compensation committee as provided by Swiss law and in particular the Compensation Ordinance, as well as the powers and duties as provided in the Company's Articles of Incorporation and in the Organizational Regulations of the NCC. The NCC prepares all relevant decisions of the Board of Directors in relation to the nomination and compensation of the members of the Board of Directors and 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, *inter alia*, powers and duties: (i) succession planning, including planning and training for unforeseen and emergency situations; (ii) determining the criteria for the selection of candidates for appointment to the Board of Directors; (iii) preparing the nomination of new members for the Board of Directors to be proposed to the annual general meeting of shareholders for appointment; (iv) evaluating candidates for the position of CEO and, together with the CEO, evaluating candidates for the Executive Leadership Team other than the CEO; (v) reviewing mandates held by members of the Board of Directors and the Executive Leadership Team outside of the Sunrise Group; (vi) annually reviewing the independence of the members of the Board of Directors and its committees; (vii) submitting proposals for the individual compensation of the members of the Board of Directors, 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; and (viii) establishing the Sunrise Group's compensation and personnel policies and performance criteria related to compensation.

*Audit Committee*

The AC is composed of at least three Board members. The members of the AC and the chairman are appointed annually by the Board of Directors. In doing so, the Board of Directors aims to appoint non-executive and independent board members (within the meaning of the Swiss Code of Best Practice for Corporate Governance) to the AC. Furthermore, the majority of the members, including the chairman of the AC, should be experienced in financial and accounting matters. The term of office of the AC members ends at the closing of the next annual general meeting of shareholders. Re-appointment is possible.

The Audit Committee meets whenever required by business, but at least four times per year.

The AC supports the Board or of Directors in the fulfilment of its inalienable and non-transferable duties as per Article 716a CO in the areas of financial controls (supervision of internal and external auditing, monitoring of financial reporting) as well as supervision of persons entrusted with the management of the Sunrise Group (internal control system). In particular, its duties and responsibilities include: (i) the determination of the audit plan for a period of several years as well as the scope of the internal (including approving the plan, changes in the plan, activities, budget, organizational structure and the qualifications of the internal audit organization) and external audits, (ii) discussion of the audit reports with the internal and external auditors as well as with the management, and the monitoring of their implementation; (iii) the assessment of the performance of the internal and external auditors as well as their cooperation with one another and support of the Board of Directors in the nomination of the external auditors to be proposed to the annual general meeting of shareholders for election, including through evaluating opinions of management, auditor qualification, independence and performance of the external auditors, (iv) checking the independence of the internal audit department from the Executive Leadership Team and the units to be audited, (approving the guidelines for the work of the internal audit department, reviewing and approving the appointment, submitting proposals concerning the appointment, replacement and dismissal of the Head of Internal Audit, (v) the assessment of the consolidated financial statements, the statutory financial statements and the management report of the Company as well as the decision whether they can be recommended to the Board of Directors for submission to the annual general meeting of shareholders, and (vi) the assessment and further development of the internal control system.

***No Convictions and Legal Proceedings***

As of the date of this Shareholder Information Document, there have been no convictions against any individual who is a member of the Board of Directors, acting in such capacity, for any major or minor finance or business-related crimes in the last five years.

As of the date of this Shareholder Information Document, no legal proceedings have been brought against any individual who is a member of the Board of Directors by any statutory or regulatory authorities (including designated professional associations) that are ongoing or have been concluded with a sanction.

**The Executive Leadership Team**

The Board of Directors has delegated the executive management (*Geschäftsführung*) of the Company, to the extent not provided otherwise by law, the Company's Articles of Incorporation and the Organizational Regulations, to the CEO.

Within the executive management delegated to the CEO pursuant to the Organization Regulations, the CEO is responsible for the Company's overall business and affairs and has the final authority in all matters of management that are not reserved to the Board of Directors pursuant to the law, the Articles of Incorporation and the Organizational Regulations. The CEO is responsible for the implementation of all resolutions of the Board and the supervision of all management levels at the Company. The CEO must ensure the long-term successful, market- and value-oriented management and development of Sunrise, and of our companies. The CEO acts as the head of the other members of the Executive Leadership Team.

Within the Executive Leadership Team, the CEO is the contact person for the Chairman 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 case of matters requiring approval by the Board of Directors, the CEO submits corresponding proposals to the Board and ensures implementation of the resolutions taken. The CEO provides information to the other members of the Executive Leadership Team concerning the resolutions, suggestions and wishes of the Board of Directors. He ensures that resolutions are implemented and that suggestions and wishes are taken into account. The CEO represents Sunrise, both internally and externally.

The CEO is appointed and removed by the Board of Directors upon proposal of the NCC. The other members of the Executive Leadership Team are appointed and removed by the Board of Directors upon recommendation by the CEO and NCC.

***Composition***

The table below sets forth the name, function and year of appointment of each member of the Executive Leadership Team as of the date of this Shareholder Information Document. A short description of each member's business experience, education and activities is set out below.

| **Name** | **Function** | **Date of Appointment** |
|---|---|---|
| Olaf Swantee | Chief Executive Officer | 2016 |
| André Krause | Chief Financial Officer | 2011 |
| Françoise Clemes | Chief Services Officer | 2015 |
| Bruno Duarte | Chief Consumer Officer | 2016 |
| Elmar Grasser | Chief Technology Officer | 2013 |
| Robert Wigger | Chief Business Officer | 2016 |
| Tobias Foster | Chief Human Resources Officer | 2018 |
| Marcel Huber | Chief Administrative Officer & General Counsel | 2019 |

The business address for each of the members of the Executive Leadership Team is c/o Sunrise Communications Group AG, Thurgauerstrasse 101B, 8152 Glattpark (Opfikon), Switzerland.

*Olaf Swantee* is a Dutch and Swiss citizen and has served as CEO of the Company since 2016. Mr. Swantee is also a non-executive member of the board of directors of TeliaSonera AB, Stockholm, Sweden (listed). Between 2018 and 2019, he was a non-executive director of T-Mobile US Inc. (listed). Before joining the Company, from 2011 to 2016, Mr. Swantee was CEO of EE Limited, Hatfield, United Kingdom. From 2007 to 2011, Mr. Swantee held senior positions within Orange-FT, Paris, France. He holds a European MBA from the European School of Management, Paris, France, and studied economics at the University of Amsterdam, the Netherlands.

*André Krause* is a German citizen and has served as the Chief Financial Officer of the Company since 2011. From 2014 to 2019, Mr. Krause was a member and then the chairman of the board of directors of Tele Columbus AG, Berlin, Germany (listed). From 2011 to 2015, Mr. Krause was CFO of Sunrise Communications AG, Zurich, Switzerland, and before that, from 2006 to 2011, the CFO of O2 Germany GmbH, Munich, Germany. He holds a BA in Economics from FH Bielefeld, Germany and completed an industrial management training course at Follmann GmbH & Co. KG, Minden, Germany.

*Françoise Clemes* is a French citizen and has served as the Chief Services Officer of the Company since 2016. Prior to this, from 2013 to 2016, Ms. Clemes was Chief Customer Services at EE Limited, Hatfield, United Kingdom and from 2011 to 2013 Chief of HR at the same company. Before 2011, she held a number of senior positions within Orange-FT, Paris, France. She holds an MA in Experimental Psychology/Information Systems and an MA in Ergonomics and Human Factors Engineering from the Paris Descartes University, France.

*Bruno Duarte* is a French citizen and has served as the Company's Chief Consumer Officer since 2017. From 2007 to 2017, he held a number of senior positions within EE Limited, Hatfield, United Kingdom, including Managing Director, Operations, Pricing & Strategy and VP Consumer-Pay Monthly. Mr. Duarte holds a Diplôme d'Ingénieur from Supélec, Gif-sur-Yvette, France and an MBA from INSEAD, Fontainebleau, France.

*Elmar Grasser* is an Italian citizen and has served as Chief Technology and Information Officer of the Company since 2013. Before joining the Company, he was CTIO of Orange Austria Telecommunication GmbH from 2008 to 2013. Mr. Grasser holds a graduate degree (Dipl. Ing.) in Computer Science from the Vienna University of Technology (*Technische Universitat Wien*), Austria.

*Robert Wigger* is a Swiss citizen and has served as the Company's Chief Business Officer since 2017. Previously, from 2002 to 2017, he held a number of senior positions within Hewlett-Packard, including Vice

President Service Provider Business for Europe, Middle East and Africa (EMEA) at Hewlett-Packard Enterprise, Dübendorf, Switzerland. Mr. Wigger holds a Swiss Marketing and Management Diploma from the Furrer Marketing and Management Institute, Zurich, Switzerland, a Diploma in Advanced Marketing and Sales from INSEAD, Singapore and a diploma in Executive Leadership & Management from the St. Gallen Management Institute, Switzerland.

*Tobias Foster* is a Swiss citizen and has served as Chief Human Resources Officer of the Company since January 2019. Prior to this, from 2010 to 2017, he held senior positions within the Sunrise Group, including Director of Compensation & Benefits, Director of Finance Operations and Director of Controlling. Mr. Foster holds a Diploma in Business Economics from the Zurich University of Applied Sciences, Switzerland and an MAS in Corporate Finance from the Lucerne University of Applied Sciences and Arts, Switzerland.

*Marcel Huber* is a Swiss citizen and the Chief Administrative Officer & General Counsel of the Company since February 2019. Mr. Huber is a member of the committee (*Vorstandsmitglied*) of the Swissstream association and, since 2019, a member of the foundation board (*Stiftungsrat*) of the Ombudscom. Previously, from 2015 to 2018, he held a number of senior positions including Chief Corporate Affairs & General Counsel as a Member of the Management Board and Corporate Secretary of the Board of Directors at Salt Mobile SA and its affiliates. From 2007 to 2015, he held senior management positions at Orange Communications SA, including General Counsel & Corporate Secretary. Mr. Huber holds a Master of Laws from the University of Zurich, Switzerland.

***No Convictions and Legal Proceedings***

As of the date of this Shareholder Information Document, there have been no convictions against any individual who is a member of the Executive Leadership Team, acting in such capacity, for any major or minor finance or business-related crimes in the last five years.

As of the date of this Shareholder Information Document, no legal proceedings have been brought against any individual who is a member of the Executive Leadership Team by any statutory or regulatory authorities (including designated professional associations) that are ongoing or have been concluded with a sanction.

**Compensation of Members of the Board of Directors and of the Executive Leadership Team**

***General Information***

In accordance with the Compensation Ordinance, Article 21 of the Articles of Incorporation provides that each year, the annual general meeting of shareholders must vote separately on the maximum aggregate compensation of:

- the Board of Directors for the period until the next annual general meeting of shareholders; and
- the Executive Leadership Team for the following financial year.

The Board of Directors may divide each of the maximum aggregate compensations to be proposed for approval into a maximum fixed and maximum variable compensation and submit the respective proposals for separate approval by the general meeting of shareholders. Further, the Board of Directors may divide its respective proposals into other compensation elements and/or submit them for approval by the general meeting of shareholders with respect to different periods. If the general meeting of shareholders denies approval, the Board of Directors may convene a new general meeting of shareholders.

Further, Article 22 of the Articles of Incorporation provides for an additional amount (*Zusatzbetrag*) that may be used for the compensation of members of the Executive Leadership Team who are appointed only after the maximum aggregate compensation for the Executive Leadership Team has been approved by the general meeting of shareholders. The additional amount may also be used for payment of compensation for disadvantages incurred by a new member of the Executive Leadership Team as a result of his or her change of employment (sign-on bonuses). The additional amount may only be used if the aggregate compensation approved by the general meeting of shareholders for the Executive Leadership Team until the next vote by the general meeting is not sufficient for the compensation of the new members. The additional amount per compensation period must not exceed 40% of the maximum aggregate amount of compensation of the Executive Leadership Team last approved.

The Compensation Ordinance further requires the Company to set forth in its Articles of Incorporation the principles for the determination of the compensation of the Board of Directors and the Executive Leadership Team. These principles have been included in Article 20 of the Articles of Incorporation. According to this provision, the compensation of the members of the Board of Directors consists of a fixed compensation. Unless otherwise determined by the Board of Directors, such compensation will be paid in cash and/or Shares. The compensation of the members of the Executive Leadership Team is composed of fixed and variable compensation elements. The fixed compensation consists of a base salary payable in cash and additional compensation elements and benefits. The variable compensation is composed of short-term and/or long-term variable compensation elements and can amount to a maximum of 230% of the fixed compensation. Short-term variable compensation elements are governed by performance metrics that take into account the performance of the Company, the Group or parts thereof, targets in relation to the market, other companies or comparable benchmarks and/or individual targets, and achievement of which is generally measured during a one-year period. Unless otherwise determined by the Board of Directors or, to the extent delegated to it, the NCC, short-term variable compensation elements are paid in cash. In addition or instead, members of the Executive Leadership Team may receive a part of their variable short-term compensation in Shares of the Company, whereby such Shares may be blocked for a certain period of time. Long-term variable compensation elements take into account the sustainable long-term performance of the Company and/or the Group, and may also contain a retention incentive. Unless otherwise determined by the Board of Directors or, to the extent delegated to it, the NCC, long-term variable compensation elements are equity-based and may include matching shares granted additionally.

Compensation may be paid or granted in the form of cash, Shares, in kind or in the form of other types of benefits. Compensation of members of the Executive Leadership Team may also be paid or granted in the form of options or similar share-based instruments or units. The Board of Directors or, to the extent delegated to it, the NCC, determines grant, vesting, exercise and/or forfeiture conditions. It may provide for continuation, acceleration or removal of vesting and/or exercise conditions, for payment or grant of compensation based upon assumed target achievement, or for forfeiture, in each case in the event of pre-determined events such as a change of control or termination of an employment or mandate agreement. The Company may procure the required Shares through purchases on the market or by using authorized or conditional share capital.

The Compensation Ordinance also contains compensation disclosure rules. Pursuant to these rules, the Company is required to prepare an annual compensation report. The compensation report includes, among other things, the individual and aggregate compensation of the members of the Board of Directors and the aggregate compensation of the members of the Executive Leadership Team, as well as the amount for the highest paid member of the Executive Leadership Team. Pursuant to the Corporate Governance Directive, the Company is also required to disclose basic principles and elements of compensation and shareholding programs for both current and former members of the Board of Directors and the Executive Leadership Team, as well as a description of the respective authorities and procedure for its determination. In addition, it is also required to disclose the rules in its Articles of Incorporation on (i) the principles applicable to performance-related compensation and to the allocation of equity securities, convertible rights and options, as well as the additional amount for payments to members of the Executive Leadership Team appointed after the vote on pay at the annual general meeting of shareholders (*Zusatzbetrag*); (ii) loans, credit facilities and post-employment benefits for members of the Board of Directors and the Executive Leadership Team; and (iii) the say-on-pay vote at the annual general meeting of shareholders. For further details see "*Description of Share Capital and Shares—Description of Shares—Compensation Ordinance—Compensation Report*".

In accordance with the Compensation Ordinance, Article 25 of the Articles of Incorporation provides that no loans or credits may be granted to members of the Board of Directors. The Board of Directors may grant loans or credits to members of the Executive Leadership Team. Such loans or credits must in the aggregate not exceed the amount of CHF 1,000,000 and may only be granted at market-based conditions.

The Compensation Ordinance generally prohibits certain types of compensation payments to members of the Board and Executive Leadership Team, see "*Description of Share Capital and Shares—Description of Shares—Compensation Ordinance—Severance Pay, Advance Payments and Transaction Bonuses*".

*Compensation Governance*

The NCC is entrusted with the supervision and governance of the Company's compensation programs and policies, of the compensation of the Executive Leadership Team as well as the performance evaluation of the Executive Leadership Team members.

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. It assesses the effectiveness, attractiveness and competitiveness of compensation plans at least every two years. In accordance with these compensation guidelines, the NCC recommends remuneration for the Board of Directors for the period leading up to the following year's general meeting of shareholders and for the Executive Leadership Team for the following business year, in line with the maximum aggregate compensation and subject to the approval by the general meeting of shareholders or Article 22 of the Articles of Incorporation with respect to members of the Executive Leadership Team appointed after the maximum aggregate compensation is approved by the general meeting of shareholders.

Discussions and decisions by the Board of Directors or the NCC regarding the compensation of the Executive Leadership Team members take place in the presence of the CFO and the Chief HR Officer, who do not have voting rights. The CFO and the Chief HR Officer are not present when their respective compensation is reviewed by the Board of Directors. Likewise, the chairman of the Board of Directors and the chairman of the NCC are not present when the NCC reviews their compensation. The chairman of the Board of Directors abstains from voting on his base compensation when the Board of Directors resolves on the compensation of its members.

*Compensation System*

The Company benchmarks compensation levels and structures on a regular basis, whereby the median compensation of relevant comparison groups is used as the target benchmark. In general, the compensation of the Board of Directors and Executive Leadership Team is reviewed and evaluated every second year by an external consultant. To this end, in 2018, the Company obtained advice and benchmarks from Willis Tower Watson on companies in the Swiss Market Index SMIM. A subset of particularly relevant companies was selected from the SMIM (excluding financial services and pharmaceutical companies). This subset of SMIM companies was considered most comparable to the Company in terms of size, complexity and labor market, and is comprised of ams AG, Aryzta AG, Barry Callebaut AG, Clariant AG, DKSH Holding AG, Dormakaba Holding AG, Dufry AG, EMS-Chemie Holding AG, Flughafen Zürich AG, Georg Fischer AG, Kühne + Nagel International AG, Chocoladefabriken Lindt & Sprüngli AG, Logitech International SA, OC Oerlikon Corporation AG, PSP Swiss Property AG, Schindler Holding AG, Sonova Holding AG, Straumann Holding AG, The Swatch Group AG, Swiss Prime Site AG and Temenos AG. The Company is mindful of the fact that pay-level comparisons must also take into account differences in compensation structure. While SMIM companies generally differ in terms of their compensation structures, the Company considered the above companies' pay structure similar enough to allow for meaningful pay-level benchmarking.

Compensation paid by the Company is composed of fixed and variable compensation. It also includes certain benefits. 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 under "*—Remuneration of the Board of Directors*". Variable compensation is based on annually defined objectives linked to the key drivers behind the Company's strategy. It is composed of short- and long-term incentive plans, the terms of which are further described under "*Remuneration of Executive Leadership Team—Short-Term Incentive"* and *"—Remuneration of Executive Leadership Team—Management Long-Term Investment Programs*" to the extent these plans apply to the Executive Leadership Team.

*Remuneration of the Board of Directors*

Compensation for members of the Board of Directors includes a fixed component for membership as well as additional amounts payable in relation to duties that may be assumed by certain members (*e.g.*, for membership on committees or positions as a chairperson of the Board of Directors or the committees). 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 of the Board of Directors consists of a cash component, plus a payment in the form of Shares (targeted at one third of base compensation for the Chairman and half of base compensation for other members of the Board of Directors). These Shares are subject to a blocking period of three years to ensure long-term interest. The members of the Board of Directors do not receive performance shares. Additional amounts for committee chairpersons and committee members are paid solely in cash. Cash payments for Board compensation are generally made on a quarterly basis and Shares are allocated once a year.

For financial year 2018, the base compensation for the Board of Directors was set as follows (gross values, before deduction of employee social security and taxes):

| | Amount in cash (in CHFk) | Amount in shares (in CHFk) |
|---|---|---|
| **Base compensation** | | |
| Chairman of the Board | 200 | 100 |
| Member of the Board | 50 | 50 |
| **Committee membership fees** | | |
| Chairman of the AC | 60 | |
| Chairman of the NCC | 50 | |
| Member of a Committee | 30 | |

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

For the financial year ended December 31, 2018, members of the Board of Directors received total compensation of CHF 1,345,000 in the form of cash and Shares plus employer-paid social security contributions, as further detailed below. The aggregate maximum amount of the compensation paid to members of the Board of Directors is, however, approved for a period ranging from the general meeting on which it is approved by the Company’s shareholders to the closing of the following annual general meeting of shareholders.

| | Total Board of Directors compensation 2018 / 2017 (in CHFk)(1) | | | | |
|---|---|---|---|---|---|
| | **Base compensation / committee membership in cash** | **Base compensation in Shares** | **Employer-paid social security** | **Total 2018** | **Total 2017** |
| Peter Kurer, Chairman(2), (3) | 260 | 100 | 21 | 381 | 374 |
| Peter Schöpfer, Vice-Chairman(4) | 100 | 50 | 11 | 161 | 161 |
| Robin Bienenstock(2) | 80 | 50 | 9 | 139 | 140 |
| Ingrid Deltenre(2) | 60 | 50 | 8 | 118 | — |
| Michael Krammer(2) | 80 | 50 | 0 | 130 | 130 |
| Jesper Ovesen(5) | 110 | 50 | 3 | 163 | 165 |
| Christoph Vilanek(2) | 80 | 50 | 0 | 130 | 130 |
| Ingo Arnold(3), (6) | — | — | — | — | — |
| Compensation paid to former members of the Board of Directors(7) | 73 | 50 | — | 123 | 166 |
| **Total compensation paid to members of the Board of Directors** | **843** | **450** | **52** | **1,345** | **1,266** |

(1) Excluding compensation paid to members of the Board of Directors who stood down during the relevant financial years and Mr. Ingo Arnold, who was elected in 2019. In this table, (i) all base compensation, committee membership fees and shares are gross values before the deduction of applicable tax and employee social security. The Company’s cost for social security contributions is stated separately; (ii) for Michael Krammer and Christoph Vilanek, there is no employee social security to be paid; (iii) members of the Board of Directors are not on a pension plan of the Group; and (iv) as per Article 25 of the Articles of Incorporation, no loans or credits are granted to the Board of Directors.

(2) Member of the NCC.

(3) Member of the AC.

(4) Chairman of the NCC.

(5) Chairman of the AC.

(6) Mr. Ingo Arnold was elected on the occasion of the 2019 annual general meeting of shareholders.

(7) Includes compensation paid to the two former members of the Board of Directors, Messrs. Joachim Preisig and Lorne Somerville who resigned effective as of the 2019 annual general meeting of shareholders and the 2018 annual general meeting of shareholders, respectively.

On the occasion of the 2019 annual general meeting of shareholders, the Company's shareholders approved a maximum aggregate compensation of CHF 1.49 million for the period ranging from the 2019 annual general meeting of shareholders until the closing of the next annual general meeting of shareholders.

***Remuneration of Executive Leadership Team***

The compensation of the Executive Leadership Team is composed of a base salary, short-term and long-term incentives as well as other benefits, which are described in the following paragraphs.

*Base Salary*

The base salary 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.

*Short-Term Incentive*

Although short-term incentives are primarily cash-based, members of the Executive Leadership Team can elect to receive a portion of their short-term incentive in Shares. In principle, pay-out of the short-term 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. The short-term incentive arrangement aims at rewarding employees for their contribution to reaching company targets that foster our success as well as for the achievement of individual targets. For that purpose, there is a defined target-setting and performance management process in place. Company and 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 within the Group and across the departments. To support the process and ensure transparency in line with the Group's 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 weightings of the Company and individual targets for the CEO and other members of the Executive Leadership Team are disclosed in the following table.

| | CEO | Executive Leadership Team |
|---|---|---|
| **Company targets** | | |
| Adjusted EBITDA | | |
| Company gross profit | | |
| NPS&PTC | 80% | 70% |
| **Individual targets** | | |
| Discretionary target based on the Company performance scorecard | | |
| Internal peer comparison for the Executive Leadership Team only | 20% | 30% |
| **Total** | **100%** | **100%** |

For the financial year ended December 31, 2018, overall target achievement for the CEO was 138% and between 127.5% and 135% for other members of the Executive Leadership Team.

The performance assessment of the CEO is conducted by the NCC. The performance assessments of the other members of the Executive Leadership Team are conducted by the CEO (and reviewed by the NCC) and all assessments are submitted to the Board of Directors for approval.

*Management Long-Term Investment Programs*

The Company has maintained a number of long-term incentive plans available to the Executive Leadership Team since its initial public offering. Although these plans are due to be replaced with the Long-Term Incentive Plan (see below), vesting periods are still running for two plans, the Management Long Term Incentive Program Revised ("**MLTIP Revised**") and the Management Long Term Incentive Program Executive Management ("**MLTIPE**", together with the MLTIP Revised, the "**MLTIPs**"). The MLTIPs feature two elements: a voluntary investment in Shares ("**investment shares**"), and a matching "performance share" element. Investment shares are blocked for a period of three years. Once the blocking period ends, subject to continued employment and satisfying the performance target of the plans, participants are eligible to obtain, if any, an additional number of performance shares free of charge for every investment share they held during the blocking period. The MLTIP Revised allows members of the Executive Leadership Team to invest a portion ranging between 25% and 50% of their short-term incentive in investment shares. The MLTIPE is a one-time opportunity for newly appointed members of the Executive Leadership Team to invest in the plan at the time of execution of their employment agreement; minimum and maximum amounts of investment shares are determined on a case-by-case basis by the Board of Directors.

*Prior Management Long-Term Incentive Programs*

Prior to the date of this Shareholder Information Document, the Company maintained two additional management long-term incentive programs, the $MLITP_0$ and the $MLITP_{2015}$. Under both of these plans, participants were required to purchase investment shares, which were locked for three years. Up to 1.5 performance shares were allocated to each investment share, based on the Company's total shareholder return performance relative to two peer groups over the three-year vesting period. Up to 0.75 performance shares were based on the Company's total shareholder return relative to the constituents of the SMIM and the remaining 0.75 performance shares were based on the Company's total shareholder return relative to a peer group of international telecoms companies. All grants under these plans vested in 2018.

*Long-Term Incentive Plan*

As from 2019, the Company has discontinued the MLTIPs in favour of the Long-Term Incentive Plan ("**LTI**"). Under the LTI, members of the Executive Leadership Team will receive a monetary amount on an annual basis. The amount will be converted into performance share units ("**PSU**"), with one PSU conferring an entitlement to receive between zero and two Shares. Two performance objectives would determine how many of the granted PSUs would actually vest: 50% of the PSUs would be determined based on the adjusted EBITDA in year three of the performance cycle and 50% on the equity free cash flow in year three.

*Pension, Retirement and Other Benefits*

The Company offers a 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 pension plan. Contributions are fully paid by the Company. Members of the Executive Leadership Team also receive either a company car or a monthly cash allowance for vehicle use.

The aggregate compensation paid to members of the Executive Leadership Team for financial year 2018 amounted to CHF 8.05 million. This amount does not include members of the Executive Leadership Team who stepped down during financial year 2018. Including the compensation paid to the members stepping down from the Executive Leadership Team, total compensation amounted to CHF 8.4 million. The following table breaks this amount down into its various components and provides a comparison with the financial year ended December 31, 2017.

| | **Total Executive Leadership Team compensation 2018/2017 (in CHFk)(1)** | | | |
|---|---|---|---|---|
| | **2018** | | **2017** | |
| | **Total Executive Leadership Team** | **Thereof Olaf Swantee (CEO)** | **Total Executive Leadership Team** | **Thereof Olaf Swantee (CEO)** |
| **Compensation element(2)** | | | | |
| Base salary | 3,191 | 850 | 3,219 | 850 |
| Short-term incentive (paid in March 2019) | 2,304 | 704 | 1,950 | 606 |
| MLTIP Revised: performance shares grants(3) | 749 | 301 | 498 | 159 |
| Other benefits/cash allowances | 479 | 37 | 267 | 14 |
| Social security | 511 | 139 | 453 | 120 |
| Retirement benefits | 816 | 160 | 831 | 160 |
| **Compensation 2018/2017(4)** | 8,050 | 2,191 | 7,218 | 1,909 |
| MLTIP Revised: special grant for new Executive Leadership Team member(5) | | | 132 | |
| Social security on special grant under MLTIP Revised | | | 9 | |
| MLTIPE: one-time grant of performance shares | | | 679 | |
| Social security on one-time grant under MLTIPE | | | 48 | |
| **Total compensation paid to members of the Executive Leadership Team** | **8,050** | **2,191** | **8,086** | **1,909** |

(1) Excluding compensation of members who left the Executive Leadership Team during financial years ended December 31, 2018 and 2017, respectively.

(2) Compensation is calculated on accrued basis. All amounts indicated in the table above are gross values before deduction of applicable tax, employee, social security or other statutory charges. The Group's cost for social security and retirement benefit contributions is stated separately.

(3) Figures for MLTIP Revised and MLTIPE assume 100% target achievement. Performance share valuation for MLTIP Revised: fair value at grant date. Performance share valuation method for MLTIPE: Monte Carlo.

(4) Includes comparable compensation components. Additional compensation elements paid in 2017 are disclosed in the rows below.

(5) One-off grant for a new member of the Executive Leadership Team was made in September 2017. The relevant performance shares are subject to a normal three-year vesting and performance conditions.

On the occasion of the 2019 annual general meeting of shareholders, the Company's shareholders resolved that the maximum aggregate compensation of the Executive Leadership Team for financial year 2020 to be CHF 13.5 million. In the invitation to the 2019 annual general meeting of shareholders, the Board of Directors has indicated that this maximum aggregate amount will be comprised of the following:

- Gross base salaries of CHF 3.59 million;
- Variable performance-related compensation of CHF 7.05 million. This includes (a) short-term incentives of CHF 3.59 million, assuming all members of the Executive Leadership Team outperform their 2020 targets and achieve the maximum of 200% of the target incentive, and (b) long-term incentive/PSU grants of CHF 3.46 million, assuming targets under the new LTI are achieved at the maximum level of 200%;
- Estimated grossed-up employer social security and pension contributions as well as other benefits (housing, car allowance, etc.) of CHF 2.21 million; and
- A reserve of CHF 0.65 million for potential salary increases and unforeseen events.

***Loans Granted to Members of the Board of Directors or the Executive Leadership Team***

We have not granted any loans to members of the Board of Directors or the Executive Leadership Team.

***Shares and Options held by the Members of the Board of Directors and the Executive Leadership Team***

The following table presents the Shares held by members of the Board of Directors.

| **Name**[(1)] | **Shares held as of December 31, 2018** | **Shares held as of December 31, 2017** |
|---|---|---|
| Peter Kurer | 7,723 | 6,466 |
| Peter Schöpfer | 2,061 | 1,433 |
| Robin Bienenstock | 2,061 | 1,433 |
| Ingrid Deltenre | 628 | — |
| Michael Krammer | 2,061 | 1,433 |
| Jesper Ovesen | 6,891 | 6,263 |
| Christoph Vilanek | 2,061 | 1,433 |
| Ingo Arnold | — | — |
| **Total** | **25,547**[(2)] | **19,894**[(2)] |

(1) Only includes Shares and options held by current members of the Board of Directors.

(2) The total also includes shares held by former members of the Board of Directors who have since stepped down.

The following table presents the Shares held by members of the Executive Leadership Team.

| **Name**[(1)] | **Shares held as of December 31, 2018** | **Shares held as of December 31, 2017** |
|---|---|---|
| Olaf Swantee | 29,310 | 25,441 |
| André Krause | 27,421 | 34,575 |
| Françoise Clemes | 8,674 | 7,395 |
| Bruno Duarte | 4,950 | 4,364 |
| Elmar Gasser | 3,932 | 25,674 |
| Robert Wigger | 5,066 | 4,766 |
| Tobias Foster[(2)] | n/a | n/a |
| Marcel Huber[(2)] | n/a | n/a |
| **Total** | **79,646**[(3)] | **116,490**[(3)] |

(1) Only includes Shares and options held by current members of the Executive Leadership Team.

(2) Tobias Forster and Marcel Huber joined the Executive Leadership Team only over the course of 2019 and accordingly, their shares, if any, have previously not been subject to disclosure obligations in the Company's annual report.

(3) The total also includes shares held by former members of the Executive Leadership Team who have since stepped down.

None of the members of the Board of Directors and of the Executive Leadership Team held options or similar instruments having the Shares as their main underlying asset as of the dates mentioned in the tables above.

**Agreements Related to Compensation for Members of the Board of Directors and the Executive Leadership Team**

According to Article 24 of the Articles of Incorporation, mandate agreements with members of the Board of Directors have, subject to removal and early termination in accordance with applicable law, a duration until the closing of the next annual general meeting of shareholders. Fixed term agreements with members of the Executive Leadership Team may have a term not exceeding one year. The maximum termination period of indefinite contracts with members of the Executive Leadership Team is twelve months. The Company or companies controlled by it may enter into non-compete agreements with members of the Executive Leadership Team for the time after termination of the employment agreement for a term of up to one year. The consideration for such non-compete agreement must on a *pro rata* basis not exceed the annual base salary prior to termination of the employment agreement.

**Permitted Activities Outside the Group of Members of the Board of Directors and the Executive Leadership Team**

According to Article 23 of the Articles of Incorporation, no member of the Board of Directors may hold more than four additional mandates in listed companies and more than six mandates in non-listed companies. Further, no member of the Executive Leadership Team may hold more than one mandate in a listed company and more than five mandates in non-listed companies.

For the purposes of this provision, mandates of a member of the Board of Directors or of the Executive Leadership Team of the Company in legal entities outside the Group that are under common control as well as mandates that are held by such member in his or her capacity as a member of the supreme governing body of the group management of a legal entity outside the Group or held by order and on behalf of such legal entity or legal entities controlled by it shall be deemed one mandate outside the Group.

The following mandates are not subject to these limitations: (i) mandates in companies which are controlled by the Company or which control the Company; (ii) mandates held at the request of the Company or companies controlled by it, whereby no member of the Board of Directors or of the Executive Leadership Team may hold more than ten such mandates; and (iii) mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations, whereby no member of the Board of Directors or of the Executive Leadership Team may hold more than six such mandates.

"Mandates" within the meaning of Article 23 of the Articles of Incorporation are mandates in the supreme governing body of a legal entity that are required to be entered in the commercial register or a corresponding foreign register.

Moreover, any mandate of a member of the Executive Leadership Team in a legal entity outside the Group is subject to prior approval by the Board of Directors, or where delegated to it, the NCC. Members of the Board of Directors or the Executive Leadership Team who, at the time of their election or appointment, do not fulfil the requirements of Article 23 of the Articles of Incorporation must, until the next ordinary resignation date for one of the surplus mandates, but within twelve months since the election, appointment or acceptance at the latest, reduce the number of their mandates to the number permitted. During this time, they are members of the Board of Directors or the Executive Leadership Team, respectively, with all powers and duties.

**Potential Conflicts of Interest**

Swiss law does not provide for a general provision regarding conflicts of interest. However, the CO requires the Board of Directors and senior officers to safeguard the Company's interests and imposes a duty of care and loyalty on the members of the Board of Directors and senior officers. This rule is generally understood as disqualifying members of the Board of Directors and senior officers from decisions that directly affect them. Members of the Board of Directors and senior officers are personally liable to the Company, its shareholders and its creditors for damages caused by wilful or negligent violation of their duties. In addition, Swiss statutory law contains a provision under which payments made to a shareholder or a member of the Board of Directors or any person associated with such shareholder or member of the Board of Directors, other than at arm's length, must be repaid to the Company if the recipient of such payment was acting in bad faith.

**Independent Proxy**

Pursuant to the Compensation Ordinance and our Articles of Incorporation, the general meeting of shareholders elects the independent proxy. The term of office of the independent proxy ends at the closing of the next annual general meeting of shareholders. Re-election is possible. If the Company does not have an independent proxy, the Board shall appoint the independent proxy for the next annual general meeting of shareholders.

At the 2019 annual general meeting of shareholders, the Company's shareholders elected Anwaltskanzlei Keller KLG, Zurich, as the independent proxy for a term of office ending at the conclusion of the next annual general meeting of shareholders.

## RELATED PARTY TRANSACTIONS

### Management Long-Term Investment Programs

The Company has maintained a number of long-term incentive plans available to the Executive Leadership Team since its initial public offering. Although these plans are due to be replaced with the Long-Term Incentive Plan (see "—*Long-Term Incentive Plan*"), vesting periods are still running for two plans, the MLTIP Revised and the MLTIPE. The MLTIPs feature two elements: a voluntary investment in Shares ("**investment shares**"), and a matching "performance share" element. Investment shares are blocked for a period of three years. Once the blocking period ends, subject to continued employment and satisfying the performance target of the plans, participants are eligible to obtain, if any, an additional number of performance shares free of charge for every investment share they held during the blocking period. The MLTIP Revised allows members of the Executive Leadership Team to invest a portion ranging between 25% and 50% of their short-term incentive in investment shares. The MLTIPE is a one-time opportunity for newly appointed members of the Executive Leadership Team to invest in the plan at the time of execution of their employment agreement; minimum and maximum amounts of investment shares are determined on a case-by-case basis by the Board of Directors.

### Prior Management Long-Term Incentive Programs

Prior to the date of this Shareholder Information Document, the Company maintained two additional management long-term incentive programs, the $MLITP_0$ and the $MLITP_{2015}$. Under both of these plans, participants were required to purchase investment shares, which were locked for three years. Up to 1.5 performance shares were allocated to each investment share, based on the Company's total shareholder return performance relative to two peer groups over the three-year vesting period. Up to 0.75 performance shares were based on the Company's total shareholder return relative to the constituents of the SMIM and the remaining 0.75 performance shares were based on the Company's total shareholder return relative to a peer group of international telecoms companies. All grants under these plans vested in 2018.

### Long-Term Incentive Plan

As from 2019, the Company has discontinued the MLTIPs in favor of the LTI. Under the LTI, members of the Executive Leadership Team will receive a monetary amount on an annual basis. The amount will be converted into PSU, with one PSU conferring an entitlement to receive between zero and two Shares. Two performance objectives would determine how many of the granted PSUs would actually vest: 50% of the PSUs would be determined based on the adjusted EBITDA in year three of the performance cycle and 50% on the equity free cash flow in year three.

### Pension, Retirement and Other Benefits

The Company provides the members of the Executive Leadership Team with a comprehensive benefits package that the Company believes is set at a level that is competitive in the Swiss market.

For further information, see "*Board of Directors and Sunrise Management—Compensation of Members of the Board of Directors and of the Executive Leadership Team—Remuneration of Executive Leadership Team*."

## DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

*The following is a summary of certain provisions of our existing indebtedness and certain indebtedness that will be assumed by Sunrise following the consummation of the Acquisition and does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents.*

### General

As part of the Acquisition and the other transactions contemplated in this Shareholder Information Document, we will be looking to amend the existing capital structure of the Group on or as soon as practicable after the Acquisition. Each of these steps that we describe below are subject to certain customary financing conditions and to the then-prevailing market conditions.

As part of the Acquisition, we will acquire the term loans borrowed by UPC Financing Partnership under the UPC Facilities Agreement (relating to the outstanding UPC Senior Secured Notes), the UPC Senior Notes and certain rolling hedging agreements between certain financial institutions and members of the UPC Group (the "**Existing Hedging**"). The Existing Hedging includes interest rate and currency hedging. The hedging needs of the combined Group will continue to be assessed and additional hedging arrangements may be entered into from time to time in view of applying hedge accounting.

Sunrise Communications AG is expected to become an indirect subsidiary of UPC Broadband Holding B.V. following completion of the Acquistion (the "**SCAG Reorganization**"). As a result we plan to terminate the Sunrise Intercreditor Agreement and procure the existing obligors and finance parties under the Sunrise Facilities Agreement to accede to the UPC Intercreditor Agreement. The lenders under the Sunrise Facilities Agreement are expected to accede to the UPC Intercreditor Agreement as "Pari Passu Creditors" (as defined under the UPC Intercreditor Agreement) to benefit from the cross-guarantee and secured debt collateral package of the UPC Facilities Agreement (and which in turn will also permit the UPC Facilities Agreement and the Existing Hedging to benefit from the cross-guarantee and secured debt collateral package provided under the Sunrise Facilities Agreement).

In addition, following the SCAG Reorganization, we plan to implement a corporate reorganization with respect to Mobile Challenger Intermediate Group S.A., Sunrise Communications Holdings S.A., Sunrise Communications International S.A. and Skylight S.à r.l. and simplify the structure by way of up-stream mergers and novating the Sunrise Term Loan Facility B (as defined below) borrowed by Sunrise Communications Holdings S.A. to a subsidiary of UPC Broadband Holding B.V..

As soon as practicable after the Acquisition, we plan to redeem in full the Sunrise Notes.

### Sunrise Facilities Agreement

#### *Overview*

Sunrise Communications AG, Sunrise Communications Group AG, Mobile Challenger Intermediate Group S.A., Sunrise Communications Holdings S.A., Sunrise Communications International S.A., Skylight S.à r.l., the financial institutions and others listed therein entered into a senior facilities agreement on January 13, 2015 (as amended and restated pursuant to an amendment and restatement deed dated February 9, 2015, an amendment and restatement deed dated December 23, 2016, and an amendment and restatement deed dated June 15, 2018, the "**Sunrise Facilities Agreement**"). On or about the Acquisition, we intend to amend the Sunrise Facilities to increase the amount of the term facilities thereunder and to extend the maturity until at least five years from the date of the Acquisition. After this amendment, we expect the Sunrise Facilities Agreement to provide for up to a CHF1,710 million senior secured term loan B facility (the "**Sunrise Term Loan B Facility**") and a CHF 200 million senior secured multi-currency revolving credit facility (the "**Sunrise Revolving Credit Facility**" and, together with the Sunrise Term Loan B Facility and the Sunrise Incremental Facilities (as defined below), the "**Sunrise Facilities**").

In addition, the Sunrise Facilities Agreement includes the ability to add one or more incremental term and/or revolving credit facilities (the "**Sunrise Incremental Facilities**") subject to certain conditions. Sunrise Communications Holdings S.A. and the lenders in respect of such Sunrise Incremental Facilities may agree to certain terms in relation to the commitments thereunder, including the margin, the termination date and the availability period (each subject to parameters as set out in the Sunrise Facilities Agreement).

The Sunrise Term Loan B Facility is fully utilized as of the date of this Shareholder Information Document and is borrowed by Sunrise Communications AG and Sunrise Communications Holdings S.A.

The Sunrise Revolving Credit Facility may be utilized by the drawing of cash advances, the issue of letters of credit and ancillary facilities by Sunrise Communications AG and certain other members of Sunrise (which for the purpose of this section will initially be Sunrise Communications Holdings S.A. and its subsidiaries) which accede as additional borrower in CHF, Euro, USD or with the consent the lenders under the facility concerned, any other currency readily available in the amount required and freely convertible into CHF in the relevant interbank market on the quotation day and the utilization date for that utilization. The Sunrise Revolving Credit Facility may be used for Sunrise's general corporate purposes.

It is envisaged that the Sunrise Facilities Agreement will be designated as a "Pari Passu Debt" (as defined in the UPC Intercreditor Agreement) on or shortly after the closing of the Acquisition. See "*—UPC Intercreditor Agreement*" for further discussion on the envisaged cross-guarantee and secured debt collateral package on or shortly after the closing of the Acquisition.

***Availability***

The Sunrise Revolving Credit Facility may be utilized from and including the first utilization of the Sunrise Term Loan B Facility until the date which is one month prior to the maturity date of the Sunrise Revolving Credit Facility. As of the date of this Shareholder Information Document, the Sunrise Revolving Credit Facility is undrawn.

***Interest and Fees***

Loans under the Sunrise Facilities Agreement bear interest at rates *per annum* equal to LIBOR or, for loans denominated in euro, EURIBOR and the following applicable initial margin (i) 2.00% *per annum* in respect of loans under the Sunrise Term Loan B Facility (which may subsequently vary depending on the leverage ratio of Sunrise) and (ii) 1.70% *per annum* in respect of loans under the Sunrise Revolving Credit Facility (which may subsequently vary depending on the leverage ratio of Sunrise).

A commitment fee will be payable on the aggregate undrawn and uncanceled amount of the Sunrise Revolving Credit Facility from the date of the first utilization of the Sunrise Term Loan B Facility to the end of the availability period applicable to the Sunrise Revolving Credit Facility. Commitment fees will be payable quarterly in arrears and on the date the Sunrise Revolving Credit Facility is canceled in full or on the date on which the relevant lender cancels its commitment. In addition, a *per annum* percentage utilization fee is payable with the amount of such fee dependent on the then outstanding loans under the Sunrise Revolving Credit Facility.

Default interest will be calculated as an additional 1% on the applicable rate had an amount not been overdue.

We are also required to pay certain customary fees related to the issuance of ancillary facilities, letters of credit, and certain fees to the agent under the Sunrise Facilities Agreement and the security agent in connection with the security granted thereunder.

***Repayments and Prepayments***

The Sunrise Term Loan B Facility will currently be repaid in full on its termination date, being 5 years after the effective date of the Acquisition, being on or around November 2024 (the "**Initial TLB Termination Date**"), provided that, Sunrise may request the Initial TLB Termination Date be extended by an additional twelve months plus a further twelve months thereafter subject to lenders agreeing and certain other conditions.

In respect of the Sunrise Revolving Credit Facility, each advance will be repaid on the last day of the interest period relating thereto, subject to a netting mechanism against amounts to be drawn on such date. All outstanding amounts under the Sunrise Revolving Credit Facility will be repaid after five years following the effective date of the Acquisition, being on or around November 2024 (the "**Initial RCF Termination Date**"), provided that, Sunrise may request the Initial RCF Termination Date is extended by an additional twelve months plus a further twelve months thereafter subject to lenders agreeing and certain other conditions. Amounts repaid by the borrowers on loans made under the Sunrise Revolving Credit Facility may be reborrowed, subject to certain conditions.

Subject to certain conditions, the Sunrise Facilities may be voluntarily prepaid or permanently canceled in whole or part of the applicable available commitments by giving three business days' (or such shorter period as may be agreed by the majority lenders) prior notice to the agent.

In addition, the Sunrise Facilities Agreement requires mandatory prepayment (or, as the case may be, an offer to do so) in full or in part in certain circumstances, and if applicable, cancelation, including (i) with respect to any lender, if it becomes unlawful for such lender to perform any of its obligations under the Sunrise Facilities Agreement; and (ii) unless the super majority lenders thereunder agree, the Sunrise Facilities will be canceled and all amounts outstanding will become immediately due and payable, following the occurrence of a "Change of Control" (as defined in the Sunrise Facilities Agreement) or if Sunrise Communications Group AG ceases to be listed or its shares traded on any recognized investment exchange (as that terms is used in the UK Financial Services and Markets Act 2000) or in or on any other recognized investment exchange or market in any jurisdiction or country.

***Sunrise Guarantee and Security***

Sunrise Communications AG, Sunrise Communications Holdings S.A., Skylight S.à r.l., Sunrise Communications International S.A. and Mobile Challenger Intermediate Group S.A. each provide a senior secured guarantee of all amounts payable to the finance parties under the Sunrise Facilities Agreement. Each subsidiary of Sunrise Communications Holdings S.A. that becomes a "Material Subsidiary" (as defined in the Sunrise Facilities Agreement) is also required to accede to the Sunrise Facilities Agreement and provide a senior secured guarantee in accordance with the terms of the Sunrise Facilities Agreement.

The Sunrise Facilities are secured, *inter alia*, by first-ranking security interests granted on an equal and rateable first-priority basis over (i) the shares of the Sunrise Communications Holdings S.A., Sunrise Communications International S.A., Skylight S.à r.l. and Sunrise Communications AG, (ii) receivables of Mobile Challenger Intermediate Group S.A., Sunrise Communications International S.A., Sunrise Communications Holdings S.A., Skylight S.à r.l. and Sunrise Communications AG and (iii) the preferred equity certificates of Sunrise Communications Holdings S.A., Sunrise Communications International S.A. and Skylight S.à r.l. If the long-term corporate credit rating of Sunrise Communications Holdings S.A. or the Company is equal to or better than Baa3 or BBB- (as applicable) according to at least two of Moody's Investors Service, Inc. (or any successor to its rating business), Standard & Poor's Investors Ratings Services (or any successor to its rating business) or Fitch Ratings, Inc. (or any successor to its rating business) (the "**Corporate Ratings Condition**"), the security will be released and discharged provided that if the Corporate Ratings Condition is no longer satisfied, Sunrise Communications Holdings S.A. may in its sole discretion elect to regrant such released security or increase margin by a pre-agreed amount.

It is envisaged that the Sunrise Intercreditor Agreement will be terminated on or shortly after the closing of the Acquisition. See below "—*UPC Intercreditor Agreement*" for further discussion on the envisaged cross-guarantee and secured debt collateral package on or shortly after the closing of the Acquisition.

***Representations and Warranties***

The Sunrise Facilities Agreement contains customary and deal-specific representations and warranties (subject to certain agreed qualifications and thresholds and with certain ones being repeated) to be given by each Sunrise obligor, in respect of itself and, where applicable, its subsidiaries which are members of the borrower group, including, but not limited to, representations and warranties relating to (i) status and incorporation; (ii) binding obligations; (iii) non-conflict with constitutional documents, laws or other obligations; (iv) power and authority; (v) validity and admissibility in evidence; (vi) governing law and enforcement; (vii) *pari passu* ranking; (viii) filing and stamp taxes and tax liabilities; (ix) no default; (x) financial statements; (xi) litigation; (xii) consents, filings and laws applicable to operations; (xiii) Swiss non-bank rules; (xiv) intellectual property; and (xv) anti-corruption laws, OFAC and sanctions.

***Covenants***

The Sunrise Facilities Agreement contains customary and deal specific operating (affirmative and negative), information and financial covenants, subject to certain agreed exceptions and permissions, qualifications and thresholds, including but not limited to, affirmative and negative covenants relating to (i) maintaining authorizations and consents; (ii) insurance and intellectual property; (iii) complying with laws and Swiss non-bank rules; and (iv) restrictions on changing the nature of Sunrise's business, making disposals, creating security, mergers, acquisitions and incurring additional senior secured and unsecured debt and incurrence of debt by non-obligors.

In addition, Sunrise Communications Group AG, Mobile Challenger Intermediate Group S.A., Sunrise Communications Holdings S.A., Sunrise Communications International S.A. and Skylight S.à r.l. are subject to certain limitations on their ability to trade, carry on business, owns assets or incur liabilities.

The Sunrise Facilities Agreement requires Sunrise to comply with a financial covenant consisting of a maximum ratio of consolidated total net debt to consolidated *pro forma* EBITDA.

With respect to the restriction on the payment of dividends in connection with the Sunrise Facilities Agreement:

(i) no obligor will, and each obligor is required to procure that none of its subsidiaries will declare or pay, directly or indirectly, any dividends or make any other distribution whether in cash or otherwise, on or in respect of its share capital or any class of its share capital or set apart any sum for any such purpose or make any other payment in respect, or on account, of any Shareholder Loan (as defined in the Sunrise Facilities Agreement) or certain other subordinated financial indebtedness (together a "**Dividend**"), in each case, to any person that is not Sunrise Communications Holdings S.A. or its subsidiaries:

(A) if an event of default has occurred and is continuing under the Sunrise Facilities Agreement or would result from the payment of such Dividend; or

(B) if (adjusted *pro forma* for the payment of such Dividend and all other Dividends paid during the period since the end of the most recently ended relevant period) the leverage ratio exceeds a certain specified amount,

except (subject to the terms of the Intercreditor Agreement (as defined below)) any amount due to enable it to pay any scheduled payment of interest and/or principal due, under the UPC Holding Senior Notes; and

(ii) until an event of default has occurred and which is continuing and notice of acceleration in connection therewith has been given by the agent in accordance with the Sunrise Facilities Agreement, the documents constituting share security permit the payment of dividends upstream on pledged shares to the extent permitted under the Sunrise Facilities finance documents.

***Events of Default***

The Sunrise Facilities Agreement contains certain events of default, the occurrence of which would allow the majority lenders therein to accelerate all outstanding loans and terminate their commitments including, but not limited to (subject in certain cases to agreed grace periods, financial thresholds and other qualifications) (i) non-payment of amounts due under the Sunrise Facilities finance documents; (ii) breach of the financial covenant; (iii) non-compliance with other obligations under the Sunrise Facilities finance documents; (iv) incorrect or misleading representations or statements when made; (v) invalidity and unlawfulness; (vi) cross default; (vii) certain insolvency events; (viii) cessation of business; (ix) certain changes of ownership relating to Sunrise Communications Group AG's subsidiaries; and (x) material adverse change.

***Governing Law***

The Sunrise Facilities Agreement is governed by and construed and enforced in accordance with English law.

**Sunrise Ancillary Facilities Agreement**

Sunrise Communications AG has entered into, pursuant and subject to the terms of the Sunrise Facilities Agreement, a CHF 25 million ancillary facility agreement (the "**Sunrise Ancillary Facility Agreement**") with Credit Suisse AG (the "**Sunrise Ancillary Facility Bank**"). The Sunrise Ancillary Facility Agreement is available to be utilized in the form of letters of credit, bank guarantees, performance bonds and/or current account overdrafts in CHF, EUR, USD or any other currency approved by the Sunrise Ancillary Facility Bank (the "**Sunrise Ancillary Facility**") and must be applied towards general corporate and working capital purposes.

The Sunrise Ancillary Facility has been provided subject to the payment of certain other customary fees and commissions based on applicable margin and/or average outstanding amounts thereunder and benefits from the same guarantees and security as the Sunrise Facilities Agreement. Except as otherwise provided therein, the terms and conditions of the Sunrise Facilities Agreement applies, *mutatis mutandis*, with respect to the Sunrise Ancillary Facility Agreement.

The Sunrise Ancillary Facility will cease to be available on the earlier of, among other things, the final maturity date of the Sunrise Facilities Agreement and/or the date the Sunrise Revolving Credit Facility is canceled in full or all outstanding utilizations under the Sunrise Revolving Credit Facility have become due and payable.

The Sunrise Ancillary Facility Agreement and the rights and benefits and obligations of the parties thereunder are governed by and construed in accordance with the laws of Switzerland.

**The Sunrise Notes**

On June 25, 2018, Sunrise Communications AG issued an aggregate principal amount of CHF 200,000,000 1.500% Senior Secured Notes due 2024 (the "**Sunrise Notes**"). The Sunrise Notes constitute direct, unconditional and secured obligations of Sunrise Communications AG and are guaranteed by certain group entities. The Sunrise Notes are secured by first-ranking security interests granted on an equal and rateable basis over the same assets that secure the obligations under the Sunrise Facilities Agreement.

At any time prior to the maturity date, we can redeem some or all of the Sunrise Notes by paying a specified "make-whole" premium. We intend to redeem the Sunrise Notes as soon as practicable after the Acquisition.

**Sunrise Intercreditor Agreement**

To establish the relative rights of certain of the creditors under the financing arrangements relating to Sunrise, Sunrise Communications Holdings S.A., Sunrise Communications International S.A. and the subsidiary guarantors and any other entity which accedes to the Sunrise Intercreditor Agreement as a debtor (together, the "**Sunrise Debtors**") entered into an English law governed intercreditor agreement dated September 17, 2010 (as amended by an amendment letter dated October 25, 2010) and amended and restated on February 12, 2015 and February 17, 2015) (the "**Sunrise Intercreditor Agreement**") with, currently among others, Deutsche Bank AG, London Branch as security agent, the lenders under the Sunrise Facilities Agreement and the senior agent under the Sunrise Facilities Agreement. The Sunrise Intercreditor Agreement sets out, among other things, the relative ranking of certain debt of the Sunrise Debtors, when payments can be made in respect of debt of the Sunrise Debtors, when enforcement action can be taken in respect of that debt, the terms pursuant to which certain of that debt will be subordinated upon the occurrence of certain insolvency events and turnover provisions and is governed by English law.

With respect to the restriction on the payment of dividends, the Sunrise Intercreditor Agreement generally permits payments to the indirect shareholders of Sunrise Communications Holdings S.A. if such payment is not prohibited by the relevant debt documents governed by the terms of the Sunrise Intercreditor Agreement including the Sunrise Facilities Agreement.

It is envisaged that the Sunrise Intercreditor Agreement will be terminated on or shortly after the closing of the Acquisition. See "—*UPC Intercreditor Agreement*" for further discussion on the envisaged intercreditor arrangements on or shortly after the closing of the Acquisition.

**UPC Facilities Agreement**

***Overview***

UPC Broadband Holding B.V., UPC Financing Partnership, The Bank of Nova Scotia as facility agent (the "**UPC Facility Agent**"), The Bank of Nova Scotia as security agent (the "**UPC Security Agent**"), and certain banks and financial institutions as lenders, among others, entered into a senior secured credit facilities agreement originally entered into on January 16, 2004, as amended and restated from time to time, including most recently on November 29, 2017 (the "**UPC Facilities Agreement**"). UPC Holding B.V., along with certain of its subsidiaries, is a guarantor under the UPC Facilities Agreement. The UPC Facilities Agreement provides for certain term loans and revolving loans from time to time (including by way of additional facilities).

***Facility AK and Facility AL***

On April 15, 2015 UPC Financing Partnership (as borrower) and UPCB Finance IV Limited (as lender) entered into an additional facility under the UPC Facilities Agreement ("**Facility AK**"). On April 15, 2015 and May 20, 2015 UPC Financing Partnership (as borrower) and UPCB Finance IV Limited (as lender) entered into an additional facility under the UPC Facilities Agreement ("**Facility AL**").

UPCB Finance IV Limited used the proceeds from the UPCB Finance IV Euro Notes and the UPCB Finance IV Dollar Notes to fund Facility AK and Facility AL. UPC Financing Partnership used the proceeds from Facility AK and Facility AL to reduce or repay in full outstanding amounts under Facilities AC, AD, AI, Z and Y under the UPC Facilities Agreement, to pay certain fees and expenses to UPCB Finance IV Limited in connection with the issuance of the UPCB Finance IV Notes, and for general corporate purposes.

See"*—UPCB Finance IV Notes and Facility AK and Facility AL under the UPC Facilities Agreement*" for a further discussion on the interaction of Facility AK and Facility AL with the UPCB Finance IV Euro Notes and the UPCB Finance IV Dollar Notes.

***Facility AQ***

On June 21, 2017 UPC Financing Partnership (as borrower) and UPCB Finance VII Limited (as lender) entered into an additional facility under the UPC Facilities Agreement ("**Facility AQ**").

UPCB Finance VII Limited used the proceeds from the UPCB Finance VII Notes to fund Facility AQ. UPC Financing Partnership used the proceeds from Facility AQ, together with existing cash, to prepay in full outstanding amounts under Facility AO under the UPC Facilities Agreement, to pay certain fees and expenses to UPCB Finance VII Limited in connection with the issuance of the UPCB Finance VII Notes, and for general corporate purposes.

See "*—UPCB Finance VII Notes and Facility AQ under the UPC Facilities Agreement*" for a further discussion on the interaction of Facility AQ with the UPCB Finance VII Notes.

***Facility AM and Facility AR***

On August 3, 2015 UPC Financing Partnership (as borrower) entered into a euro denominated additional revolving credit facility ("**Facility AM**") under the UPC Facilities Agreement. Facility AM may be utilized until the date which is one month prior to the maturity date of Facility AM. As of the date of this Shareholder Information Document, Facility AM is undrawn.

On October 13, 2017 UPC Financing Partnership (as borrower) entered into a dollar denominated additional term loan facility ("**Facility AR**") under the UPC Facilities Agreement. The proceeds together with proceeds from another additional term loan facility under the UPC Facilities Agreement and the 5½% Senior Notes, were used (i) to repay, in full, Facility AP under the UPC Facilities Agreement; (ii) to repay a portion of certain notes and (iii) for general corporate purposes.

It is envisaged that Facility AM and Facility AR will be repaid on or prior to the closing of the Acquisition by the Liberty Group and will not be assumed by Sunrise.

***Interest and fees***

Loans under the UPC Facilities Agreement bear interest at rates *per annum* equal to LIBOR (in relation to any loan drawn under any facility in U.S. dollars or any currency of a country in which a member of the borrower group is incorporated and/or carries out its business and whose functional currency is other than euros) or EURIBOR (in relation to any loan drawn under any facility in euros) unless otherwise specified in the applicable accession deed. The applicable margin for each additional facility is set forth in the applicable accession deed and are as follows: (i) 5.375% *per annum*, in respect of loans under Facility AL; (ii) 4.000% *per annum*, in respect of loans under Facility AK; and (iii) 3.625% *per annum*, in respect of loans under Facility AQ.

A commitment fee will be payable on the aggregate undrawn and uncanceled amount of Facility AM to the end of the availability period applicable to Facility AM. Commitment fees are payable quarterly in arrears.

Each of Facility AL, Facility AK and Facility AQ are subject to early prepayment premiums consistent with the UPCB Notes (see below).

Default interest will be calculated as an additional 2% on the applicable rate had an amount not been overdue.

We are also required to pay certain customary fees related to the issuance of ancillary facilities and letters of credit, and certain fees to the UPC Facility Agent under the UPC Facilities Agreement and certain fees to the UPC Security Agent in connection with the security granted thereunder.

***Repayment and Prepayment***

In addition to scheduled repayments of principal, facilities under the UPC Facilities Agreement must be prepaid: (i) if the requisite lenders so require, upon the occurrence, of a change of control; (ii) with the proceeds of certain assets disposals; and (iii) in respect of any individual lender, where it becomes unlawful for that lender to fund or otherwise meet its obligations under the UPC Facilities Agreement, in each case as described therein.

Further, the indebtedness under the UPC Facilities Agreement may be voluntarily prepaid in whole or in part, on giving at least three business days' (or such other time period as agreed between UPC Broadband Holding B.V. and the UPC Facility Agent) prior written notice and in a minimum amount of €10,000,000 (or its equivalent in U.S. dollars or other currency). Any such voluntary prepayment is to be applied against the facilities in such proportions as stipulated by UPC Broadband Holding B.V. in the notice of prepayment.

The UPC Facilities Agreement contains detailed provisions in relation to voluntary and mandatory prepayment. Such prepayments are described as being subject to certain conditions and exceptions such as the application of prepayment proceeds and the order of such application.

***UPC Guarantee and Security***

UPC Holding B.V. and certain of its subsidiaries act as guarantors in guaranteeing the obligations of the borrowers under the UPC Facilities Agreement to the extent permitted by law. In addition, the UPC Facilities Agreement requires, under certain circumstances, that additional members of the borrower group, as defined therein, become guarantors under the UPC Facilities Agreement in order to ensure that the guarantors and their subsidiaries account for 80% of the consolidated EBITDA of the borrower group. If at any time the UPC obligors account for more than 80% of the consolidated EBITDA of the borrower group, the Security Agent may release specified UPC obligors from any guarantees, indemnities and/or Security Documents to which they are a party.

The indebtedness under the UPC Facilities Agreement is primarily secured by way of a pledge over the shares of each holding company in each of the main jurisdictions in which the borrower group operates. In addition, pledges over certain intercompany receivables and subordinated shareholder loans by UPC obligors have also been granted.

It is envisaged that the Sunrise Intercreditor Agreement will be terminated on or shortly after the closing of the Acquisition. See "*—UPC Intercreditor Agreement*" for further discussion on the envisaged cross-guarantee and secured debt collateral package.

***Representations and Warranties***

The UPC Facilities Agreement contains customary and deal-specific representations and warranties (subject to certain agreed qualifications and thresholds and with certain ones being repeated) to be given by each UPC obligor, in respect of itself and, where applicable, its subsidiaries which are members of the borrower group, including, but not limited to, representations and warranties relating to: (i) status and due incorporation; (ii) power and authority to perform obligations under the UPC Facilities finance documents; (iii) legal validity of the UPC Facilities finance documents, recognition of choice of law and recognition of jurisdiction and judgments; (iv) execution and performance of the UPC Facilities finance documents does not violate any laws, constitutional documents or other documents; (v) all necessary license and authorizations are in full force and effect; (vi) all environmental licenses have been acquired, environmental law compliance and no material environmental claims; (vii) accuracy and basis of preparation of accounts to be delivered; (viii) no litigation or similar proceedings; (ix) ownership, maintenance and non-infringement of intellectual property rights;

(x) relevant United States regulations compliance; (xi) anti-terrorism laws; (xii) compliance with U.S. Investment Company Act of 1940, as amended; and (xiii) compliance with sanctions regulations.

***Covenants***

The UPC Facilities Agreement contains certain negative undertakings that, subject to certain customary and other agreed exceptions, limit the ability of the borrower group, and, in certain cases, UPC Holding B.V. to, among other things: (i) incur, create or otherwise permit to be outstanding, any financial indebtedness; (ii) reduce its capital or purchase or redeem any class of its shares or any other ownership interest in it; (iii) create or permit to subsist any security interest on or over the whole or any part of its assets, rights or remedies; (iv) sell, transfer, lease out, lend, cease to exercise direct control over or otherwise dispose of any part of its assets, rights, revenue or shareholdings; (v) enter into certain acquisitions and merger transactions; (vi) grant or permit to subsist any guarantees or any loan or grant any credit; (vii) amend its constitutional documents; (viii) declare, make or pay any dividend on or make any distribution or pay any other amounts in respect of, or redeem its share capital, capital stock or other securities; and (ix) issue of shares of any class to any person.

In addition, the UPC Facilities Agreement also requires UPC Broadband Holding B.V. and each obligor to observe certain affirmative undertakings subject to materiality and other customary and agreed exceptions.

The UPC Facilities Agreement requires UPC Broadband Holding B.V. to procure compliance with a leveraged based financial ratio for each ratio period to be tested when the outstanding commitments under the any additional facility that is a revolving facility and any indebtedness under the ancillary facilities on any test date exceed a certain percentage of the aggregate revolving facility commitments and each ancillary facility commitments on that test date.

The UPC Facilities Agreement includes certain restrictions in connection with any direct or indirect distribution, dividend or other payment on account of any class of share capital or capital stock or other securities, any payment of principal of, or interest on, any loan, any transfers of assets, loan or other payment or any transfer of tax losses (provided that the amount of such tax losses shall be deemed reduced by any payment received by the UPC Group for such tax losses), in each case, whether in cash, securities, properties or otherwise (a "**Restricted Payment**"). The UPC Facilities Agreement permits the making of Restricted Payments including (but not limited to) by way of payment of principal or interest on subordinated shareholder loans or by way of loan, distributions, dividends or other payments provided that (i) senior net debt to annualized EBITDA does not exceed a certain threshold prior to and after making such payment and (ii) no default under the UPC Facilities Agreement has occurred and is continuing or would occur as a result of making such Restricted Payment.

***Events of Default***

The UPC Facilities Agreement contains certain events of default, the occurrence of which would allow the majority lenders therein to accelerate all outstanding loans and terminate their commitments including, but not limited to (subject in certain cases to agreed grace periods, financial thresholds, cure rights and other qualifications): (i) non-payment under the UPC Facilities finance documents (other than a mandatory prepayment from disposal proceeds); (ii) breach of covenants or breach of other provisions of the UPC Facilities finance documents; (iii) representation or warranty is incorrect in any material respect; (iv) cross default; (v) certain insolvency events; (vi) certain enforcement of a creditor's process; (vii) unlawfulness of performance of payment or other material obligations under the UPC Facilities finance documents; (viii) repudiation of any UPC Facilities finance document; (ix) cessation of distribution business; (ix) breach by a subordinated creditor of obligations or warranties under the UPC Intercreditor Agreement or pledge of the certain subordinated shareholder loans; (xi) loss, breach or failure to renew material licenses; (xii) material adverse effect; and (xiii) acceleration by the composite revolving facility instructing group following breach of the financial ratio.

***Governing Law***

The UPC Facilities Agreement is governed by and construed and enforced in accordance with English law.

**UPC Notes**

***UPC Senior Notes***

*$535 million 5½% Senior Notes*

On October 18, 2017, UPC Holding B.V. ("**UPC Holding**") issued the 5½% Senior Notes which mature on January 15, 2028 (the "***5½% Senior Notes***"). The 5½% Senior Notes benefit from the UPC Intercreditor Agreement and are senior obligations that rank equally with all of UPC Holding's existing and future senior debt and are senior to all of UPC Holding's existing and future subordinated debt. The 5½% Senior Notes are secured by a third ranking pledge over the shares of UPC Holding. In addition, the 5½% Senior Notes provide that any failure to pay principal prior to expiration of any applicable grace period, or any acceleration with respect to other indebtedness, in each case, of €75.0 million or more in the aggregate of UPC Holding, any Affiliate Issuer, or the Restricted Subsidiaries (each as defined in the indenture), including UPC Broadband Holding and UPC Financing, is an event of default under the 5½% Senior Notes.

At any time prior to October 15, 2022, the UPC Group may redeem some or all of the 5½% Senior Notes by paying a specified "make-whole" premium.

On or after October 15 2022, the UPC Group may redeem some or all of the 5½% Senior Notes at certain redemption prices (expressed as a percentage of the principal amount) plus accrued interest and unpaid interest and additional amounts, if any, to the applicable redemption date, if redeemed during a specified 12-month period. In addition, at any time prior to October 15, 2022, the UPC Group may redeem up to 40% of the 5½% Senior Notes (at a redemption price of 105.500% of the principal amount) with the net proceeds from one or more specified equity offerings.

The UPC Group may redeem all of the 5½% Senior Notes at a price equal to their principal amount plus accrued and unpaid interest upon the occurrence of certain changes in tax law. If the UPC Group or certain of its subsidiaries sell certain assets or experience specific changes in control, the UPC Group must offer to repurchase the 5½% Senior Notes at a redemption price of 100%, in the case of a sale of certain assets, and 101%, in the case of specific changes of control.

The 5½% Senior Notes were initially issued with an aggregate principal amount of $550 million. On August 31, 2018, the 5½% Senior Notes with an aggregate principal amount of $ 15 million were redeemed. The current outstanding amount of the 5½% Senior Notes is $535 million.

*€594 million 3 ⅞% Senior Notes*

On June 21, 2017, UPC Holding issued the 3 ⅞% Senior Notes which mature on June 15, 2029 (the "**3 ⅞% Senior Notes**", together with the 5½% Senior Notes, the "**UPC Senior Notes**"). The 3 ⅞% Senior Notes benefit from the UPC Intercreditor Agreement and are senior obligations that rank equally with all of UPC Holding's existing and future senior debt and are senior to all of UPC Holding's existing and future subordinated debt. The 3 ⅞% Senior Notes are secured by a third ranking pledge over the shares of UPC Holding. In addition, the 3 ⅞% Senior Notes provide that any failure to pay principal prior to expiration of any applicable grace period, or any acceleration with respect to other indebtedness, in each case, of €75.0 million or more in the aggregate of UPC Holding, any Affiliate Issuer, or the Restricted Subsidiaries (each as defined in the indenture), including UPC Broadband Holding and UPC Financing, is an event of default under the 3 ⅞% Senior Notes.

At any time prior to June 15, 2022, the UPC Group may redeem some or all of the 3 ⅞% Senior Notes by paying a specified "make-whole" premium.

On or after June 15, 2022, the UPC Group may redeem some or all of the 3 ⅞% Senior Notes at certain redemption prices (expressed as a percentage of the principal amount) plus accrued interest and unpaid interest and additional amounts, if any, to the applicable redemption date, if redeemed during a specified 12-month period. In addition, at any time prior to June 15, 2020, the UPC Group may redeem up to 40% of the 3 ⅞% Senior Notes (at a redemption price of 103.875% of the principal amount) with the net proceeds from one or more specified equity offerings.

The UPC Group may redeem all of the 3 ⅞% Senior Notes at a price equal to their principal amount plus accrued and unpaid interest upon the occurrence of certain changes in tax law. If the UPC Group or certain of its subsidiaries sell certain assets or experience specific changes in control, the UPC Group must offer to repurchase the 3 ⅞% Senior Notes at a redemption price of 100%, in the case of a sale of certain assets, and 101%, in the case of specific changes of control.

The 3 ⅞% Senior Notes were initially issued with an aggregate principal amount of €635 million. On August 31, 2018, the 3 ⅞% Senior Notes with an aggregate principal amount of € 41 million were redeemed. The current outstanding amount of the 3 ⅞% Senior Notes is €594 million.

The UPC Senior Notes include certain restrictions in connection with any Restricted Payment. The UPC Senior Notes permit the making of Restricted Payments including (but not limited to) by way of payment of principal or interest in subordinated shareholder loans or by way of loan, distributions, dividends or other payments provided that (i) consolidated net leverage ratio does not exceed a certain threshold prior to and after making such payment and (ii) no default under the UPC Senior Notes has occurred and is continuing or would occur as a result of making such Restricted Payment.

***UPC Senior Secured Notes***

*UPCB Finance IV Notes and Facility AK and Facility AL under the UPC Facilities Agreement*

On April 15, 2015, UPCB Finance IV Limited, a special purpose financing company created for the primary purpose of issuing senior secured notes and owned 100% by a charitable trust, issued (i) €600.0 million principal amount of 4% senior secured notes (the "**UPCB Finance IV Euro Notes**") and (ii) $800.0 million (€753.4 million equivalent at the transaction date) principal amount of 5 ⅜% senior secured notes (the "**UPCB Finance IV Original Dollar Notes**") resulting in combined gross proceeds of € 1,353.4 million (equivalent at the transaction date). On May 20, 2015, UPCB Finance IV Limited issued an additional $340.0 million (€ 299.4 million equivalent at the transaction date) principal amount of 5 ⅜% senior secured notes (the "**UPCB Finance IV Additional Dollar Notes**", together with the UPCB Finance IV Original Dollar Notes, the "**UPCB Finance IV Dollar Notes**"; the UPCB Finance IV Dollar Notes together with the UPCB Finance IV Euro Notes, the "**UPCB Finance IV Notes**") resulting in gross proceeds of $338.3 million (€304.8 million equivalent at the transaction date). UPCB Finance IV Limited used the proceeds from the UPCB Finance IV Euro Notes and the UPCB Finance IV Dollar Notes to fund the new Facility AK and Facility AL, respectively, under the UPC Facilities Agreement, with UPC Financing, an indirectly wholly owned subsidiary of UPC Holding, as the borrower. UPC Financing used the proceeds from Facility AK and Facility AL to reduce or repay in full outstanding amounts under Facilities AC, AD, AI, Z and Y under the UPC Facilities Agreement, to pay certain fees and expenses to UPCB Finance IV Limited in connection with the issuance of the UPCB Finance IV Notes, and for general corporate purposes.

UPCB Finance IV Limited is dependent on payments from UPC Financing under Facility AK and Facility AL in order to service its payment obligations under the UPCB Finance IV Euro Notes and the UPCB Finance IV Dollar Notes, respectively. Although UPC Financing has no equity or voting interest in UPCB Finance IV Limited, the Facility AK and Facility AL loans create a variable interest in UPCB Finance IV Limited for which UPC Financing is the primary beneficiary, as contemplated by U.S. GAAP. As such, UPC Financing and its parent entities, including UPC Holding, are required by the provisions of U.S. GAAP to consolidate UPCB Finance IV Limited following the issuance of the UPCB Finance IV Notes. Accordingly, the amounts outstanding under Facility AK and Facility AL are eliminated within UPC Holding's consolidated financial statements.

The UPCB Finance IV Notes have been issued pursuant to an indenture, dated as of April 15, 2015. Facility AK is made pursuant to an Additional Facility AK Accession Agreement (the "**Facility AK Accession Agreement**") and Facility AL is made pursuant to an Additional Facility AL Accession Agreement (the "**Facility AL Accession Agreement**"). Pursuant to the Facility AK Accession Agreement and the Facility AL Accession Agreement, the call provisions, maturity and applicable interest rate for Facility AK and Facility AL, respectively, are the same as those of the UPCB Finance IV Euro Notes and the UPCB Finance IV Dollar Notes, respectively. UPCB Finance IV Limited, as a lender under the UPC Facilities Agreement, will be treated the same as the other lenders under the UPC Facilities Agreement and will have benefits, rights and protections that are similar to those benefits, rights and protections afforded to the other lenders. Through the covenants in the indenture governing the UPCB Finance IV Notes and the security interests over (i) all of the issued shares of UPCB Finance IV Limited, (ii) UPCB Finance IV Limited's rights as lender under Facility AK, granted to secure UPCB Finance IV Limited's obligations under the UPCB Finance IV Euro Notes, and (iii) UPCB Finance IV Limited's rights as lender under Facility AL, granted to secure UPCB Finance IV Limited's obligations under the UPCB Finance IV Dollar Notes, the holders of the UPCB Finance IV Notes are provided indirectly with the benefits, rights, protections and covenants, granted to UPCB Finance IV Limited as a lender under the UPC Facilities Agreement.

UPCB Finance IV Limited is prohibited from incurring any additional indebtedness, subject to certain exceptions under the indenture governing the UPCB Finance IV Notes.

The UPCB Finance IV Euro Notes are non-callable until January 15, 2021. At any time prior to January 15, 2021, upon the occurrence of an Early Redemption Event (being a voluntary prepayment of all or a portion of Facility AK), UPCB Finance IV Limited will redeem an aggregate principal amount of the UPCB Finance IV Euro Notes equal to the principal amount of Facility AK prepaid (not to exceed an amount equal to 10% of the original aggregate principal amount of the UPCB Finance IV Euro Notes, including any additional notes, during each twelve-month period), at a redemption price equal to 103% of the principal amount thereof plus accrued and unpaid interest and additional amounts, if any, to the applicable redemption date. At any time prior to January 15, 2021, upon the occurrence of an Early Redemption Event (as defined in the indenture), UPCB Finance IV Limited will redeem an aggregate principal amount of the UPCB Finance IV Euro Notes equal to the principal amount of Facility AK prepaid (in excess of an amount equal to 10% of the original aggregate principal amount of the UPCB Finance IV Euro Notes, including any additional notes, during each twelve-month period), at a redemption price equal to the sum of (i) 100% of the principal amount thereof, (ii) the excess of (a) the present value at such redemption date of (1) the redemption price on January 15, 2021, plus (2) all required remaining scheduled interest payments due through January 15, 2021, computed using the discount rate specified in the indenture, over (b) the principal amount of the UPCB Finance IV Euro Notes on the redemption date (the "**UPCB IV Euro Applicable Premium**") and (iii) accrued but unpaid interest and additional amounts, if any, to the applicable redemption date. Additionally, at any time prior to January 15, 2018, upon the occurrence of an Early Redemption Event (as defined in the indenture), with the net proceeds of one or more specified equity offerings (the "**Equity Offering Early Redemption Proceeds**"), UPCB Finance IV Limited will redeem up to 40% of the aggregate principal amount of the UPCB Finance IV Euro Notes equal to the principal amount of Facility AK prepaid with any Equity Offering Early Redemption Proceeds at a redemption price equal to the sum of (i) 104% of the principal amount thereof, (ii) the UPCB IV Euro Applicable Premium calculated in accordance with the indenture and (iii) accrued but unpaid interest and additional amounts, if any, to the applicable redemption date. On or after January 15, 2021, upon the occurrence of an Early Redemption Event (as defined in the indenture), UPCB Finance IV Limited will redeem an aggregate principal amount of the UPCB Finance IV Euro Notes equal to the principal amount of Facility AK prepaid at the redemption prices set forth in the indenture governing the UPCB Finance IV Euro Notes, plus accrued and unpaid interest and additional amounts, if any, to the applicable redemption date.

The UPCB Finance IV Dollar Notes are non-callable until January 15, 2020. At any time prior to January 15, 2020, upon the occurrence of an Early Redemption Event (being a voluntary prepayment of all or a portion of Facility AL), UPCB Finance IV Limited will redeem an aggregate principal amount of the UPCB Finance IV Dollar Notes equal to the principal amount of Facility AL prepaid (not to exceed an amount equal to 10% of the original aggregate principal amount of the UPCB Finance IV Dollar Notes, including any additional notes, during each twelve-month period), at a redemption price equal to 103% of the principal amount thereof plus accrued and unpaid interest and additional amounts, if any, to the applicable redemption date. At any time prior to January 15, 2020, upon the occurrence of an Early Redemption Event (as defined in the indenture), UPCB Finance IV Limited will redeem an aggregate principal amount of the UPCB Finance IV Dollar Notes equal to the principal amount of Facility AL prepaid (in excess of an amount equal to 10% of the original aggregate principal amount of the UPCB Finance IV Dollar Notes, including any additional notes, during each twelve-month period), at a redemption price equal to the sum of (i) 100% of the principal amount thereof, (ii) the excess of (a) the present value at such redemption date of (1) the redemption price on January 15, 2020, plus (2) all required remaining scheduled interest payments due through January 15, 2020, computed using the discount rate specified in the indenture, over (b) the principal amount of the UPCB Finance IV Dollar Notes on the redemption date (the "**UPCB IV Dollar Applicable Premium**") and (iii) accrued but unpaid interest and additional amounts, if any, to the applicable redemption date. Additionally, at any time prior to January 15, 2018, upon the occurrence of an Early Redemption Event (as defined in the indenture), with the Equity Offering Early Redemption Proceeds, UPCB Finance IV Limited will redeem up to 40% of the aggregate principal amount of the UPCB Finance IV Dollar Notes equal to the principal amount of Facility AL prepaid with any Equity Offering Early Redemption Proceeds at a redemption price equal to the sum of (i) 105.375% of the principal amount thereof, (ii) the UPCB IV Dollar Applicable Premium calculated in accordance with the indenture and (iii) accrued but unpaid interest and additional amounts, if any, to the applicable redemption date. On or after January 15, 2020, upon the occurrence of an Early Redemption Event (as defined in the indenture), UPCB Finance IV Limited will redeem an aggregate principal amount of the UPCB Finance IV Dollar Notes equal to the principal amount of Facility AL prepaid at the redemption prices set forth in the indenture governing the UPCB Finance IV Dollar Notes, plus accrued and unpaid interest and additional amounts, if any, to the applicable redemption date.

*UPCB Finance VII Notes and Facility AQ under the UPC Facilities Agreement*

On June 21, 2017, UPCB Finance VII Limited, a special purpose financing company created for the primary purpose of issuing senior secured notes and owned 100% by a charitable trust, issued €600.0 million principal amount of 3 ⅝% senior secured notes due 2029 (the "**UPCB Finance VII Notes**", together with the "UPCB Finance IV Notes, the "**UPC Senior Secured Notes**", and together with the UPC Senior Notes, the "**UPC Notes**"). UPCB Finance VII Limited used the proceeds from the UPCB Finance VII Notes to fund the new Facility AQ under the UPC Facilities Agreement, with UPC Financing, an indirectly wholly owned subsidiary of UPC Holding, as the borrower. UPC Financing used the proceeds from Facility AQ, together with existing cash, to prepay in full outstanding amounts under Facility AO under the UPC Facilities Agreement, to pay certain fees and expenses to UPCB Finance VII Limited in connection with the issuance of the UPCB Finance VII Notes, and for general corporate purposes.

UPCB Finance VII Limited is dependent on payments from UPC Financing under Facility AQ in order to service its payment obligations under the UPCB Finance VII Notes. Although UPC Financing has no equity or voting interest in UPCB Finance VII Limited, the Facility AQ loan creates a variable interest in UPCB Finance VII Limited for which UPC Financing is the primary beneficiary, as contemplated by U.S. GAAP. As such, following the issuance of the UPCB Finance VII Notes, UPC Financing and its parent entities, including UPC Holding, were required by the provisions of U.S. GAAP to consolidate UPCB Finance VII Limited. Accordingly, the amount outstanding under Facility AQ is eliminated within UPC Holding's consolidated financial statements.

The UPCB Finance VII Notes have been issued pursuant to an indenture, dated as of June 21, 2017. Facility AQ is made pursuant to an Additional Facility AQ Accession Agreement (the "**Facility AQ Accession Agreement**"). Pursuant to the Facility AQ Accession Agreement, the call provisions, maturity and applicable interest rate for Facility AQ, are the same as those of the UPCB Finance VII Notes. UPCB Finance VII Limited, as a lender under the UPC Facilities Agreement, will be treated the same as the other lenders under the Facilities Agreement and will have benefits, rights and protections that are similar to those benefits, rights and protections afforded to the other lenders. Through the covenants in the indenture governing the UPCB Finance VII Notes and the security interests over (i) all of the issued shares of UPCB Finance VII Limited and (ii) UPCB Finance VII Limited's rights as lender under Facility AQ, granted to secure UPCB Finance VII Limited's obligations under the UPCB Finance VII Notes, the holders of the UPCB Finance VII Notes are provided indirectly with the benefits, rights, protections and covenants, granted to UPCB Finance VII Limited as a lender under the UPC Facilities Agreement.

UPCB Finance VII Limited is prohibited from incurring any additional indebtedness, subject to certain exceptions under the indenture governing the UPCB Finance VII Notes.

The UPCB Finance VII Notes are non-callable until June 15, 2022. At any time prior to June 15, 2022, upon the occurrence of an Early Redemption Event (being a voluntary prepayment of all or a portion of Facility AQ), UPCB Finance VII Limited will redeem an aggregate principal amount of the UPCB Finance VII Notes equal to the principal amount of Facility AQ prepaid (not to exceed an amount equal to 10% of the original aggregate principal amount of the UPCB Finance VII Notes, including any additional notes, during each twelve-month period), at a redemption price equal to 103% of the principal amount thereof plus accrued and unpaid interest and additional amounts, if any, to the applicable redemption date. At any time prior to June 15, 2022, upon the occurrence of an Early Redemption Event (as defined in the indenture), UPCB Finance VII Limited will redeem an aggregate principal amount of the UPCB Finance VII Notes equal to the principal amount of Facility AQ prepaid (in excess of an amount equal to 10% of the original aggregate principal amount of the UPCB Finance VII Notes, including any additional notes, during each twelve-month period), at a redemption price equal to the sum of (i) 100% of the principal amount thereof, (ii) the excess of (a) the present value at such redemption date of (1) the redemption price on June 15, 2022, plus (2) all required remaining scheduled interest payments due through June 15, 2022, computed using the discount rate specified in the indenture, over (b) the principal amount of the UPCB Finance VII Notes on the redemption date (the "**UPCB VII Applicable Premium**") and (iii) accrued but unpaid interest and additional amounts, if any, to the applicable redemption date. Additionally, at any time prior to June 15, 2022, upon the occurrence of an Early Redemption Event (as defined in the indenture), with the net proceeds of one or more specified equity offerings (the "**Equity Offering Early Redemption Proceeds**"), UPCB Finance VII Limited will redeem up to 40% of the aggregate principal amount of the UPCB Finance VII Notes equal to the principal amount of Facility AQ prepaid with any Equity

Offering Early Redemption Proceeds at a redemption price equal to the sum of (i) 103.625% of the principal amount thereof, (ii) the UPCB VII Applicable Premium calculated in accordance with the indenture and (iii) accrued but unpaid interest and additional amounts, if any, to the applicable redemption date. On or after June 15, 2022, upon the occurrence of an Early Redemption Event (as defined in the indenture), UPCB Finance VII Limited will redeem an aggregate principal amount of the UPCB Finance VII Notes equal to the principal amount of Facility AQ prepaid at the redemption prices set forth in the indenture governing the UPCB Finance VII Notes, plus accrued and unpaid interest and additional amounts, if any, to the applicable redemption date.

**UPC Intercreditor Agreement**

To establish the relative rights of certain of the creditors under the financing arrangements relating to the UPC Group, UPC Holding B.V., UPC Broadband Holding B.V. and the subsidiary guarantors and any other entity which acceded to the UPC Intercreditor Agreement as a debtor (together, the "**UPC Debtors**") entered into an English law governed intercreditor agreement (originally executed as a security deed on 16 January 2004 and as amended and restated from time to time, including most recently pursuant to a supplemental deed dated December 19, 2016) (the "**UPC Intercreditor Agreement**") with, currently among others, The Bank of Nova Scotia as security agent, The Bank of Nova Scotia as effective date senior agent and the lenders under the UPC Facilities Agreement.

The UPC Intercreditor Agreement sets out, among other things, the relative ranking of certain debt of the UPC Debtors, when payments can be made in respect of debt of the UPC Debtors, when enforcement action can be taken in respect of that debt, the terms pursuant to which certain of that debt will be subordinated upon the occurrence of certain insolvency events and turnover provisions and is governed by English law.

With respect to the restriction on the payment of dividends, the UPC Intercreditor Agreement generally permits payments to the indirect shareholders of the UPC Group if such payments are expressly permitted or not prohibited by the relevant debt documents governed by the terms of the UPC Intercreditor Agreement (including the UPC Facilities Agreement) and there is no acceleration event under the terms of the UPC Intercreditor Agreement.

It is envisaged that the Sunrise Intercreditor Agreement will be terminated on or shortly after the closing of the Acquisition and the occurrence of the following: (i) the Sunrise Facilities Agreement being designated as a "Pari Passu Debt" (as defined in the UPC Intercreditor Agreement); (ii) the UPC obligors (as of such date) acceding to the Sunrise Facilities Agreement as "Additional Guarantors" (as defined therein) and, to the extent not already at such date, to the UPC Intercreditor Agreement as "Debtors" and "Intra-Group Lenders" (both as defined therein); (iii) the Sunrise obligors (as of such date) acceding to the UPC Intercreditor Agreement as "Debtors" and "Intra-Group Lenders" (both as defined therein); (iv) the Company accede to the UPC Intercreditor Agreement as "Subordinated Creditor" (as defined therein); and (v) the facility agent and the finance parties under the Sunrise Facilities Agreement (as of such date)acceding, as applicable, to the UPC Intercreditor Agreement as "Pari Passu Debt Representative" and "Pari Passu Creditors" (both as defined therein) to benefit from the cross-guarantee and secured debt collateral package of the UPC Group.

# DESCRIPTION OF SHARE CAPITAL AND SHARES

## Capital Structure

### Share Capital as of the Date of this Shareholder Information Document

As of the date of this Shareholder Information Document, the Company's share capital registered in the commercial register of the Canton of Zurich is CHF 45,069,028.00, divided into 45,069,028 fully paid-in registered shares with a nominal value of CHF 1.00 each.

### Authorized Share Capital

Article 3b of the Company's Articles of Incorporation provide that, in connection with employee participation plans, the Board of Directors is authorized to increase the share capital by a maximum amount of CHF 280,972 through the issuance of up to 280,972 fully paid-in registered shares with a nominal value of CHF 1.00 each at any point in time until April 12, 2021. Article 3b of the Articles of Incorporation reads as follows (convenience translation of the German original):

> *"The Board of Directors shall be authorized to increase the share capital by an amount not to exceed CHF 280'972 through the issuance of up to 280,972 fully paid-in registered shares with a par value of CHF 1 at any time until April 12, 2021. These registered shares 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 the Company or its subsidiaries pursuant to one or more regulations adopted by the Board of Directors. The shareholders' preemptive right shall be excluded. Increases in partial amounts shall be permitted. Further, an increase through the initial subscription of the new shares by the Company shall in accordance with art. 659 et seq. CO also be permitted."*

### Conditional Share Capital

As of the date of this Shareholder Information Document, the Company does not have a conditional share capital.

### Outstanding Conversion and Option Rights, Bonds, Loans and Contingent Liabilities

As of the date of this Shareholder Information Document, the Company has not issued convertible bonds or similar instruments.

As of the date of this Shareholder Information Document, the Company has not issued options or warrants having the Shares as underlying asset.

For information regarding outstanding bonds, loans and contingent liabilities, see "*Description of Certain Financing Arrangements*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations of Sunrise*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations of UPC Switzerland*".

### Participation Certificates and Profit Sharing Certificates

As of the date of this Shareholder Information Document, the Company has neither participation certificates (*Partizipationsscheine*) nor profit sharing certificates (*Genussscheine*) outstanding.

### Changes to the Company's Share Capital

Sunrise Communications Group AG was incorporated 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 the Company was increased from CHF 100,000 to CHF 25,000,000. In the capital increase, the Company received by way of a contribution in kind and by way of a contribution to the reserves from capital contributions all 134,553,661 class A ordinary shares in Mobile

Challenger Intermediate Group S.A., Luxembourg, Grand-Duchy of Luxembourg with a nominal value of CHF 0.01 each pursuant to a contribution agreement dated January 23, 2015, against issuance of 24,900,000 registered shares of the Company with a nominal value of CHF 1.00 per share.

On February 5, 2015, the share capital of the Company was increased by way of an ordinary capital increase from CHF 25,000,000 to CHF 45,000,000 through the issuance of 20,000,000 registered shares with a nominal value of CHF 1.00, against cash contributions in connection with the initial public offering of the Company on February 6, 2015.

On February 9, 2018, the share capital of the Company was increased from CHF 45,000,000 to CHF 45,069,028 through the issuance of 69,028 registered shares of the Company with a nominal value of CHF 1.00 each out of the Company's authorized capital. These shares were issued against cash contributions and in the context of the Company's share participation plan MLTIP0. The subscription rights of existing shareholders were excluded in accordance with the Articles of Incorporation.

#### *Treasury Shares*

As of December 31, 2018, the Company did not hold any Shares as treasury shares.

#### *Cross-Shareholding*

As of the date of this Shareholder Information Document, the Company is not aware of cross-shareholdings exceeding 5% of the capital or voting rights on either side.

### Description of the Shares

#### *The Shares*

The Shares are registered shares with a nominal value of CHF 1.00 each and are fully paid-in. Each Share carries one vote at general meeting of shareholders. The Shares rank *pari passu* with each other in all respects, including entitlement to dividend, to a share in the liquidation proceeds in case of liquidation of the Company and to pre-emptive rights.

There are no voting rights restrictions that apply to registered shareholders (except as described under "—*Transfer of Shares and Registration in the Share Register*"), group clauses or rules on granting exceptions to such clauses.

#### *Form of the Shares*

The Shares have been issued as uncertificated securities in accordance with Article 973c CO (*Wertrechte*). In accordance with Article 973c CO, the Company maintains a register of uncertificated securities (*Wertrechtebuch*). The Company's Shares are registered as book-entry securities (*Bucheffekten*) within the meaning of FISA.

Shareholders registered in the Company's share register may request a statement of their registered shares at any time. Shareholders do not have a right to the printing and delivery of share certificates or conversion of registered shares issued in a certain form into another form. The Company may, however, at any time print and deliver share certificates (individual certificate, certificate or global certificates) or convert uncertificated securities and share certificates in another form and cancel issued share certificates that are returned to the Company.

#### *Transfer of Shares and Registration in the Share Register*

The Company recognizes persons or entities entered in the share register of the Company as shareholders, usufructuaries or nominees and has issued regulations regarding registration in the Company's share register (the "**Share Register Regulations**").

Pursuant to Article 5 of the Company's Articles of Incorporation, acquirers of shares are, upon request and presentation of evidence of the transfer, registered as shareholders with voting rights in the share register if they explicitly declare they hold the shares in their own name and for their own account. In accordance with the Share Register Regulations, the Company does not recognize as shareholders persons or entities who hold

Shares as a result of securities lending transactions or similar transactions that give them legal ownership of Shares without the associated economic risk.

Persons or entities who do not expressly declare holding Shares for their own account when applying for registration in the share register and have entered into an agreement with the Company regarding their shareholding ("**Nominees**") may be registered as shareholders with voting rights up to a maximum of 3% of the total share capital outstanding at the time. The Board of Directors may register a Nominee as a shareholder in excess of the afore-mentioned limitation, provided that the Nominee discloses the names, addresses, nationality and shareholdings of the persons for which the Nominee holds 0.5% or more of the total share capital outstanding at the time.

Transfers of Shares registered as book-entry securities (including the granting of security interest) are subject to the provisions of FISA. Shares not registered as book-entry securities (if any) are transferred by written assignment, and any such transfer is recognized by the Company only to the extent that it has been notified to the Company.

***General Meetings of Shareholders***

Under Swiss law and pursuant to Article 6 of the Company's Articles of Incorporation, an annual general meeting of shareholders must be held each year within six months after the end of the business year. Currently, the Company's financial year ends on December 31. Extraordinary general meetings are called for if the Board of Directors or the auditors deem it necessary or if the general meeting so resolves. In addition, one or more shareholders representing together at least 3% of the total share capital of the Company outstanding at the relevant time may request that an extraordinary general meeting be called by submitting a written request to the Board of Directors indicating the agenda items and the associated motions. The Articles of Incorporation do not prescribe that a particular quorum of shareholders is required for general meetings of shareholders to be validly held.

At general meetings, no resolutions may be passed on motions concerning agenda items which have not been duly announced, except as provided otherwise by law or the Articles of Incorporation, including motions calling for an extraordinary meeting and the initiation of a special audit. Shareholders representing at least 1% of the total share capital of the Company outstanding at the relevant time may request items to be included in the agenda. Such request must state the items of the agenda and the motions in writing and must be received by the Company at least 30 days prior to the meeting.

Pursuant to articles 7 and 30 of the Company's Articles of Incorporation, general meetings are convened by the Board of Directors by way of a notice published in the Swiss Official Gazette of Commerce (*Schweizerisches Handelsamtsblatt*) not less than 20 days prior to the date of the general meeting. Notices may also be mailed to shareholders at their address recorded in the share register. The notice states the day, time and place of the meeting, the agenda items as well as the motions of the Board of Directors and of the shareholders who have requested the holding of the general meeting or the inclusion of an item in the agenda.

Shareholders may be represented at general meetings of shareholders by their legal representative (*i.e.*, statutory proxy), another shareholder with voting rights or the independent proxy. The independent proxy is elected by the general meeting for a term of one year, ending upon completion of the annual general meeting of shareholders following their election. Re-election is possible and, in the event that the Company does not have an independent proxy, the Board of Directors is entitled to appoint one for the next annual general meeting of shareholders. As of the date of this Shareholder Information Document, the independent proxy is Anwaltskanzlei Keller KLG, Zurich.

General meetings are chaired by the Chairman of the Board of Directors or, if the latter is unable to attend, by another member of the Board of Directors.

***Powers of and Majorities at General Meetings of Shareholders***

Unless otherwise required by mandatory provisions of Swiss law or the Articles of Incorporation, the general meeting of shareholders of the Company passes resolutions and carries out elections by an absolute majority of the votes cast. Abstentions, blank or invalid votes are not counted. With respect to elections, if no person is elected in the first election and several candidates have been proposed, the votes shall be cast for a second time in which the relative majority shall be decisive. The chairman of the meeting has no casting vote.

Resolutions and elections are carried out openly, unless a written ballot is resolved by the general meeting of shareholders or is ordered by the chairman of the meeting. The chairman of the meeting may also arrange for resolutions and elections to be carried out by electronic means. Resolutions and elections carried out by electronic means are deemed to have the same effect as written ballots. The Chairman may at any time order the repeat of a resolution or an election carried out openly by casting votes in writing or by electronic means if he doubts the result of the vote. In this case, the preceding resolution or election carried out openly is deemed not to have occurred.

The general meeting of shareholders has the power to vote by an absolute majority of the votes cast on amendments to the Articles of Incorporation, to elect and remove members of the Board of Directors, the Chairman of the Board of Directors, the members and the chairman of the compensation committee, the independent proxy and the auditors and to approve the annual report and financial statements as well as to pass resolutions regarding the use of the balance sheet profit, in particular to declare dividends, to discharge the members of the Board of Directors from liability for matters disclosed to the general meeting of shareholders, to pass resolutions as to all matters which have been submitted to the general meeting of shareholders for its decision by the Board of Directors and to approve the aggregate amounts of the maximum compensation of the members of the Board of Directors and the Executive Leadership Team. Furthermore, a general meeting of shareholders, by an absolute majority of the votes cast, has the power to order an independent investigation into specific matters proposed to the general meeting of shareholders (*Sonderprüfung*). Moreover, the general meeting has the power to resolve on the delisting of the Company's shares from the SIX Swiss Exchange or its successor by way of a qualified majority.

Pursuant to article 10 of the Company's Articles of Incorporation, a resolution of the general meeting passed by at least two thirds of the votes represented at the relevant meeting is required for (i) a change of the Company's purpose, (ii) the creation of shares with privileged voting rights, (iii) the restriction of the transferability of registered shares, (iv) an authorized or conditional share capital increase, (v) a capital increase out of equity, against contributions in kind or for the purpose of the acquisition of assets and the granting of special benefits, (vi) the limitation or withdrawal of pre-emptive rights, (vii) a change of registered office of the Company, (viii) the delisting of the shares of the Company from the SIX Swiss Exchange, and (ix) the dissolution of the Company.

***Communications to and Inspection Rights of Shareholders***

According to the Articles of Incorporation, official publications of the Company are to be made in the Swiss Official Gazette of Commerce (*Schweizerisches Handelsamtsblatt*). The Board of Directors may designate further means for official publications. Notices of the Company to shareholders are to be made by official publications of the Company, but may also be made in writing to the addresses of shareholders as recorded in the share register.

In accordance with Swiss law, the Company makes its annual report, annual financial statements, compensation report and auditors' reports available for inspection by shareholders at its registered address at least 20 days prior to each annual general meeting of shareholders. Shareholders may request a copy of these reports. Under Swiss law, a shareholder may also, upon request submitted to the company, inspect the minutes of general meetings of shareholders. The Company has made available on its website the minutes of the annual general meetings held since 2016. The Company also publishes its annual report, quarterly interim financial reports, investor presentations and press releases on its website (https://www.sunrise.ch/en/corporate-communications/investor-relations.html).

At general meetings, shareholders may further request information from the Board of Directors regarding the business and operations of the Company and may request information from the Company's auditors regarding the performance and results of their examination of the Company's financial statements. The Company may refuse to provide certain requested information to a shareholder if, in its opinion, the disclosure of the requested information would reveal confidential business secrets or infringe other protected interests.

***Shareholders' Right to Bring Derivative Actions***

Under the CO, an individual shareholder may bring an action in the shareholder's own name, for the benefit of the Company, against the Company's directors, officers or liquidators, which seek to allow the Company to recover any damages it has suffered due to the intentional or negligent breach by such directors, officers or liquidators of their duties.

***Dividends***

Dividends may be paid only if the Company has sufficient distributable profit from previous years or sufficient free reserves to allow the distribution of a dividend. Swiss law requires that the Company retain at least 5% of its annual net profit as general reserves for so long as these reserves amount to less than 20% of its paid-in nominal share capital.

Under Swiss law, dividends are proposed by the board of directors and require the approval of the general meeting of shareholders. The Company's auditors must also confirm that the dividend proposal conforms to law and the Articles of Incorporation. Dividends that have not been collected by shareholders within five years after the due date accrue to the Company. Dividends are usually due and payable no sooner than three days after the shareholders' resolution relating to the allocation of profit has been passed.

For further information about the Company's dividends and dividend policy, see "*Dividends and Dividend Policy*".

***Pre-Emptive Rights and Advance Subscription Rights***

Swiss law provides that any share issue, whether for cash or non-cash consideration, is subject to the prior approval at a general meeting of shareholders. Shareholders are granted certain pre-emptive rights (*Bezugsrechte*) to subscribe for new issues of shares and advance subscription rights (*Vorwegzeichnungsrechte*) to subscribe for warrants, convertible bonds or similar debt instruments with option rights in proportion to the nominal amount of shares held. Pursuant to the Articles of Incorporation, a resolution adopted at a general meeting of shareholders by a majority of two thirds of the votes represented at the meeting is required to repeal, limit or suspend pre-emptive rights. Regarding the exclusion of pre-emptive rights in relation to the Company's authorized capital, see "*—Authorized Share Capital*".

***Rights of Shareholders in the Company's Liquidation***

Under Swiss law, unless the duration of a company is limited by its articles of association, a company may be dissolved at any time by way of liquidation, or in the case of a merger under the Swiss Merger Act (*Fusiongesetz*), based on a resolution of a general meeting of shareholders, which must be passed by a majority as provided by Swiss law or the relevant company's articles of association, as the case may be. The Company's Article of Incorporation do not limit the duration of the Company and provide that the majority required for the general meeting of shareholders to resolve on the liquidation of the Company is set at two thirds of the votes represented at the general meeting.

Dissolution and liquidation by court order is also possible if, among other things, (a) the company becomes bankrupt or (b) shareholders holding at least 10% of the company's share capital so request for important reasons. Under Swiss law, any surplus arising out of a liquidation (after settlement of all the claims of the company's creditors) distributed in proportion to the paid-up nominal value of shares held. This surplus is subject to Swiss federal withholding tax, except if paid out of reserves from capital contributions (*Reserven aus Kapitaleinlagen*).

***Ownership of Shares by Non-Swiss Persons***

Except for the limitations described under "*—Transfer of Shares and Registration in the Share Register*" applicable to all holders of Shares, persons who are neither nationals of, nor resident in, Switzerland may (under Swiss law and the Article of Incorporation) freely hold, vote and transfer Shares in the same manner as Swiss residents or nationals.

***Repurchase of Own Shares***

Swiss law limits the right of a company to purchase and hold its own shares. The Company may repurchase its own shares (*i.e.,* Shares) only if and to the extent that (i) the Company has freely distributable reserves in the amount of the purchase price; and (ii) the aggregate nominal value of all shares held by the company does not exceed 10% of the company's share capital (or up to 20% under certain specific circumstances). Furthermore, according to Swiss accounting rules, the Company needs to reflect the amount of the purchase price of the acquired shares as a negative position through the creation of a special reserve on its balance sheet.

Shares held by the Company or its subsidiaries do not carry any voting rights at general meetings of shareholders, but are entitled to the economic benefits, including dividends, pre-emptive rights (*Bezugsrechte*) in the case of share capital increases and advance subscription rights (*Vorwegzeichnungsrechte*) in the case of issuance of warrants, convertible bonds or similar debt instruments with option rights, applicable to the Shares generally.

In addition, selective share repurchases are only permitted under certain circumstances; in particular, repurchases of listed shares are subject to certain restrictions promulgated by the Swiss Takeover Board (*Übernahmekommission*), the regulatory body for takeover bids in Switzerland, under FMIA and its implementing ordinances. Within these limitations, as is customary for Swiss companies, the Company may repurchase and sell its own shares from time to time in order to meet imbalances of supply and demand, to provide liquidity, and to even out variances in the market price of the shares.

***Disclosure of Principal Shareholders***

Pursuant to the applicable provisions of FMIA and its implementing ordinances, persons who directly, indirectly or in concert with other parties acquire or dispose of shares or purchase or sale rights relating to shares, and thereby, directly, indirectly or in concert with other parties reach, exceed or fall below a threshold of 3, 5, 10, 15, 20, 25, 33 $^{1}/_{3}$, 50 or 66 $^{2}/_{3}$% of the Company's voting rights (whether exercisable or not) must notify the Company and SIX Swiss Exchange of such transactions in writing within four trading days, regardless of whether the voting rights can be exercised. The Company must then publish the notification through the SIX Swiss Exchange platform within two trading days. Shares and acquisition rights (the "**Purchase Positions**") and disposal rights or obligations (the "**Sale Positions**") may not be netted. Rather, the Purchase Positions and the Sale Positions need to be accounted for separately and may each trigger disclosure obligations if the respective positions reach one of the thresholds. In addition, actual share ownership needs to be reported separately if it reaches the thresholds.

Furthermore, under Swiss corporate law a company must disclose in the annual report the identity of shareholders and shareholder groups acting in concert who hold more than 5% of the Company's voting rights. Such disclosure must be made once a year in the notes to the financial statements as published in the Company's annual report.

***Mandatory Bid Rules***

Pursuant to the applicable provisions of FMIA, if a person acquires shares of a Swiss listed company, 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 33⅓% of the voting rights (whether exercisable or not) of such company, that person must submit a tender offer to acquire all of listed shares of the relevant company. A company's articles of association may provide that the relevant provisions of FMIA do not apply ("**opting-out**"), or raise the relevant threshold to 49% of the company's voting rights ("**opting-up**").

As of the date of this Shareholder Information Document, the Company's Articles of Incorporation contain neither an opting-out nor an opting-up provision.

***Cancellation of Remaining Equity Securities and Squeeze-Out Merger***

Under FMIA, any offeror that has submitted a tender offer for the shares of a listed Swiss target company (such as the Company) and that, as a result of such offer, holds more than 98% of the voting rights of that target company, may petition the court to cancel the remaining shares. The petition must be filed against the target company within three months after the expiration of the offer period and the remaining shareholders may join in the proceedings. If the court orders the cancellation of the remaining shares, the target company will reissue the shares and deliver such shares to the offeror against performance of the offer for the benefit of the holders of the canceled securities.

Under the Swiss Federal Merger Act (*Fusiongesetz*), shareholders of the transferring company may be offered a merger consideration that does not include shares in the surviving company (*e.g.,* cash or shares of another company) if at least 90% of the shareholders of the transferring company entitled to vote give their consent. However, it is unclear and disputed whether the 90% approval requirement relates to the total number of votes represented by all shares of the target company outstanding, or the total number of shareholders of the target company entitled to vote.

*Borrowing Powers*

Neither Swiss law nor the Articles of Incorporation restrict in any way the Company's power to borrow and raise funds by issuing debt instruments. The decision to borrow funds is made by or under direction of the Board of Directors, with no shareholders' resolution being required.

*Conflicts of Interest*

Swiss law does not provide for a general provision on conflicts of interest. However, the CO contains a provision which requires directors and senior management to safeguard the interests of such company and imposes a duty of loyalty and a duty of care on its directors and officers. The directors and senior officers are personally liable to a company for breach of these provisions. Also, Swiss law contains a provision under which payments made to a shareholder or a director or any person associated with them other than on at arm's length terms must be repaid to the company if such shareholder or director was acting in bad faith. In addition, pursuant to the CO, if, in connection with the conclusion of a contract, a company is represented by the person with whom it is concluding the contract, such contract must be in writing. This requirement does not apply to contracts relating to daily business matters if the value of the company's performance obligations under the contract does not exceed CHF 1,000.

The Organizational Regulations adopted by the Board of Directors provide that members of the Board of Directors and of the Executive Leadership Team are to avoid situations in which their personal or financial interest may conflict with the interest of the Company or of the Group. In case of a conflict of interest, the relevant Board of Directors or Executive Leadership Team member is to inform the Chairman of the Board of Directors (or, in case the conflict is with the Chairman, the Vice-Chairman) in writing. The Chairman (or, in case the conflict is with the Chairman, the Vice-Chairman) then has to request a decision by the Board of Directors (taken without the participation of the conflicted member, as the case may be) on the conflict of interest.

These Organizational Regulations further provide that members of the Board of Directors and of the Executive Leadership Team are to abstain from voting on matters or transactions which affect their own interests or the interests of individuals or entities connected with or close to them. In case a conflict of interest is permanent, the relevant member of the Board of Directors or of the Executive Leadership Team must resign.

Finally, the Organizational Regulations provide that dealings between members of the Board of Directors or of the Executive Leadership Team are required to be on at arm's length terms and should be approved without the participation of the concerned person. If necessary, the Board of Directors or the Executive Leadership Team may obtain an impartial opinion.

*Foreign Investment and Exchange Control Regulations in Switzerland*

Other than in connection with government sanctions imposed on certain persons from the Republic of Iraq, Myanmar (Burma), Zimbabwe, Soudan, the Democratic Republic of Congo, Belarus, the Democratic People's Republic of Korea (North Korea), Lebanon, the Islamic Republic of Iran, Somalia, Guinea, Libya, Syria, Guinea-Bissau, the Central African Republic, Yemen, Burundi, the Republic of South Sudan, the Republic of Mali, Venezuela, persons and organizations with connections to Usama Bin Laden, the "Al-Qaïda" group or the Taliban, certain persons in connection with the assassination of Rafik Hariri and certain measures in connection with the prevention of circumvention of international sanctions relating to the situation in Ukraine, there are currently no government laws, decrees or regulations in Switzerland that restrict the export or import of capital, including, but not limited to, Swiss foreign exchange controls on the payment of dividends, interest or liquidation proceeds, if any, to non-resident holders of the Shares.

*Compensation Ordinance*

The Compensation Ordinance (*Verordnung gegen übermässige Vergütungen bei börsen-kotierten Aktiengesellschaften*) came into effect on January 1, 2014. It implements a constitutional amendment based on a popular initiative regarding executive compensation that was approved by the Swiss people and the Swiss cantons in 2013. The Compensation Ordinance applies to the Company. Set out below is a summary of some of the Compensation Ordinance's key provisions.

*Severance Pay, Advance Payments and Transaction Bonuses*

The Compensation Ordinance proscribes certain types of compensation arrangements with members of a Swiss public company's board of directors, executive management and advisory board, including severance payments, forms of advance compensation, transaction bonuses and certain other types of compensation and benefits not expressly provided for by a company's articles of association.

The Compensation Ordinance contains a broad prohibition of severance payments. In addition, excessive termination notice periods in employment agreements (*i.e.*, longer than one year) and long-term employment contracts for a fixed duration of more than one year are viewed as types of prohibited severance payments. However, post-employment non-compete covenants and consultancy agreements are not subject to the severance payment prohibition, unless they are deemed disguised severance payments due to their terms. The Compensation Ordinance also restricts certain forms of advance compensation, as well as certain types of bonuses relating to transactions.

*Shareholder Approval of Compensation for Board of Directors, Executive Management and Advisory Board*

The Compensation Ordinance requires that the general meetings of shareholders of Swiss public companies vote on the compensation of the board of directors, executive management and advisory board (if any). Swiss public companies are required to specify in their articles of association the mechanism for such say-on-pay votes, subject to certain minimum requirements. These minimum requirements provide that the say-on-pay vote must be (i) held annually, (ii) binding and (iii) separate for the members of the board of directors, members of the executive management and advisory board (if any).

*Compensation Report*

The Compensation Ordinance requires a company's board of directors to prepare an annual written compensation report. The disclosure relates to compensation, loans and credits directly or indirectly awarded by the company during the most recently ended financial year to members of the board of directors, executive management and advisory board (if any) and, to the extent not in line with market standards, to former members of (and related parties of such former members of) the board of directors, executive management and advisory board.

The compensation report must also include the compensation and the loans and credits paid to members of the board of directors and the advisory board disclosed on an aggregate and individual basis, whereas compensation and loans and credits paid to members of the executive management must only be disclosed on an aggregate basis, together with the name of the executive management member who received the highest compensation and the amount thereof.

*Articles of Incorporation*

Pursuant to the Compensation Ordinance, Swiss public companies are required to include in their articles of association provisions regarding (i) the maximum number of permissible activities that the members of the board of directors, executive management and advisory board may carry out in the supreme governing bodies of other companies that are neither controlled by the company nor control the company, (ii) the maximum duration of and/or the notice period under compensation arrangements with members of the board of directors, executive management and advisory board (which should not, in either case, exceed one year), (iii) the duties and responsibilities of a company's nomination, appointments and remuneration committees and (iv) the particulars of the say-on-pay vote of the annual general meeting of shareholders.

*Election of the Members of the Board of Directors, the Chairman of the Board of Directors, the Members of the Compensation Committee and of the Independent Proxy*

The Compensation Ordinance requires that the members of the board of directors, its chairman, the members of the compensation committee (who may only be selected among the members of the board of directors) and one or several independent proxies be elected by a company's shareholders at the general meeting of shareholders on an individual basis for a term ending at the closing of the next annual general meeting of shareholders. Re-election in all instances is permitted.

*Independent Proxy*

The Compensation Ordinance prohibits the representation of shareholders by corporate proxies (*i.e.*, officers or other company representatives) as well as the institutional representation of shareholders by custodians. The provisions of the Compensation Ordinance further provide that the board of directors must ensure that the shareholders are able to electronically grant proxies and instruct the independent proxy on both (i) the agenda items included in the invitation to the general meeting and (ii) new motions which were not disclosed in the invitation to the general meeting. The independent proxy is required to exercise the voting rights granted by shareholders only in accordance with shareholder instructions. Further, absent express voting instructions, the independent proxy is required to abstain from voting.

*Criminal Provisions*

The criminal provisions of the Compensation Ordinance penalize intentional non-compliance by any member of the board of directors, executive management and advisory board who acted against his or her "better knowledge" (*wider besseres Wissen*) and pays out or receives impermissible forms of compensation. The Compensation Ordinance also stipulates criminal liability for certain prohibited actions by a Swiss public company's board of directors. Intentional violations of the Compensation Ordinance can result in imprisonment of up to three years and a fine of up to six times the individual offender's annual salary.

# GENERAL INFORMATION

## General Corporate Information

The Company is a stock corporation (*Aktiengesellschaft*) organized under the laws of Switzerland in accordance with Article 620 *et seq.* CO. The Company was registered in the commercial register of the Canton of Zurich on January 14, 2015 under company registration number CHE-343.774.206.

The Company has its corporate seat in Opfikon ZH, Switzerland and its corporate headquarters is located at Thurgauerstrasse 101B, 8152 Glattpark (Opfikon), Switzerland. Neither the Articles of Incorporation nor the operation of law limit the duration of the Company.

The date of the Articles of Incorporation in force as of the date of this Shareholder Information Document is May 14, 2019.

The financial year of the Company currently ends on December 31 of each calendar year.

The Company was incorporated by Mobile Challenger Group S.à r.l., Luxembourg, Grand-Duchy of Luxembourg on January 13, 2015.

## Purpose of the Company

The Company's corporate purpose is set out in article 2 of the Articles of Incorporation:

"*The purpose of the Company is the acquisition, holding, management and sale of participations in companies in the area of telecommunication in and outside of Switzerland.*

*The Company may acquire, hold, manage and sell real estate and intellectual property rights in and outside of Switzerland as well as engage in financing for its own account or the account of third parties, and provide guarantees and other collateral for group companies and third parties.*

*The Company may also carry out any and all transactions and enter into any and all agreements which serve directly or indirectly its corporate purpose or are directly related thereto*."

## Auditors

The statutory auditors of the Company are Ernst & Young AG, Maagplatz 1, 8005 Zurich, Switzerland (CHE-491.907.686) which have been the auditors since the Company's incorporation in January 2015. The current auditor in charge is Willy Hofstetter.

According to the Company's Articles of Incorporation, the statutory auditors are elected (or re-elected, as the case may be) on an annual basis at the annual general meeting of shareholders.

## Independent Proxy

Pursuant to the Compensation Ordinance and the Articles of Incorporation, the Company's Annual General Meeting elects the independent proxy for a term ending at the conclusion of the next Annual General Meeting. Re-election is possible.

At the Company's 2019 Annual General Meeting held on April 10, 2019, Anwaltskanzlei Keller KLG, Zurich was elected as the independent proxy for a term ending at the conclusion of the next Annual General Meeting.

## Information Policy and Weblinks

The Company releases its financial results in the form of an annual report. Its annual report is published in print and electronic form within four months of the December 31 balance sheet date. In addition, the Company releases quarterly results in electronic form within three months of the respective balance sheet date. The Company's annual report and quarterly results will be announced via press releases and media and investor conferences in person via telephone.

| | |
|---|---|
| The Company's website ................................. | http://www.sunrise.ch |
| E-mail distribution list (*push system*): ............ | https://www.sunrise.ch/en/corporate-communications/investor-relations/contact-subscribe.html |
| Ad-hoc messages (*pull system*): ..................... | https://www.sunrise.ch/en/corporate-communications/investor-relations/ad-hoc-announcements0.html |
| Financial reports: ............................................ | https://www.sunrise.ch/en/corporate-communications/investor-relations/reports-presentations.html |
| Financial calendar: .......................................... | https://www.sunrise.ch/en/corporate-communications/investor-relations/financial-event-calendar.html |

**Paying Agent**

As long as the Shares are listed on SIX Swiss Exchange, the Company will maintain a principal paying agent (*Hauptzahlstelle*) in Switzerland. The principal paying agent for the Shares in Switzerland is UBS AG.

**Notices**

According to the Articles of Incorporation, official publications of the Company are to be made in the Swiss Official Gazette of Commerce (*Schweizerisches Handelsamtsblatt*). The Board of Directors may designate further means for official publications. Notices of the Company to shareholders are to be made by official publications of the Company, but may also be made in writing to the addresses of shareholders as recorded in the share register.

**Applicable Law/Jurisdiction**

Swiss law; Zurich, Switzerland.

## GLOSSARY OF TECHNICAL TERMS

The following technical terms and abbreviations when used in this Shareholder Information Document have the definitions ascribed to them opposite below, except where otherwise indicated.

| Abbreviation | Definitions |
|---|---|
| "*2G*" | Second Generation Mobile System of which GSM represents one universal standard. |
| "*3G"* | Third Generation Mobile System of which UMTS represents one universal standard. |
| "*4G*" | Fourth Generation Mobile System of which LTE represents one universal standard. |
| "*4P bundle*" | Combination of internet, TV, landline telephone and mobile services. |
| "*5G*" | Fifth Generation Mobile System. |
| "*above-the-line*" | Advertising technique using media that are broadcast and published to mass audiences, such as television, cinema, radio, print and out-of-home. |
| "*access rebilling*" | Landline voice service in which the landline connection fee is offered on a wholesale basis rather than being charged by the incumbent to the customer. |
| "*Asymmetric Digital Subscriber Line*" or "*ADSL*" | A technology that converts existing twisted-pair telephone lines into access paths providing for data communications at higher transmission rates than dial-up internet, see also "*DSL*". |
| "*average revenue per user*" or "*ARPU*" | Average revenue per user is a telecom industry metric generally calculated by dividing total revenue for a product group by the average number of subscriptions during a period, see "*Industry, Market and Subscription Data*" for an explanation of Sunrise's calculation methodology for mobile ARPU, retail voice ARPU and landline internet ARPU. |
| "*backbone*" | A high-speed line, or a series of connections forming a major communication pathway within a network. |
| "*base station*" or "*sites*" | Location where the antenna and the associated transmission equipment is installed. |
| *"BBCS"* | Broadband connectivity services. |
| *"below-the-line*" | Advertising technique using media that are niche-focused, such as direct mail, sales promotions, flyers, point-of-sale, telemarketing and printed media. |
| "*bit*" | The smallest unit of binary information. |
| "*bitstream*" | A service consisting of the supply by Swisscom to the alternative operator of the transmissions capacity between the final customer's workstation and the interconnection point of an alternative operator which wants to offer broadband services to its end-customer. |
| "*bps*" | Bits per second. |

| **Abbreviation** | **Definitions** |
|---|---|
| "*business dark fibers*" | Leasing fiber optic cables from a network service provider or, generally, to the fiber installations not owned or controlled by traditional carriers. |
| "*byte*" | A sequence of usually eight bits (enough to represent one character of alphanumeric data) processed by a computer as a single unit of information. |
| "*capacity*" | The amount of bandwidth or throughput that can be handled by a network element. |
| "*carrier preselection*" | Method of routing calls for least-cost routing (LCR) without the need for programming of the PBX telephone system. |
| "*churn*" | A telecommunication industry measure of the number or proportion of subscriptions that disconnected from a telecommunications provider's service over a period of time, see "*Industry, Market and Subscription Data*" for an explanation of our calculation methodology for mobile prepaid and post-paid subscription churn. |
| "*ComCo*" | The Swiss Competition Commission (*Wettbewerbskommission*) established by the Federal Act on Cartels and other Restraints of Competition of October 6, 1995 and also known as "*WEKO*". |
| "*ComCom*" | The Federal Communications Commission of Switzerland (*Die Eidgenössische Kommunikationskommission*) established by the Swiss Federal Telecommunications Act (*Fernmeldegesetz*). |
| "*direct-to-home*" or "*DTH*" | Direct-to-home, which refers to satellite television broadcasts intended for home reception. |
| "*DSL*" | Digital Subscriber Line, a technology enabling a local loop copper pair to transport high-speed data between a central office and the customers' premises. |
| "*EDGE*" | Enhanced Data rates for GSM Evolution; a stage in the evolution of the GSM standard, EDGE uses a modulation scheme to enable theoretical data speeds of up to 384 Kbps within the existing GSM spectrum. |
| *"fiber-optic cable*" | A transmission medium comprised of extremely pure and uniform glass; digital signals are transmitted across fiber-optic cable as pulses of light; while signals transmitted over fiber-optic cable travel at the same speed as those transmitted over traditional copper cable, fiber-optic cable benefits from greater transmission capacity and lower distortion of signals transmitted. |
| "*frequency*" | The rate at which an electrical current alternates, usually measured in Hertz (Hz); also the way to note a description of a general location on the radio frequency spectrum, such as 800 MHz, 900 MHz, 1,800 MHz or 2,100 MHz up to 300 GHz. |
| "*FTTH*" | Fiber-to-the-home, the fiber-optic technology linking residential customers directly to the fiber network. |
| "*FTTS*" | Fiber-to-the-street, the fiber-optic technology linking end user's street directly to the fiber network. |
| "*FVNO*" | Fixed-line virtual network operators. A fixed-line operator does not have its own network infrastructure; instead, FVNOs have business |

| Abbreviation | Definitions |
|---|---|
| | arrangements with fixed-line operators to provide mobile services for sale to their own customers. |
| "*General Packet Radio Services*" or "*GPRS*" | A packet-based mobile telecommunications technology designed to send and receive data at transmission rates up to 114 Kbps; GPRS is an evolution of the GSM technology. |
| "*Global System for Mobile Communications*" or "*GSM*" | A second generation (or 2G) mobile technology. |
| "*HD*" | High definition television. |
| "*Hertz*" | A unit of frequency of one cycle per second. |
| "*HSPA*" | High-Speed Packet Access; a 3G mobile telephone protocol that allows networks based on Universal Mobile Telecommunication System (UMTS) to have higher data transfer speeds and capacity. |
| "*HSPA+*" | Evolved High-Speed Packet Access; a 3G mobile telephone protocol based on HSPA but allowing for higher data transfer speeds and capacity. |
| "*interconnection*" | The way in which networks are connected to each other and the charges payable by one network operator for accepting traffic from or delivering traffic to another, see "*Business of Sunrise—Certain Contracts Relating to the Operation of Our Business*" for a description of our interconnection agreements with other network operators. |
| "*Internet Protocol*" or "*IP*" | A standard procedure whereby internet-user data is divided into packets to be sent onto the correct network pathway; in addition, IP gives each packet an assigned number so that the message completion can be verified; before packets are delivered to their destination, the protocol carries out unifying procedures so that they are delivered in their original form. |
| "*IPTV*" | Internet Protocol Television; IPTV delivers scheduled television programs and video-on-demand (VoD) via the IP protocol and digital streaming techniques used to watch video on the internet. |
| "*LAN*" | A Local Area Network is a network that interconnects devices in a limited area, such as a home or an office building using network media. |
| "*landline*" | A physical line connecting the customer to the telephone exchange; in addition, landline includes fixed wireless systems, in which the users are in fixed locations using a wireless connection (*e.g.*, cordless telephones) to the telephone exchange. |
| "*landline broadband*" | A connection to exchange data at higher transmission rates than through narrowband dial-up analog lines; broadband is typically delivered via cable, DSL, optical fiber or local wireless networks. |
| "*leased line*" | Voice or data circuits leased to connect two or more locations for the exclusive use of the customer. |
| "*local loop unbundling*" or "*LLU*" | Local loop unbundling, is where the incumbent (in Switzerland, Swisscom) grants access to third-party operators of the part of the communications circuit between the customer's equipment and the equipment of the local exchange (known as the local loop); where |

| Abbreviation | Definitions |
|---|---|
| | such access is granted by the incumbent, the incumbent may charge the third-party operator a regulated fee for the interconnection service. |
| "*Long-Run Incremental Cost*" or "*LRIC*" | LRIC is the method used for calculating regulated prices and is stipulated in the Swiss Telecommunications Services Ordinance (FDV). |
| "*LTE*" | 3GPP Long Term Evolution, a fourth generation (or 4G) mobile technology. |
| "*machine-to-machine*" or "*M2M*" | Machine-to-machine technologies allow both mobile and wired systems to communicate with other devices of the same ability; M2M uses a device, such as a sensor or meter, to capture an event, such as temperature or inventory level, that is relayed through a network (wireless, wired or hybrid) to an application (software program), that translates the captured event into meaningful information (for example, items that need to be restocked). |
| "*MHz*" | Megahertz; a unit of frequency equal to 1 million Hertz. |
| "*MMS*" | Multimedia Messaging Service; an evolution of SMS that enables users to send multimedia content including images, audio and video clips to other users. |
| "*MSR*" | Multi-Standard Radio; radio base stations that support GSM, HSPA and LTE/4G in a single package. |
| "*MTR*" | Mobile termination rates. |
| "*mobile broadband*" | Mobile data transmission services, typically provided using 3G standards. |
| "*mobile network operator*" or "*MNO*" | A company that has frequency allocations and all the required infrastructure to run an independent mobile network, as opposed to an MVNO. |
| "*mobile virtual network operator*" or "*MVNO*" | A mobile operator that does not own its own spectrum and usually does not have its own network infrastructure; instead, MVNOs have business arrangements with MNOs to buy minutes of use for sale to their own customers. |
| "*MPLS*" | Multi Protocol Label Switching, is a method used to speed up data communication over combined IP/ATM networks. |
| "*narrowband*" | Telecommunications that carry traffic in a narrow band of frequency, also referred to as "dial-up". |
| "*net promoter score*" or "*NPS*" | Net Promoter Score (NPS) is a management tool that can be used to gauge the loyalty of a firm's customer relationships; it serves as an alternative to traditional customer satisfaction research. |
| "*network*" | An interconnected collection of telecom components consisting of switches connected to each other and to customer equipment by real or virtual transmission links; transmission links may be based on fiber- optic or metallic cable or point-to-point radio connections. |
| "*OFCOM*" | The Swiss Federal Office of Communications, also referred to as "BAKOM". |

| Abbreviation | Definitions |
|---|---|
| "*on-network*" | Telephone calls that stay on one network, travelling from beginning to end without interconnecting with another network. In our case, this refers to calls made between Sunrise customers. |
| "*operator*" | A term for any company engaged in the business of building and running its own network facilities. |
| "*OTT*" | Over-the-top refers to any app or service that provides a product over the internet and bypasses traditional distribution, such as Skype or Facetime for voice and video calls and WhatsApp or iMessage for messages on a mobile device. |
| "*penetration*" | A measurement, usually as a percentage, of the take-up of telecommunications services. Penetration is typically calculated by dividing the number of subscriptions or lines by either the number of households or the population to which the service is available. See "*Industry, Market and Subscription Data*" for an explanation of our calculation of mobile and landline penetration rates. |
| "*post-paid*" | Mobile subscriptions paid for on a recurring basis and requiring customers to remain customers for a specified duration. |
| "*prepaid*" | Mobile subscriptions requiring customers to pay for usage credit in advance without any durational commitment. |
| "*public switched telephone network*" or "*PSTN*" | Telecommunications network based on copper lines carrying analog voice data (traditional landline services). |
| "*quadruple-play*" | Bundling of fixed and mobile (retail voice, landline internet & IPTV and mobile services) with TV services. |
| "*roaming*" | The ability for a cellular customer to automatically make and receive voice calls, send and receive data, or access other services, including home data services, when travelling outside the geographical coverage area of the home network, by means of using a visited network. |
| "*reseller*" | A company that partners with us to resell or market our mobile services in connection with its brand, resulting in direct contracts between the customers and us. |
| "*SMS*" | Short Message Service; a text message service that enables users to send short messages (160 characters or less) to other users. |
| "*spectrum*" | A continuous range of frequencies, usually wide in extent, within which radio waves have some certain common characteristics. |
| "*Subscriber Identity Module cards*" or "*SIM cards*" | Cards that contain a smart chip with memory that allows for data storage and software applications. |
| "*subscription*" | A person or entity who is party to a contract with the provider of telecommunications services for the supply of such services. See "*Industry, Market and Subscription Data*" for an explanation of our calculation of our mobile, retail voice and internet subscription bases. |
| "*Swiss Telecommunications Act*" | The Swiss Federal Telecommunications Act of April 30, 1997. |
| "*termination rate*" | The tariff chargeable by operators for terminating calls on their networks. See "*Regulation*". |

| **Abbreviation** | **Definitions** |
|---|---|
| “*ULL*” | Unbundled local loop. |
| “*Universal Mobile Telecommunications System*” or “*UMTS*” | A third generation (or 3G) mobile technology. |
| “*Value Added Services*” | All non-core services provided by an operator that are beyond standard voice calls and transmissions such as email, music downloads, communal gaming and interactive advertising. |
| “*VDSL*” | Very-high-bitrate digital subscriber line, a particular DSL implementation that provides for higher bitrates than most ADSL variants. |
| “*Voice Hubbing*” | The portion of our wholesale voice business in which we carry voice traffic on our landline network for calls originating and/or terminating outside Switzerland. |
| “*VoIP*” | A telephone service via internet, or via transmission control/internet Protocol, that can be accessed using a computer, a sound card, adequate software and a modem. |
| “*WAN*” | A Wide Area Network is a telecommunications network that covers a broad area (any network that links across metropolitan, regional or national boundaries). |
| “*WLAN*” or “*Wi-Fi*” | Wireless Local Area Network, a type of local-area network in which devices communicate wirelessly. |
| “*xDSL*” | A family of technologies, including ADSL and VDSL, that provides digital data transmission over copper wires. |

## Index to financial statements

# Condensed Consolidated Interim Financial Statements (unaudited)

# Sunrise Communications Group AG as of and for the six months ended June 30, 2019 and June 30, 2018

## Condensed Consolidated Interim Financial Statements (unaudited)

## Condensed Consolidated Interim Statements of Income

| CHFk | Note | H1 2019 Unaudited | H1 2018[1] Unaudited | Q2 2019 Unaudited | Q2 2018[1] Unaudited |
|---|---|---|---|---|---|
| **Revenue** | **5,6** | **901,397** | **920,932** | **454,774** | **462,612** |
| Transmission costs and cost of goods sold | | (284,796) | (324,344) | (143,575) | (159,207) |
| Other operating expenses | | (207,648) | (208,481) | (102,550) | (104,256) |
| Wages, salaries and pension costs | | (109,013) | (106,931) | (55,134) | (53,737) |
| Other income | 7 | 32,735 | 2,652 | 3,484 | 1,328 |
| Other expenses | | (1,301) | 220 | (190) | 302 |
| **Income before depreciation and amortization, net financial items and income taxes** | | **331,374** | **284,048** | **156,809** | **147,042** |
| Amortization | | (131,696) | (126,536) | (65,935) | (63,481) |
| Depreciation and impairment losses | | (101,106) | (85,819) | (50,970) | (44,225) |
| **Operating income** | | **98,572** | **71,693** | **39,904** | **39,336** |
| Foreign currency gains, net | | 1,103 | 932 | 1,077 | 331 |
| Financial income | | 53 | 15,052 | 48 | 15,051 |
| Financial expenses | | (25,311) | (30,492) | (12,232) | (19,838) |
| **Net financial items** | **8** | **(24,155)** | **(14,508)** | **(11,107)** | **(4,456)** |
| **Income before income taxes** | | **74,417** | **57,185** | **28,797** | **34,880** |
| Income taxes | | (13,541) | (16,445) | (3,167) | (10,861) |
| **Net income** | | **60,876** | **40,740** | **25,630** | **24,019** |
| **Net income attributable to equity holders of the parent company** | | **60,876** | **40,740** | **25,630** | **24,019** |
| **Basic and diluted earnings per share (in CHF)** | **9** | **1.35** | **0.90** | **0.57** | **0.53** |

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 4).

The accompanying Notes form an integral part of the consolidated financial statements.

## Condensed Consolidated Interim Statements of Comprehensive Income

| CHFk | H1 2019 Unaudited | H1 2018[1] Unaudited | Q2 2019 Unaudited | Q2 2018[1] Unaudited |
|---|---|---|---|---|
| **Net income** | **60,876** | **40,740** | **25,630** | **24,019** |
| Actuarial (loss) / gain related to defined benefit pension plans | (13,459) | 17,315 | (9,811) | 10,298 |
| Income tax effect | 2,673 | (3,515) | 1,933 | (2,090) |
| **Net other comprehensive (loss) / income not to be reclassified to profit and loss in subsequent periods** | **(10,785)** | **13,800** | **(7,878)** | **8,208** |
| **Other comprehensive (loss) / income, net of tax** | **(10,785)** | **13,800** | **(7,878)** | **8,208** |
| **Total comprehensive income** | **50,091** | **54,540** | **17,752** | **32,227** |
| **Comprehensive income attributable to equity holders of the parent company** | **50,091** | **54,540** | **17,752** | **32,227** |

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 4).

The accompanying Notes form an integral part of the consolidated financial statements.

## Condensed Consolidated Interim Statements of Financial Position

### Assets

| CHFk | Note | June 30, 2019 Unaudited | December 31, 2018[1] Audited |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | | 2,181,249 | 2,088,238 |
| Property, plant and equipment | | 792,320 | 823,763 |
| Right-of-use assets | | 290,024 | - |
| Non-current portion of trade and other receivables | | 57,069 | 56,813 |
| Non-current portion of contract assets | | 2,993 | 4,067 |
| Non-current portion of prepaid expenses | | - | 631 |
| Contract costs | | 48,555 | 45,933 |
| **Total non-current assets** | | **3,372,210** | **3,019,445** |
| **Current assets** | | | |
| Inventories | | 45,731 | 46,329 |
| Current portion of trade and other receivables | | 305,365 | 325,960 |
| Current portion of contract assets | | 81,690 | 99,682 |
| Current portion of prepaid expenses | | 18,554 | 8,886 |
| Cash and cash equivalents | | 239,827 | 420,919 |
| **Total current assets** | | **691,167** | **901,776** |
| **Total assets** | | **4,063,377** | **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 4).

The accompanying Notes form an integral part of the consolidated financial statements.

**Equity and liabilities**

| CHFk | Note | June 30, 2019 Unaudited | December 31, 2018[1] Audited |
|---|---|---|---|
| **Equity** | | | |
| Common shares | | 45,069 | 45,069 |
| Share premium | | 1,974,484 | 2,162,727 |
| Other reserves | | (776,143) | (776,143) |
| Accumulated profit | | 99,615 | 49,524 |
| **Total equity** | **10** | **1,343,025** | **1,481,177** |
| **Non-current liabilities** | | | |
| Non-current portion of loans and notes | 11 | 1,572,909 | 1,568,262 |
| Non-current portion of lease liabilities | 11 | 233,099 | 2,774 |
| Non-current portion of trade and other payables | | 40,688 | 368 |
| Deferred tax liabilities | | 134,572 | 155,744 |
| Non-current portion of provisions | | 54,440 | 54,372 |
| Employee benefit obligations | | 99,922 | 84,881 |
| Non-current portion of contract liabilities | | 7,994 | 5,958 |
| **Total non-current liabilities** | | **2,143,624** | **1,872,359** |
| **Current liabilities** | | | |
| Current portion of lease liabilities | 11 | 32,666 | 1,973 |
| Current portion of trade and other payables | | 471,933 | 501,016 |
| Income tax payable | | 36,395 | 26,735 |
| Current portion of provisions | | 4,820 | 6,005 |
| Current portion of contract liabilities | | 30,216 | 31,510 |
| Other current liabilities | | 698 | 446 |
| **Total current liabilities** | | **576,728** | **567,685** |
| **Total liabilities** | | **2,720,352** | **2,440,044** |
| **Total equity and liabilities** | | **4,063,377** | **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 4).

The accompanying Notes form an integral part of the consolidated financial statements.

## Condensed Consolidated Interim Statements of Cash Flow

| CHFk | Note | H1 2019 Unaudited | H1 2018[1] Unaudited | Q2 2019 Unaudited | Q2 2018[1] Unaudited |
|---|---|---|---|---|---|
| **Income before income taxes** | | **74,417** | **57,185** | **28,797** | **34,880** |
| Amortization | | 131,696 | 126,536 | 65,935 | 63,481 |
| Depreciation and impairment losses | | 101,106 | 85,819 | 50,970 | 44,225 |
| Gain on disposal of property, plant and equipment | 14 | (25,228) | (4) | (630) | (4) |
| Movement in pension | | 1,151 | 2,034 | 539 | 1,009 |
| Movement in provisions | | (1,550) | (555) | (1,158) | (141) |
| Change in net working capital | 13 | 19,774 | (30,584) | (19,865) | (15,301) |
| **Cash flow from operating activities before net financial items and tax** | | **301,366** | **240,431** | **124,588** | **128,149** |
| Financial income | 8 | (53) | (15,052) | (48) | (15,051) |
| Financial expense | 8 | 25,311 | 30,492 | 12,232 | 19,838 |
| Foreign currency gains, net | 8 | (1,103) | (932) | (1,077) | (593) |
| Interest received | 8 | 52 | 1 | 47 | - |
| Interest paid | | (20,884) | (17,547) | (11,574) | (11,899) |
| Corporate income and withholding tax paid | | (21,846) | (27,930) | (715) | (5,230) |
| **Total cash flow from operating activities** | | **282,843** | **209,463** | **123,453** | **115,214** |
| Purchase of property, plant and equipment | 15 | (89,027) | (83,228) | (42,556) | (29,373) |
| Purchase of intangible assets | 15 | (188,184) | (71,053) | (100,241) | (52,277) |
| Sale of property, plant and equipment | 14 | 29,757 | 7,533 | 595 | 4 |
| **Total cash flow used in investing activities** | | **(247,454)** | **(146,748)** | **(142,202)** | **(81,646)** |
| Proceeds from long-term loans and notes | | - | 692,016 | - | 692,016 |
| Repayments of long-term loans and notes | | - | (500,000) | - | (500,000) |
| Cost of early debt redemption | | - | (5,315) | - | (5,315) |
| Costs relating to capital increase | | - | (73) | - | - |
| Repayments of lease liabilities | 11 | (22,456) | (2,476) | (6,193) | (1,030) |
| Dividend payment | | (189,290) | (180,276) | (189,290) | (180,276) |
| Other financing activities | | (5,514) | (19,823) | (5,156) | (279) |
| **Total cash flow used in financing activities** | | **(217,260)** | **(15,947)** | **(200,639)** | **5,116** |
| **Total cash flow** | | **(181,871)** | **46,768** | **(219,388)** | **38,684** |
| Cash and cash equivalents as of January 1 | | 420,919 | 272,486 | - | - |
| Cash and cash equivalents as of April 1 | | - | - | 458,656 | 280,909 |
| Foreign currency impact on cash | 8 | 780 | 806 | 560 | 467 |
| **Cash and cash equivalents as of June 30** | | **239,827** | **320,060** | **239,827** | **320,060** |

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 4).

The accompanying Notes form an integral part of the consolidated financial statements.

## Condensed Consolidated Interim Statements of Changes in Equity

| CHFk | Common shares Unaudited | Share premium Unaudited | Other reserves Unaudited | Accumulated profit/(deficit) Unaudited | Total Unaudited |
|---|---|---|---|---|---|
| **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 | - | - | - | 40,740 | 40,740 |
| Other comprehensive income | - | - | - | 13,800 | 13,800 |
| **Total comprehensive income** | **-** | **-** | **-** | **54,540** | **54,540** |
| Share-based payment | - | (4,871) | - | - | (4,871) |
| Dividend payment | - | (180,276) | - | - | (180,276) |
| Capital increase | 69 | 4,551 | - | - | 4,620 |
| **Equity as of June 30, 2018[1]** | **45,069** | **2,162,057** | **(776,143)** | **(6,657)** | **1,424,326** |
| **Equity as of January 1, 2019** | **45,069** | **2,162,727** | **(776,143)** | **49,524** | **1,481,177** |
| Net income for the period | - | - | - | 60,876 | 60,876 |
| Other comprehensive loss | - | - | - | (10,785) | (10,785) |
| **Total comprehensive income** | **-** | **-** | **-** | **50,091** | **50,091** |
| Share-based payment | - | 1,047 | - | - | 1,047 |
| Dividend payment | - | (189,290) | - | - | (189,290) |
| **Equity as of June 30, 2019** | **45,069** | **1,974,484** | **(776,143)** | **99,615** | **1,343,025** |

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 Condensed Consolidated Interim Financial Statements (unaudited)**

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 condensed consolidated interim financial statements for the six-month period ended June 30, 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 condensed consolidated interim financial statements were authorized for issue by the Group's Board of Directors on August 20, 2019.

**NOTE 2 Basis of preparation**

The condensed consolidated interim financial statements of the Group as of and for the six-month period ended June 30, 2019, have been prepared in compliance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board.

The condensed consolidated interim financial statements have been prepared on a historical cost basis. The preparation of these condensed consolidated interim 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 3.

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as of December 31, 2018.

This is the first set of the Company's financial statements where IFRS 16 has been applied. Changes to significant accounting policies are described in Note 4.

Except 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.

***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 condensed consolidated interim 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** | **June 30, 2019** | **December 31, 2018** | **January 1 - June 30, 2019** | **January 1 - June 30, 2018** |
| Euro | 1.1104 | 1.1255 | 1.1433 | 1.1847 |
| US Dollar | 0.9763 | 0.9821 | 1.0099 | 0.9754 |

**NOTE 3 Significant accounting policies**

The preparation of the condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Those estimates affect mainly provisions, goodwill impairment tests, employee benefit obligations, allowance for doubtful receivables, leases and direct taxes. In line with IAS 8, revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last consolidated financial statements for the financial year ended December 31, 2018. The change in accounting policies for IFRS 16 are described in Note 4.

**NOTE 4 New accounting standards**

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as of and for the year ended December 31, 2018. The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as of and for the year ending December 31, 2019.

The Company 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 Company's financial statements.

***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 280 million. For the initial application of the new Standard, the Group has chosen the modified retrospective transition method. Comparative figures for the year ended December 31, 2018 have not been restated. For the initial recognition of the right-of-use assets, the Group values the RoU assets to be equal to the lease liabilities (subject to certain adjustments). The detailed impact on the Group's condensed consolidated interim statements of income and cash-flow for the six-month period ended June 30, 2019, and on its condensed consolidated interim statements of financial position as of June 30, 2019 are summarized in the tables below.

| | IMPACT OF CHANGES IN ACCOUNTING POLICIES | | |
|---|---|---|---|
| **CHFk**<br>**January 1 - June 30, 2019** | **As reported**<br>**Unaudited** | **Adjustments**<br>**Unaudited** | **Balances without adoption of new accounting policies**<br>**Unaudited** |
| **Income Statement** | | | |
| Transmission costs and cost of goods sold | (284,796) | (88) | (284,884) |
| Other operating expenses | (207,648) | (22,206) | (229,854) |
| Depreciation and impairment losses | (101,106) | 18,583 | (82,523) |
| Financial expenses | (25,311) | 6,212 | (19,099) |
| Income taxes | (13,541) | (520) | (14,061) |
| Other[1] | 693,278 | - | 693,278 |
| **Net income** | **60,876** | **1,981** | **62,857** |
| Basic and diluted earning per share (in CHF) | 1.35 | 0.04 | 1.39 |

1 Includes all other line items not affected by the change in accounting policies

| CHFk June 30, 2019 | IMPACT OF CHANGES IN ACCOUNTING POLICIES As reported Unaudited | Adjustments Unaudited | Balances without adoption of new accounting policies Unaudited |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 792,320 | (25,092) | 817,412 |
| Right-of-use assets | 290,024 | 290,024 | - |
| Current portion of prepaid expenses | 18,554 | (9,044) | 27,598 |
| Other[1] | 2,962,479 | - | 2,962,479 |
| **Total assets** | **4,063,377** | **255,888** | **3,807,489** |
| **Liabilities** | | | |
| Non-current portion of lease liabilities | 233,099 | 231,902 | 1,197 |
| Current portion of lease liabilities | 32,666 | 31,177 | 1,489 |
| Current portion of trade and other payables | 471,933 | (4,690) | 476,623 |
| Income tax payable | 36,395 | (520) | 36,915 |
| Other[1] | 1,946,259 | - | 1,946,259 |
| **Total liabilities** | **2,720,352** | **257,869** | **2,462,483** |
| **Total Equity** | | | |
| Accumulated profit | 99,615 | (1,981) | 101,596 |
| Other[1] | 1,243,410 | - | 1,243,410 |
| **Total equity** | **1,343,025** | **(1,981)** | **1,345,006** |

1 Includes all other line items not affected by the change in accounting policies

| CHFk January 1 - June 30, 2019 | IMPACT OF CHANGES IN ACCOUNTING POLICIES As reported Unaudited | Adjustments Unaudited | Balances without adoption of new accounting policies Unaudited |
|---|---|---|---|
| **Income before income taxes** | **74,417** | **2,501** | **76,918** |
| Depreciation and impairment losses | 101,106 | (18,583) | 82,523 |
| Change in net working capital | 19,774 | (4,354) | 15,420 |
| Financial expense | 25,311 | (6,212) | 19,099 |
| Interest paid | (20,884) | 6,238 | (14,646) |
| Other[1] | 83,119 | - | 83,119 |
| **Total cash flow from operating activities** | **282,843** | **(20,410)** | **262,433** |
| **Total cash flow used in investing activities** | **(247,454)** | **-** | **(247,454)** |
| Repayments of lease liabilities | (22,456) | 20,410 | (2,046) |
| Other[1] | (194,804) | - | (194,804) |
| **Total cash flow used in financing activities** | **(217,260)** | **20,410** | **(196,850)** |

1 Includes all other line items not affected by the change in accounting policies

***IFRS 16 Leases***

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.

At inception of a contract, the Group assesses whether a contract contains a lease. 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. This assessment is based on following criteria:

– The contract specifies explicitly or implicitly the right to use an indentified asset which is physically distinct or represents substantially all of the capacity of a physically distinct asset

– If the supplier has a substantive substitution right, then the asset is not identified and therefore the contract does not contain a lease

– the Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and

– the Group has the right to direct the use of the asset.

During the assessment the Group has identified lease contracts in the categories mobile sites, transmission equipment such as leased lines, shops & offices and cars.

The Group recognizes a RoU 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 (ARO). The existing ARO Assets that are directly related to an identified lease are reclassed to the RoU asset as of transition date. 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 lease liabilities are initially measured at the present value of the future lease payments (incl. 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 is 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.

Based on the 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**<br>**January 1, 2019** | **As reported**<br>**Unaudited** |
|---|---|
| **Operating lease commitment at 31 December 2018** | **203,352** |
| Discounted effect using the incremental borrowing rate at January 1, 2019 | (39,681) |
| **Discounted operating lease commitmentment at January 1, 2019** | **163,671** |
| Financial lease liabilities as at 31 December 2018 | 4,747 |
| Recognition exemption for short-term leases | (7,176) |
| Extension options reasonably certain to be exercised | 123,130 |
| **Lease Liabilities at 1 January 2019** | **284,372** |

**NOTE 5 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 which 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-sized 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 payments of reminder fees 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.

Inter-segment pricing is determined on an arm's length basis

***Activities***

| | RESIDENTIAL | | BUSINESS | | WHOLESALE[1] | | HEAD OFFICE ACTIVITIES | | TOTAL | |
|---|---|---|---|---|---|---|---|---|---|---|
| **CHFk January 1 - June 30** | **2019** | **2018[2]** | **2019** | **2018[2]** | **2019** | **2018[2]** | **2019** | **2018[2]** | **2019** | **2018[2]** |
| **Revenue** | | | | | | | | | | |
| External customers | 650,284 | 661,424 | 150,199 | 135,120 | 81,181 | 104,295 | 19,733 | 20,093 | 901,397 | 920,932 |
| **Total** | **650,284** | **661,424** | **150,199** | **135,120** | **81,181** | **104,295** | **19,733** | **20,093** | **901,397** | **920,932** |
| **Transmission costs and costs of goods sold** | | | | | | | | | | |
| External customers | (193,221) | (213,573) | (50,482) | (45,091) | (41,042) | (65,603) | (51) | (77) | (284,796) | (324,344) |
| **Total** | **(193,221)** | **(213,573)** | **(50,482)** | **(45,091)** | **(41,042)** | **(65,603)** | **(51)** | **(77)** | **(284,796)** | **(324,344)** |
| Other operating expenses | (63,390) | (64,959) | (11,373) | (10,490) | (2,095) | (2,204) | (130,790) | (130,828) | (207,648) | (208,481) |
| Wages, salaries and pension costs | (29,273) | (28,947) | (21,093) | (20,779) | (2,293) | (2,223) | (56,354) | (54,982) | (109,013) | (106,931) |
| Other income | - | - | - | - | - | - | 32,735 | 2,652 | 32,735 | 2,652 |
| Other expenses | (11) | (11) | - | - | - | - | (1,290) | 231 | (1,301) | 220 |
| **EBITDA** | **364,389** | **353,934** | **67,251** | **58,760** | **35,751** | **34,265** | **(136,017)** | **(162,911)** | **331,374** | **284,048** |

1 Including hubbing revenue of CHF 33 million generated in the six-month period ended as of June 30, 2019, and CHF 54 million in the six-month period ended as of June 30, 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 4).

| | RESIDENTIAL | | BUSINESS | | WHOLESALE[1] | | HEAD OFFICE ACTIVITIES | | TOTAL | |
|---|---|---|---|---|---|---|---|---|---|---|
| **CHFk April 1 - June 30** | **2019** | **2018[2]** | **2019** | **2018[2]** | **2019** | **2018[2]** | **2019** | **2018[2]** | **2019** | **2018[2]** |
| **Revenue** | | | | | | | | | | |
| External customers | 325,848 | 335,280 | 78,679 | 69,307 | 40,384 | 48,050 | 9,863 | 9,975 | 454,774 | 462,612 |
| **Total** | **325,848** | **335,280** | **78,679** | **69,307** | **40,384** | **48,050** | **9,863** | **9,975** | **454,774** | **462,612** |
| **Transmission costs and costs of goods sold** | | | | | | | | | | |
| External customers | (95,929) | (107,054) | (27,493) | (23,256) | (20,147) | (28,841) | (6) | (56) | (143,575) | (159,207) |
| **Total** | **(95,929)** | **(107,054)** | **(27,493)** | **(23,256)** | **(20,147)** | **(28,841)** | **(6)** | **(56)** | **(143,575)** | **(159,207)** |
| Other operating expenses | (31,079) | (33,611) | (6,255) | (5,179) | (1,021) | (1,150) | (64,195) | (64,316) | (102,550) | (104,256) |
| Wages, salaries and pension costs | (14,515) | (14,463) | (10,749) | (10,435) | (1,130) | (1,136) | (28,740) | (27,703) | (55,134) | (53,737) |
| Other income | - | - | - | - | - | - | 3,484 | 1,328 | 3,484 | 1,328 |
| Other expenses | - | - | - | - | - | - | (190) | 302 | (190) | 302 |
| **EBITDA** | **184,325** | **180,152** | **34,182** | **30,437** | **18,086** | **16,923** | **(79,784)** | **(80,470)** | **156,809** | **147,042** |

1 Including hubbing revenue of CHF 16 million generated in the three-month period ended as of June 30, 2019, and CHF 23 million in the three-month period ended as of June 30, 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 4).

*Reconciliation of net income before interest, tax, depreciation and amortization (EBITDA)*

| CHFk | H1 2019 | H1 2018[1] | Q2 2019 | Q2 2018[1] |
|---|---|---|---|---|
| **EBITDA from reportable segments** | **331,374** | **284,048** | **156,809** | **147,042** |
| Unallocated: | | | | |
| – Amortization | (131,696) | (126,536) | (65,935) | (63,481) |
| – Depreciation | (101,106) | (85,819) | (50,970) | (44,225) |
| – Net financial items | (24,155) | (14,508) | (11,107) | (4,456) |
| **Income before income taxes** | **74,417** | **57,185** | **28,797** | **34,880** |

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 4).

## NOTE 6 Revenue

| CHFk | H1 2019 | H1 2018 | Q2 2019 | Q2 2018 |
|---|---|---|---|---|
| Mobile services | 604,026 | 617,037 | 302,354 | 314,653 |
| *– Thereof mobile postpaid* | *408,778* | *392,238* | *207,617* | *202,623* |
| *– Thereof mobile prepaid* | *39,005* | *50,083* | *19,549* | *24,800* |
| *– Thereof mobile hardware* | *110,832* | *130,754* | *52,653* | *65,097* |
| *– Thereof other* | *45,411* | *43,962* | *22,535* | *22,131* |
| Landline services | 145,179 | 167,756 | 74,329 | 79,062 |
| *– Thereof landline voice* | *62,211* | *63,147* | *31,040* | *31,176* |
| *– Thereof hubbing* | *32,660* | *53,993* | *15,864* | *23,032* |
| *– Thereof other* | *50,308* | *50,616* | *27,425* | *24,854* |
| Landline internet and TV | 152,192 | 136,139 | 78,091 | 68,897 |
| **Total** | **901,397** | **920,932** | **454,774** | **462,612** |

| CHFk | H1 2019 | H1 2018 | Q2 2019 | Q2 2018 |
|---|---|---|---|---|
| Sales of goods | 114,880 | 131,666 | 55,662 | 65,587 |
| Sales of services | 786,517 | 789,265 | 399,112 | 397,025.16 |
| **Total** | **901,397** | **920,932** | **454,774** | **462,612** |

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 and connection for PSTN / ISDN and Voice over Internet Protocol 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 devices and distribution and sales of ICT and telecommunication products in the e-business sector as well as installation, operation and maintenance services for these products.

## NOTE 7 Other income

| CHFk | H1 2019 | H1 2018 | Q2 2019 | Q2 2018 |
|---|---|---|---|---|
| **Other income** | | | | |
| Gain on disposal of property, plant and equipment[1] | 25,228 | - | 630 | - |
| Build-to-Suit (BTS) | 3,620 | - | 1,525 | - |
| Early termination fees | 2,499 | 1,714 | 1,171 | 856 |
| Other | 929 | 938 | - | 472 |
| **Total** | **32,276** | **2,652** | **3,326** | **1,328** |

1 See Note 14 for further details.

## NOTE 8 Net Financial Items

| CHFk<br>January 1 - June 30, 2019 | Interest | Total financial income/ (expenses) before foreign currency | Net foreign currency gains/(losses) | Total |
|---|---|---|---|---|
| **Income** | | | | |
| Cash and cash equivalents | 1 | 1 | 780 | 781 |
| Other | 52 | 52 | 323 | 375 |
| **Total** | **53** | **53** | **1,103** | **1,156** |
| **Expenses** | | | | |
| Cash and cash equivalents | (1) | (1) | - | (1) |
| Financial liabilities measured at amortized cost | (15,935) | (15,935) | - | (15,935) |
| Lease liabilities | (6,393) | (6,393) | - | (6,393) |
| Other | (2,982) | (2,982) | - | (2,982) |
| **Total** | **(25,311)** | **(25,311)** | **-** | **(25,311)** |
| **Net financial items** | **(25,258)** | **(25,258)** | **1,103** | **(24,155)** |

| CHFk<br>January 1 - June 30, 2018 | 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 | - | - | - | - | 806 | 806 |
| Other | 15,051 | - | 1 | 15,052 | 126 | 15,178 |
| **Total** | **15,051** | **-** | **1** | **15,052** | **932** | **15,984** |
| **Expenses** | | | | | | |
| Financial liabilities measured at amortized cost | - | (5,315) | (22,030) | (27,345) | - | (27,345) |
| Lease liabilities | - | - | (364) | (364) | - | (364) |
| Other | - | - | (2,783) | (2,783) | - | (2,783) |
| **Total** | **-** | **(5,315)** | **(25,177)** | **(30,492)** | **-** | **(30,492)** |
| **Net financial items** | **15,051** | **(5,315)** | **(25,176)** | **(15,440)** | **932** | **(14,508)** |

| CHFk<br>April 1 - June 30, 2019 | Interest | Total financial income/ (expenses) before foreign currency | Net foreign currency gains/(losses) | Total |
|---|---|---|---|---|
| **Income** | | | | |
| Cash and cash equivalents | 1 | 1 | 560 | 561 |
| Other | 47 | 47 | 323 | 370 |
| **Total** | **48** | **48** | **883** | **931** |
| **Expenses** | | | | |
| Cash and cash equivalents | (1) | (1) | - | (1) |
| Financial liabilities measured at amortized cost | (7,626) | (7,626) | - | (7,626) |
| Lease liabilities | (3,345) | (3,345) | - | (3,345) |
| Other | (1,260) | (1,260) | 194 | (1,066) |
| **Total** | **(12,232)** | **(12,232)** | **194** | **(12,038)** |
| **Net financial items** | **(12,184)** | **(12,184)** | **1,077** | **(11,107)** |

| CHFk April 1 - June 30, 2018 | 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 | - | - | - | - | 467 | 467 |
| Other | 15,051 | - | - | 15,051 | (136) | 14,915 |
| **Total** | **15,051** | **-** | **-** | **15,051** | **331** | **15,382** |
| **Expenses** | | | | | | |
| Financial liabilities measured at amortized cost | - | (5,315) | (13,351) | (18,666) | - | (18,666) |
| Lease liabilities | - | - | (157) | (157) | - | (157) |
| Other | - | - | (1,015) | (1,015) | - | (1,015) |
| **Total** | **-** | **(5,315)** | **(14,523)** | **(19,838)** | **-** | **(19,838)** |
| **Net financial items** | **15,051** | **(5,315)** | **(14,523)** | **(4,787)** | **331** | **(4,456)** |

## NOTE 9 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.

| | H1 2019 | H1 2018[1] | Q2 2019 | Q2 2018[1] |
|---|---|---|---|---|
| **Basic earnings per share** | | | | |
| Net income attributable to equity holders of SCG (CHFk) | 60,876 | 40,740 | 25,630 | 24,019 |
| Weighted average number of shares outstanding | 45,069,028 | 45,055,606 | 45,069,028 | 45,069,028 |
| **Basic earnings per share (in CHF)** | **1.35** | **0.90** | **0.57** | **0.53** |
| **Diluted earnings per share** | | | | |
| Net income attributable to equity holders of SCG (CHFk) | 60,876 | 40,740 | 25,630 | 24,019 |
| Weighted average number of shares outstanding | 45,132,888 | 45,149,830 | 45,145,767 | 45,163,252 |
| **Diluted earnings per share (in CHF)** | **1.35** | **0.90** | **0.57** | **0.53** |

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 4).

If the vesting conditions were fully met as of June 30, 2019, a maximum of 125’233 shares (December 31, 2018: 98’870) would have a dilutive effect.

## NOTE 10 Equity

| CHFk | June 30, 2019 | December 31, 2018[2] |
|---|---|---|
| Common shares | 45,069 | 45,069 |
| Share premium[1] | 1,974,484 | 2,162,727 |
| Other reserve | (776,143) | (776,143) |
| Accumulated profit | 99,615 | 49,524 |
| **Total equity** | **1,343,025** | **1,481,177** |

1 Share premium includes reserves which are freely available for distribution of dividends.

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 4).

***Share capital***

As of June 30, 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.

***Other reserve***

The change in 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***

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 of the 2018 financial year was approved. The dividend payment was made on April 16, 2019.

## NOTE 11 Borrowings

| CHFk | Nominal value at inception | Capitalized debt issuance cost[1] | Debt modification revaluation[4] | Debt repayments | June 30, 2019 | December 31, 2018[5] |
|---|---|---|---|---|---|---|
| **Floating rate** | | | | | | |
| Term loan B - CHF[2] | 1,410,000 | (16,572) | (19,644) | - | 1,373,784 | 1,369,221 |
| **Fixed rate** | | | | | | |
| Senior secured notes - CHF[3] | 200,000 | (875) | | - | 199,125 | 199,041 |
| **Total loans and notes** | **1,610,000** | **(17,447)** | **(19,644)** | **-** | **1,572,909** | **1,568,262** |
| **Other** | | | | | | |
| Debt relating to lease liabilities | - | - | | (22,456) | 265,765 | 4,747 |
| **Total borrowings** | | | | | **1,838,674** | **1,573,009** |
| *Thereof current* | | | | | *32,666* | *1,973* |
| *Thereof non-current* | | | | | *1,806,008* | *1,571,036* |

1 At issuance of the borrowings or at the debt modification date

2 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)

3 Issued June 27, 2018

4 Related to refinancing

5 The Group has initially applied IFRS 16 as of January 1, 2019. Under the transition method chosen, comparative information is not restated (see Note 4).

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 test biannually on June 30 and December 31. The last covenant test, performed as of June 30, 2019, showed that the Group was in compliance with the applicable financial covenant.

Lease Liabilities is primarily related to lease agreements on mobile sites, shops & offices, fiber networks and cars.

The CHF 1,410.0 million term loan B 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 12 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 it is 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 as of June 30, 2019, and December 31, 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 condensed consolidated interim financial statements:

| CHFk June 30, 2019 | CARRYING AMOUNT (BY MEASUREMENT BASIS) Amortized cost | Total | Comparison Fair value[1] |
|---|---|---|---|
| **Financial assets** | | | |
| Cash | 239,827 | 239,827 | |
| Trade and other receivables | 362,431 | 362,431 | |
| **Financial liabilities** | | | |
| Trade payables and other payables | (499,761) | (499,761) | |
| Loans and notes | (1,572,909) | (1,572,909) | 1,620,500 |
| Lease Liabilities | (265,765) | (265,765) | |
| Other current liabilities | (698) | (698) | |

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 | CARRYING AMOUNT (BY MEASUREMENT BASIS) Amortized cost | Total | Comparison Fair value[1] |
|---|---|---|---|
| **Financial assets** | | | |
| Cash | 420,919 | 420,919 | |
| Trade and other receivable | 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) |
| Financial leases | (4,747) | (4,747) | |
| Other current liabilities | (446) | (446) | |

1 The fair value of borrowings for disclosure purposes is based on quoted prices in an active market for identical liabilities.

## NOTE 13 Change in net working capital

| CHFk | H1 2019 | H1 2018[1] | Q2 2019 | Q2 2018[1] |
|---|---|---|---|---|
| Change in inventories | 597 | 16,941 | (659) | 14,347 |
| Change in trade and other receivables | 19,541 | 32,270 | (8,662) | 7,183 |
| Change in trade and other payables | (8,326) | (71,756) | (3,829) | (35,487) |
| Change in contract assets | 19,066 | 13,432 | (6,937) | (3,478) |
| Change in contract liabilities | 741 | (233) | 1,236 | (381) |
| Change in contract costs | (2,621) | (4,279) | (1,787) | (1,633) |
| Change in other items, net | (9,224) | (16,959) | 773 | 4,148 |
| **Total** | **19,774** | **(30,584)** | **(19,865)** | **(15,301)** |

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 4).

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, long-term trade receivables and deferred income. Changes in trade and other payables related to non-cash capital expenditures for Indefeasible Rights of Use (IRU) are excluded.

The reduction in net working capital of CHF 19.8 million in the six-month period as of June 30, 2019 is primarily related to a reduction in trade and other receivable (CHF 19.5 million) and the change in contract assets (CHF 19.1 million) driven by incoming payments from customers as well as the settlement of credit notes. These positive effects were partly offset by a negative change in trade and other payables (CHF 8.3 million), driven by seasonal pattern in transmission costs and other items (CHF 9.2 million) mainly driven by prepaid expenses.

Compared to the six-month period ended as of June 30, 2018, the change in net working capital had a positive impact of CHF 50.3 million mainly from less cash out from trade and other payables (CHF 63.4 million) due to higher payments in 2018 for the purchase of mobile phones and tables as well as higher roaming settlements. In addition, there was an improvement year-over-year in other items, net of CHF 7.7 million, mainly driven by lower prepaid expenses in 2019, partly due to IFRS 16 (prepaid leases). In contrast, the first six months of 2019 were negatively impacted by less reduction in inventory (CHF 16.3 million) and trade and other receivables (CHF 12.7 million). The remaining change stems from positions related to contract assets and contract liabilities.

**NOTE 14 Disposal of assets**

During the first six months of 2019, the Group has recognized a net gain on asset disposal of CHF 25.2 million, which is reflected in other income in the Groups condensed consolidated financial statements as of June 30, 2019 (H1 2018: CHF nil). The total cash consideration received amounted to CHF 29.8 million (H1 2018: CHF 7.5 million), of which CHF 28.6 million relate to the telecom towers sold to Swiss Towers AG in January 2019.

**NOTE 15 Other balance sheet items**

***Intangible assets***

During the six-month period ended June 30, 2019, the Group acquired intangible assets of CHF 224.8 million (H1 2018: 54.0 million). In the same period, the Group paid CHF 188.2 million (H1 2018: CHF 71.1 million) for intangible assets additions. The reasons for this year-over-year development are the acquisition of the 5G frequencies that have been purchased at the frequency auction in February 2019 as well as the renewal of the Swisscom access deal, which both resulted in additions to intangible assets in the amount of CHF 191.4 million.

***Property, plant and equipment***

During the three-month period ended June 30, 2019, the Group acquired assets of CHF 80.8 million (June 30, 2018: CHF 63.6 million). In the same period, the Group paid CHF 89.0 million (H1 2018: CHF 83.2 million) for property, plant and equipment additions.

***Current portion of prepaid expenses***

The balance mainly consists of prepaid IT related payments for licenses and services. The prepayments are normally made at the beginning of the year and amortized over the contractual duration. Contracts with duration of more than 1 year are split into a current and non-current portion.

***Deferred tax liabilities***

The deferred tax rate used for the calculation of the deferred tax liabilities have been lowered and led to a deferred tax liability reduction of CHF 4.2 million as of June 30, 2019. This is due to the reduction of income tax rates which were approved by some cantons during the first half of year of 2019 and which will enter into force as of January 2020 and can be considered as enacted or substantively enacted.

**NOTE 16 Contractual commitments**

The total contractual and purchase commitments as of June 30, 2019, amounted to CHF 332.8 million (June 30, 2018: CHF 160.8 million) consisting of future investments in property, plant and equipment and intangible assets, of which CHF 118.0 million relate to access deals.

**NOTE 17 Financial risk management**

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 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.

The Group's 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.

**NOTE 18 Other information**

On February 27, 2019, Sunrise has announced that it has signed a binding agreement to acquire UPC Switzerland GmbH, a wholly-owned subsidiary of Liberty Global plc, for an enterprise value of CHF 6.3 billion. The Transaction is subject to receipt of regulatory clearance and approval of the rights issue by an extraordinary general meeting of Sunrise; the regulatory approval is expected to be obtained in the second half of 2019, and the closing of the Transaction is expected to take place by the fourth quarter of 2019. Sunrise has 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.

**NOTE 19 Events after the balance sheet date**

There are no significant events to report after the balance sheet date.

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To the Board of Directors of
**Sunrise Communications Group AG, Zurich**

Zurich, 20 August 2019

**Report on the review of condensed consolidated interim financial statements**

**Introduction**

We have reviewed the accompanying condensed consolidated interim financial statements (consolidated statement of income, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and notes; pages 18 to 41) of Sunrise Communications Group AG for the six-month period from 1 January 2019 to 30 June 2019. The Board of Directors is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standard IAS 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

**Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 “Interim Financial Reporting”.

Ernst & Young Ltd

Willy Hofstetter
Licensed audit expert
(Auditor in charge)

Tobias Meyer
Licensed audit expert

# Consolidated Financial Statements

# Sunrise Communications Group AG as of and for the year ended December 31, 2018

## Consolidated Financial Statements

## Consolidated Statements of Income

| CHFk<br>January 1 - December 31 | Note | 2018 | 2017[1] |
|---|---|---|---|
| **Revenue** | **7,8** | **1,876,464** | **1,854,175** |
| Transmission costs and costs of goods sold | | (657,345) | (661,549) |
| Other operating expenses | | (425,471) | (395,839) |
| Wages, salaries and pension costs | 9 | (213,880) | (214,604) |
| Other income | 10 | 25,493 | 10,436 |
| Other expenses | 10 | (2,957) | (286) |
| **Income before depreciation and amortization, net financial items and income taxes** | | **602,304** | **592,333** |
| Amortization | 15 | (256,184) | (253,484) |
| Depreciation and impairment losses | 16 | (169,508) | (174,660) |
| **Operating income** | | **176,612** | **164,189** |
| Foreign currency gains, net | | 2,265 | 1,162 |
| Financial income | | 15,071 | 105 |
| Financial expenses | | (50,757) | (52,431) |
| **Net financial items** | **11** | **(33,421)** | **(51,164)** |
| Gain on disposal of subsidiary | 12 | - | 419,589 |
| **Income before income taxes** | | **143,191** | **532,614** |
| Income taxes | 13 | (36,273) | (27,822) |
| **Net income** | | **106,918** | **504,792** |
| **Net income attributable to equity holders of the parent company** | | **106,918** | **504,792** |
| **Basic earnings per share (in CHF)** | **14** | **2.37** | **11.22** |
| **Diluted earnings per share (in CHF)** | **14** | **2.37** | **11.18** |

1 The Group has initially applied IFRS 15 and IFRS 9 as of January 1, 2018. Under the transition methods chosen, comparative information is not restated (see Note 5).

The accompanying Notes form an integral part of the consolidated financial statements.

## Consolidated Statements of Comprehensive Income

| CHFk<br>January 1 - December 31 | 2018 | 2017[1] |
|---|---|---|
| **Net income** | **106,918** | **504,792** |
| Actuarial gain related to defined benefit pension plans | 4,772 | 20,743 |
| Income tax effect | (969) | (4,233) |
| **Net other comprehensive income not to be reclassified to profit and loss in subsequent periods** | **3,803** | **16,510** |
| **Other comprehensive income, net of tax** | **3,803** | **16,510** |
| **Total comprehensive income** | **110,721** | **521,302** |
| **Comprehensive income attributable to equity holders of the parent company** | **110,721** | **521,302** |

1 The Group has initially applied IFRS 15 and IFRS 9 as of January 1, 2018. Under the transition methods chosen, comparative information is not restated (see Note 5).

The accompanying Notes form an integral part of the consolidated financial statements.

## Consolidated Statements of Financial Position

### Assets

| CHFk<br>December 31 | Note | 2018 | 2017[1] |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 15 | 2,088,238 | 2,210,359 |
| Property, plant and equipment | 16 | 823,763 | 795,576 |
| Non-current portion of trade and other receivables | 17 | 56,813 | 58,206 |
| Non-current portion of contract assets | 8,17 | 4,067 | - |
| Non-current portion of prepaid expenses | 18 | 631 | 248 |
| Contract costs | 8 | 45,933 | - |
| **Total non-current assets** | | **3,019,445** | **3,064,389** |
| **Current assets** | | | |
| Inventories | 19 | 46,329 | 57,474 |
| Current portion of trade and other receivables | 17 | 325,960 | 435,217 |
| Current portion of contract assets | 8,17 | 99,682 | - |
| Current portion of prepaid expenses | 18 | 8,886 | 6,481 |
| Cash and cash equivalents | 20 | 420,919 | 272,486 |
| **Total current assets** | | **901,776** | **771,658** |
| **Total assets** | | **3,921,221** | **3,836,047** |

1 The Group has initially applied IFRS 15 and IFRS 9 as of January 1, 2018. Under the transition methods chosen, comparative information is not restated (see Note 5).

The accompanying Notes form an integral part of the consolidated financial statements.

## Equity and liabilities

| CHFk | Note | 2018 | 2017[1] |
|---|---|---|---|
| **Equity** | | | |
| Common shares | | 45,069 | 45,000 |
| Share premium | | 2,162,727 | 2,342,653 |
| Other reserves | | (776,143) | (776,143) |
| Accumulated profit/(deficit) | | 49,524 | (101,229) |
| **Total equity** | **21** | **1,481,177** | **1,510,281** |
| **Non-current liabilities** | | | |
| Non-current portion of loans and notes | 24 | 1,568,262 | 1,389,956 |
| Non-current portion of financial leases | 24 | 2,774 | 4,597 |
| Non-current portion of trade and other payables | 26 | 368 | 5,308 |
| Deferred tax liabilities | 13 | 155,744 | 160,691 |
| Non-current portion of provisions | 27 | 54,372 | 70,892 |
| Employee benefit obligations | 23 | 84,881 | 84,769 |
| Non-current portion of deferred income | 28 | - | 9,136 |
| Non-current portion of contract liabilities | 8,28 | 5,958 | - |
| **Total non-current liabilities** | | **1,872,359** | **1,725,349** |
| **Current liabilities** | | | |
| Current portion of financial leases | 24 | 1,973 | 4,899 |
| Current portion of trade and other payables | 26 | 501,016 | 540,989 |
| Income tax payable | 13 | 26,735 | 23,886 |
| Current portion of provisions | 27 | 6,005 | 3,574 |
| Current portion of deferred income | 28 | - | 26,984 |
| Current portion of contract liabilities | 8,28 | 31,510 | - |
| Other current liabilities | | 446 | 85 |
| **Total current liabilities** | | **567,685** | **600,417** |
| **Total liabilities** | | **2,440,044** | **2,325,766** |
| **Total equity and liabilities** | | **3,921,221** | **3,836,047** |

1 The Group has initially applied IFRS 15 and IFRS 9 as of January 1, 2018. Under the transition methods chosen, comparative information is not restated (see Note 5).

The accompanying Notes form an integral part of the consolidated financial statements.

## Consolidated Statements of Cash Flow

| CHFk<br>January 1 - December 31 | Note | 2018 | 2017[1] |
|---|---|---|---|
| **Income before income taxes** | | **143,191** | **532,614** |
| Amortization | 15 | 256,184 | 253,484 |
| Depreciation and impairment losses | 16 | 169,508 | 174,660 |
| Gain on disposal of property, plant and equipment | | (766) | (3,532) |
| Gain on disposal of subsidiary | 12 | - | (419,589) |
| Movement in pension | | 4,197 | 3,481 |
| Movement in provisions | | (12,617) | (3,877) |
| Change in net working capital | 29 | (48,939) | 32,317 |
| **Cash flow from operating activities before net financial items and tax** | | **510,758** | **569,558** |
| Financial income | 11 | (15,071) | (105) |
| Financial expense | 11 | 50,757 | 52,431 |
| Foreign currency gains, net | | (2,265) | 1,967 |
| Interest received | | 16 | 96 |
| Interest paid | | (30,237) | (39,454) |
| Corporate income and withholding tax paid | | (50,052) | (31,185) |
| **Total cash flow from operating activities** | | **463,906** | **553,308** |
| Purchase of property, plant and equipment | 16 | (181,756) | (207,471) |
| Purchase of intangible assets | 15 | (121,257) | (107,545) |
| Sale of property, plant and equipment | | 9,568 | 18 |
| Net proceeds from subsidiary disposal | 12 | - | 449,502 |
| **Total cash flow (used in)/from investing activities** | | **(293,445)** | **134,504** |
| Proceeds from long-term loans and notes | | 690,201 | (321) |
| Repayments of long-term loans and notes | 24 | (500,000) | (450,000) |
| Cost of early debt redemption | | (5,315) | - |
| Costs relating to capital increase | | (73) | - |
| Repayments of capital leases | 24 | (6,966) | (7,337) |
| Dividend payment | | (180,276) | (149,850) |
| Other financing activities | | (21,479) | (20,026) |
| **Total cash flow used in financing activities** | | **(23,908)** | **(627,534)** |
| **Total cash flow** | | **146,553** | **60,278** |
| Cash and cash equivalents as of January 1 | | 272,486 | 214,175 |
| Foreign currency impact on cash | 11 | 1,880 | (1,967) |
| **Cash and cash equivalents as of December 31** | | **420,919** | **272,486** |

1 The Group has initially applied IFRS 15 and IFRS 9 as of January 1, 2018. Under the transition methods chosen, comparative information is not restated (see Note 5).

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 profit/(deficit) | Total |
|---|---|---|---|---|---|
| **Equity as of January 1, 2017[1]** | **45,000** | **2,489,962** | **(776,143)** | **(622,531)** | **1,136,288** |
| Net income for the period | - | - | - | 504,792 | 504,792 |
| Other comprehensive income | - | - | - | 16,510 | 16,510 |
| **Total comprehensive income** | **-** | **-** | **-** | **521,302** | **521,302** |
| Share-based payment | - | 2,541 | - | - | 2,541 |
| Dividend payment | - | (149,850) | - | - | (149,850) |
| **Equity as of December 31, 2017[1]** | **45,000** | **2,342,653** | **(776,143)** | **(101,229)** | **1,510,281** |
| **Equity as of January 1, 2018** | **45,000** | **2,342,653** | **(776,143)** | **(101,229)** | **1,510,281** |
| Impact of change in accounting policies[2] | - | - | - | 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** | **45,069** | **2,162,727** | **(776,143)** | **49,524** | **1,481,177** |

1 The Group has initially applied IFRS 15 and IFRS 9 as of January 1, 2018. Under the transition methods chosen, comparative information is not restated (see Note 5).

2 For further details see Note 5

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 Binzmühlestrasse 130, CH-8050 Zurich, Switzerland.

The consolidated financial statements for the year ended December 31, 2018, 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 and 4G / 4G+ 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 27, 2019, and are subject to shareholder approval at the Annual General Meeting to be held on April 10, 2019.

**NOTE 2 Basis of preparation**

The consolidated financial statements of the Group as of and for the year ended December 31, 2018, 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 4 on pages 32 et seq.

The Group applied IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments for the first time in 2018. Changes to significant accounting policies are described in Note 5 on page 37. In order to comply with the requirements of the new standards, certain balances in the consolidated statements of financial position were reclassified (see Note 8 on pages 41 et seq.).

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 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 4 on pages 32 et seq. 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 Notes 15 and 16 on pages 48 et seq. and 49 et seq., respectively.

- 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 recoverable. 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 15 on pages 48 et seq.

- 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 23 on pages 53 et seq., 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 13 on pages 45 et seq. 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 27 on page 61.

- Costs to obtain a contract consist of costs directly related to the acquisitions and retention of contracts with customers (e.g., commission paid to vendor or retailers). Management judgment is required to determine if costs are directly attributable and incremental and to define the appropriate amortization period consistent with the type of the underlying service contract (mobile pre- or postpaid, fixnet). See Note 8 on pages 41 et seq.

- In the context of the sale of one subsidiary to a third party (see Note 12 on page 44) 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 services, as the criteria for a lease agreement are not fulfilled.

**NOTE 4 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, 2018.

***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, 2018 | December 31, 2017 | January 1 - December 31, 2018 | January 1 - December 31, 2017 |
| Euro | 1.1255 | 1.1703 | 1.1709 | 1.1131 |
| US Dollar | 0.9821 | 0.9743 | 0.9873 | 0.9979 |

***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 and fulfilling a contract are capitalized if they are directly related to obtaining a contract with a customer. 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. An allowance for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit loss (ELC). 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 expenses are measured on the basis of tax rates enacted or substantively enacted at the end of the reporting 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 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 this 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 determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that substantially transfers all the risks and rewards incidental to ownership to the Group is classified as a finance lease. Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

***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 5 New accounting standards**

The Group has initially adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from January 1, 2018. A number of amendments to existing standards are effective from January 1, 2018, but they do not have a material effect on the Company's financial statements.

***IFRS 15 Revenue from contracts with customers***

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces old revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. The Group has adopted the new standard on the required effective date using the modified retrospective method through a corresponding adjustment to equity as of January 1, 2018 (cumulative method).

According to IFRS 15 Revenue from Contracts with Customers, revenue is recognized to depict the transfer of control over goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard provides for a single, principles-based, five-step model which is to be applied to all contracts with customers and where the transaction price is generally allocated to each separate performance obligation in proportion to the stand-alone selling prices. Also, revenue is recognized when the customer obtains control of the promised goods or services.

The effect of initially applying IFRS 15 is mainly attributed to the following effects:

– Capitalization of costs to obtain a contract

– Reallocation of revenue to hardware sales

– Recognition of activation fees and uneven discounts

***IFRS 9 Financial instruments***

IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments Recognition and Measurement. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model (ECL) for calculating impairment of financial assets (including accrued income/credit notes and contract assets regarding IFRS 15) as well as new general hedge accounting requirements. The Group applied the modified retrospective approach and accordingly did not restate comparative figures.

The Group has determined that the application of IFRS 9's impairment requirements as of January 1, 2018, results in additional impairment allowances amounting to CHF 2.4 million as follows (net of tax: CHF 1.9 million):

– Trade and other receivables: CHF 1.8 million,

– Contract assets: CHF 0.6 million.

Furthermore IFRS 9 includes new guidance relating to non-substantial modifications or exchanges of financial liabilities. A gain or loss resulting from non-substantial modifications in debt must be recognized through Profit and Loss at the time of the modification. The gain is equal to the difference between the present value of the cash flows under the original and modified terms discounted by the original effective interest rate.

Since the approach related to debt modification adjustments needs to be applied retrospectively, the Group recognized an adjustment of CHF 10.7 million (net of tax: CHF 8.5 million) linked to the repricing from December 2016 (25 bp reduction) in accumulated deficit on January 1, 2018. The adjustment resulted in an increase in equity. The refinancing transactions in June 2018 that included a repricing of the existing term loan had a total effect on the consolidated statements of income of CHF 11.4 million in 2018 and is reflected in Net financial items.

***Impact on the financial statements***

The effect of applying IFRS 15 led to an equity increase of CHF 42.0 million before tax (net of tax: CHF 33.5 million). For IFRS 9, the effect of the initial application led to an equity increase of CHF 8.3 million (net of tax: CHF 6.6 million).

The following tables summarize the impact of adopting IFRS 9 and IFRS 15 on the Group's consolidated statements of income and cash flow for the year 2018 and on its consolidated statements of financial position as of December 31, 2018.

| | **IMPACT OF CHANGES IN ACCOUNTING POLICIES** | | |
|---|---|---|---|
| **CHFk**<br>**January 1 - December 31, 2018** | **As reported** | **Adjustments** | **Balances without adoption of new accounting policies** |
| **Income Statement** | | | |
| Revenue | 1,876,464 | (447) | 1,876,017 |
| Transmission costs and cost of goods sold | (657,345) | 4,215 | (653,130) |
| Other operating expenses | (425,471) | (8,872) | (434,343) |
| Wages, salaries and pension costs | (213,880) | (1,401) | (215,281) |
| Financial income | 15,071 | (15,051) | 20 |
| Financial expenses | (50,757) | 3,625 | (47,132) |
| Income taxes | (36,273) | 3,640 | (32,633) |
| Other[1] | (400,891) | - | (400,891) |
| **Net income** | **106,918** | **(14,291)** | **92,627** |
| Basic and diluted earnings per share (in CHF) | 2.37 | (0.32) | 2.05 |

1 Includes all other line items not affected by the change in accounting policies

| | **IMPACT OF CHANGES IN ACCOUNTING POLICIES** | | |
|---|---|---|---|
| **CHFk**<br>**January 1 - December 31, 2018** | **As reported** | **Adjustments** | **Balances without adoption of new accounting policies** |
| **Cash Flow** | | | |
| Income before income taxes | 143,191 | (17,931) | 125,260 |
| Change in net working capital | (48,939) | 6,505 | (42,434) |
| Financial income | (15,071) | 15,051 | (20) |
| Financial expenses | 50,757 | (3,625) | 47,132 |
| Other[1] | 333,968 | - | 333,968 |
| **Total cash flow from operating activities** | **463,906** | **-** | **463,906** |
| **Total cash flow used in investing activities** | **(293,445)** | **-** | **(293,445)** |
| **Total cash flow used in financing activities** | **(23,908)** | **-** | **(23,908)** |

1 Includes all other line items not affected by the change in accounting policies

| CHFk<br>December 31, 2018 | IMPACT OF CHANGES IN ACCOUNTING POLICIES<br>As reported | Adjustments | Balances without adoption of new accounting policies |
|---|---|---|---|
| **Assets** | | | |
| Non-current portion of trade and other receivables | 56,813 | 2,443 | 59,256 |
| Non-current portion of contract assets | 4,067 | (4,067) | - |
| Contract costs | 45,933 | (45,933) | - |
| Other non-current assets[1] | 2,912,632 | - | 2,912,632 |
| **Total non-current assets** | **3,019,445** | **(47,557)** | **2,971,888** |
| Current portion of trade and other receivables | 325,960 | 100,619 | 426,579 |
| Current portion of contract assets | 99,682 | (99,682) | - |
| Other current assets[1] | 476,134 | - | 476,134 |
| **Total current assets** | **901,776** | **937** | **902,713** |
| **Total assets** | **3,921,221** | **(46,620)** | **3,874,601** |
| **Liabilities** | | | |
| Non-current portion of loans and notes | 1,568,262 | 22,096 | 1,590,358 |
| Deferred tax liabilities | 155,744 | (14,232) | 141,512 |
| Non-current portion of deferred income | - | 5,578 | 5,578 |
| Non-current portion of contract liabilities | 5,958 | (5,958) | - |
| Other non-current liabilities[1] | 142,395 | | 142,395 |
| **Total non-current liabilities** | **1,872,359** | **7,484** | **1,879,843** |
| Income tax payable | 26,735 | 498 | 27,233 |
| Current portion of deferred income | - | 30,893 | 30,893 |
| Current portion of contract liabilities | 31,510 | (31,510) | - |
| Other current liabilities[1] | 509,440 | - | 509,440 |
| **Total current liabilities** | **567,685** | **(119)** | **567,566** |
| **Total liabilities** | **2,440,044** | **7,365** | **2,447,409** |
| **Equity** | | | |
| Accumulated profit/(deficit) | 49,524 | (53,985) | (4,461) |
| Other[1] | 1,431,653 | - | 1,431,653 |
| **Total equity** | **1,481,177** | **(53,985)** | **1,427,192** |

1 Includes all other line items not affected by the change in accounting policies

## NOTE 6 Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after January 1, 2019, and earlier application is permitted; however, the Group has not adopted any new or amended standards early in preparing these consolidated financial statements.

Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the Group's financial statements in the period of initial application.

### *IFRS 16 Leasing*

The Group is required to adopt IFRS 16 Leases as of January 1, 2019. 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 to make lease payments. There are optional exemptions for short-term leases and leases of low value items. IFRS 16 replaces the previous leases standard, IAS 17 Leases, and related interpretations.

The Group will apply IFRS 16 initially on January 1, 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

The Group will recognize new assets and liabilities for its operating leases of properties (e.g., offices, retail shops), mobile sites (e.g., antennas, tunnels), transmission equipment (e.g., leased lines) and cars. The nature of expenses related to those leases will now change as the Group will recognize a depreciation charge for right-of-use assets and interest expense on lease liabilities instead of other operating expenses and transmission costs and costs of goods sold.

The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements. As of January 1, 2019, Sunrise expects an increase of assets and liabilities between CHF 275 million and CHF 285 million. Since the modified retrospective transition method was applied, no impact on equity is expected. Furthermore the expected positive impact on EBITDA lies between CHF 40 million and CHF 45 million. The increase in depreciation and interest expenses is expected between CHF 49 million and CHF 51 million. Therefore net income is expected to be negatively impacted within a range of CHF –4 million and CHF –11 million.

***Other standards***

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

– IFRIC 23 Uncertainty over Income Tax Treatments, effective January 1, 2018

– Prepayment Features with Negative Compensation (Amendments to IFRS 9)

– Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

– Annual Improvements to IFRS Standards 2015 – 2017 Cycle – various standards

– Amendments to References to Conceptual Framework in IFRS Standards

– IFRS 17 Insurance Contracts

**NOTE 7 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-sized 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 and sundry revenue and payments of reminder fees 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<br>January 1 - December 31 | RESIDENTIAL<br>2018 | <br>2017[2] | BUSINESS<br>2018 | <br>2017[2] | WHOLESALE[1]<br>2018 | <br>2017[2] | HEAD OFFICE ACTIVITIES<br>2018 | <br>2017[2] | TOTAL<br>2018 | <br>2017[2] |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | | | |
| External customers | 1,351,929 | 1,317,198 | 285,326 | 267,570 | 198,747 | 230,538 | 40,462 | 38,869 | 1,876,464 | 1,854,175 |
| Inter-segment revenue | - | - | - | - | - | 1,232 | - | - | - | 1,232 |
| **Total** | **1,351,929** | **1,317,198** | **285,326** | **267,570** | **198,747** | **231,770** | **40,462** | **38,869** | **1,876,464** | **1,855,407** |
| **Transmission costs and costs of goods sold** | | | | | | | | | | |
| External customers | (444,152) | (421,285) | (97,222) | (87,031) | (115,862) | (153,233) | (109) | - | (657,345) | (661,549) |
| Inter-segment costs | - | (1,232) | - | - | - | - | - | - | - | (1,232) |
| **Total** | **(444,152)** | **(422,517)** | **(97,222)** | **(87,031)** | **(115,862)** | **(153,233)** | **(109)** | **-** | **(657,345)** | **(662,781)** |
| Other operating expenses | (137,466) | (139,733) | (21,614) | (18,562) | (4,117) | (4,549) | (262,274) | (232,995) | (425,471) | (395,839) |
| Wages, salaries and pension costs | (58,135) | (59,991) | (41,734) | (39,308) | (4,651) | (4,576) | (109,360) | (110,729) | (213,880) | (214,604) |
| Other income | - | 296 | - | - | - | - | 25,493 | 10,140 | 25,493 | 10,436 |
| Other expenses | (32) | - | - | - | - | - | (2,925) | (286) | (2,957) | (286) |
| **EBITDA[2]** | **712,144** | **695,253** | **124,756** | **122,669** | **74,117** | **69,412** | **(308,713)** | **(295,001)** | **602,304** | **592,333** |

1 Including hubbing revenue of CHF 95.6 million for 2018 and CHF 128.3 million for 2017.

2 The Group has initially applied IFRS 15 and IFRS 9 as of January 1, 2018. Under the transition methods chosen, comparative information is not restated (see Note 5).

***Reconciliation of net income before interest, tax, depreciation and amortization (EBITDA)***

| CHFk<br>January 1 - December 31 | 2018 | 2017[1] |
|---|---|---|
| **EBITDA from reportable segments** | **602,304** | **592,333** |
| Unallocated: | | |
| – Amortization | (256,184) | (253,484) |
| – Depreciation | (169,508) | (174,660) |
| – Net financial items | (33,421) | (51,164) |
| – Gain on disposal | - | 419,589 |
| **Income before income taxes** | **143,191** | **532,614** |

1 The Group has initially applied IFRS 15 and IFRS 9 as of January 1, 2018. Under the transition methods chosen, comparative information is not restated (see Note 5).

## NOTE 8 Revenue from contracts with customers

| CHFk<br>January 1 - December 31 | 2018 | 2017[1] |
|---|---|---|
| Sales of goods | 281,165 | 298,833 |
| Sales of services | 1,595,299 | 1,555,342 |
| **Total** | **1,876,464** | **1,854,175** |

1 The Group has initially applied IFRS 15 and IFRS 9 as of January 1, 2018. Under the transition methods chosen, comparative information is not restated (see Note 5).

| CHFk<br>January 1 - December 31 | 2018 | 2017[1] |
|---|---|---|
| Mobile services | 1,270,891 | 1,231,048 |
| *– Thereof mobile postpaid* | *802,204* | *767,804* |
| *– Thereof mobile prepaid* | *96,273* | *122,340* |
| *– Thereof mobile hardware* | *279,403* | *255,686* |
| *– Thereof other* | *93,011* | *85,218* |
| Landline services | 325,331 | 378,276 |
| *– Thereof landline voice* | *125,997* | *137,353* |
| *– Thereof hubbing* | *95,580* | *128,253* |
| *– Thereof other* | *103,754* | *112,670* |
| *Landline Internet and TV* | *280,242* | *244,851* |
| **Total** | **1,876,464** | **1,854,175** |

1 The Group has initially applied IFRS 15 and IFRS 9 as of January 1, 2018. Under the transition methods chosen, comparative information is not restated (see Note 5).

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 and connection for PSTN/ISDN and Voice over Internet Protocol 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 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 7 on pages 40 et seq.

The residential segment generates revenue from mobile calling, 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 duration, whereas home products have a minimal contract duration of 12 months. The major part of the contracts do not contain a bundle arrangement of hardware and service. For this segment, the Group recognizes the revenue on a contract by contract basis.

The business segment generates revenue from a range of products and services, 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 offers 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 duration 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, 2018 | January 1, 2018 |
|---|---|---|
| Trade receivables | 382,773 | 400,018 |
| Contract assets | 103,749 | 94,507 |
| Contract liabilities | (37,468) | (37,442) |

Contract assets primarily relate to the Group's rights to consideration for hardware sold within a bundle arrangement but not yet billed. In order to comply with IFRS 15, accrued revenue in the amount of CHF 91.6 million, which was part of trade receivables in the prior year, was reclassified to contract assets as of January 1, 2018. From the balance as of January 1, 2018, CHF 92.3 million were transferred to receivables during 2018.

Contract liabilities primarily relate to the advance consideration received from customers for activiation fees for which revenue is recognized over the term of the service contract. In order to comply with IFRS 15, deferred income in the amount CHF 30.9 million was reclassified to contract liability as of January 1, 2018.

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.

| | 2019 | 2020 | 2021 | Total |
|---|---|---|---|---|
| Telecommunications services (mobile and landline) | 57,208 | 7,766 | 337 | 65,311 |

***Contract costs***

According to IFRS 15, commission fees directly attributable to a contract are capitalized and recognized as expenses over the contract term. This means that capitalized commission fees are amortized when the related revenues are recognized.

| in CHFk | Contract cost |
|---|---|
| Balance as of January 1, 2018 | 39,821 |
| Additional capitalized contract cost | 35,267 |
| Amortized contract cost | (29,155) |
| **Balance as of December 31, 2018** | **45,933** |

## NOTE 9 Wages, salaries and pension costs

| CHFk<br>January 1 - December 31 | 2018 | 2017[1] |
|---|---|---|
| Wages and salaries | (193,975) | (197,048) |
| Pension expenses | (20,953) | (20,221) |
| Other social security costs | (18,268) | (16,132) |
| **Total** | **(233,196)** | **(233,401)** |
| *Thereof capitalized as non-current assets* | *19,316* | *18,797* |
| **Total** | **(213,880)** | **(214,604)** |

1 The Group has initially applied IFRS 15 and IFRS 9 as of January 1, 2018. Under the transition methods chosen, comparative information is not restated (see Note 5).

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<br>January 1 - December 31 | EXECUTIVE LEADERSHIP TEAM | | BOARD OF DIRECTORS | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Wages and salaries | (6,305) | (5,464) | (1,203) | (1,174) |
| Pension expenses | (808) | (837) | - | - |
| Other social security costs | (450) | (422) | (49) | (44) |
| **Total** | **(7,563)** | **(6,723)** | **(1,252)** | **(1,218)** |

## NOTE 10 Other income and expenses

| CHFk<br>January 1 - December 31 | 2018 | 2017 |
|---|---|---|
| **Other income** | | |
| Early termination fees | 4,252 | 2,133 |
| Sub-leases | 1,917 | 3,597 |
| Reversal of asset retirement obligations[1] | 10,243 | - |
| Reversal of provision and accruals | 2,321 | 1,404 |
| Sale of network related assets | 4,837 | - |
| Gain on disposal of property, plant and equipment | 1,853 | 3,236 |
| Other | 70 | 66 |
| **Total** | **25,493** | **10,436** |

1 For further information, see Note 27.

| CHFk<br>January 1 - December 31 | 2018 | 2017 |
|---|---|---|
| **Other expenses** | | |
| Reversal of provisions from prior periods | 483 | - |
| Cost related to sale of network related assets | (2,654) | - |
| Litigation and claims | - | 105 |
| Loss on asset sales | (607) | - |
| Other | (179) | (391) |
| **Total** | **(2,957)** | **(286)** |

## NOTE 11 Net financial items

| CHFk<br>January 1 - December 31, 2018 | 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) |
| Other | - | - | (5,982) | (5,982) | - | (5,982) |
| **Total** | **-** | **(5,315)** | **(45,442)** | **(50,757)** | **-** | **(50,757)** |
| **Net financial items** | **15,051** | **(5,315)** | **(45,422)** | **(35,686)** | **2,265** | **(33,421)** |

| CHFk<br>January 1 - December 31, 2017[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 | 1 | - | 1 |
| Other | - | - | 104 | 104 | 3,129 | 3,233 |
| **Total** | **-** | **-** | **105** | **105** | **3,129** | **3,234** |
| **Expenses** | | | | | | |
| Financial liabilities measured at amortized cost | - | - | (47,512) | (47,512) | - | (47,512) |
| Other | - | - | (4,919) | (4,919) | - | (4,919) |
| **Total** | **-** | **-** | **(52,431)** | **(52,431)** | **(1,967)** | **(54,398)** |
| **Net financial items** | **-** | **-** | **(52,326)** | **(52,326)** | **1,162** | **(51,164)** |

1 The Group has initially applied IFRS 15 and IFRS 9 as of January 1, 2018. Under the transition methods chosen, comparative information is not restated (see Note 5).

## NOTE 12 Disposal of subsidiary

On August 3, 2017, Sunrise sold Swiss Towers AG (the “subsidiary”) to a consortium led by Cellnex Telecom S.A. for a total consideration of CHF 502.3 million. The net result recorded on the transaction amounts to a gain of CHF 419.6 million and is recognized as a gain on disposal in the consolidated statements of income.

The result of the disposal of the subsidiary in 2017 is as follows:

| CHFk<br>January 1 - December 31 | 2017 |
|---|---|
| Total sales proceeds | 502,250 |
| Disposal-related expenses | (5,548) |
| Forgiveness of loan | (4,196) |
| Disposal of net assets | (72,917) |
| **Gain on disposal of subsidiary** | **419,589** |
| Disposal of net assets | 72,917 |
| Disposal of cash and cash equivalents | (43,004) |
| **Net cash flow from disposal of subsidiary** | **449,502** |

## NOTE 13 Income taxes

### *Analysis of income taxes*

| CHFk<br>January 1 - December 31 | 2018 | 2017[1] |
|---|---|---|
| Current income tax expense | (52,913) | (53,960) |
| Adjustments recognized for current tax of prior periods | 34 | 287 |
| Deferred tax income | 16,606 | 25,851 |
| **Total income tax expense recognized in statement of income** | **(36,273)** | **(27,822)** |
| Income before income taxes | 143,192 | 532,614 |
| Expected tax expense at applicable tax rate of 20.8% (2017: 20.8%)[2] | (29,784) | (110,784) |
| Effect of income taxed at differing tax rates than 20.8% (2017: 20.8%)[3] | (102) | (26,085) |
| Non-deductible items | (3,629) | (3,288) |
| Additional tax deductions | 26 | 1,617 |
| Tax exempt disposal of subsidiary[3] | - | 115,219 |
| Tax effects of unrecognized tax losses | (2,818) | (5,333) |
| Adjustments to deferred tax balances arising from tax rate changes | - | 908 |
| Adjustments recognized for current tax of prior periods | 34 | 287 |
| Other effects | - | (363) |
| **Total income tax expense recognized in statement of income** | **(36,273)** | **(27,822)** |

1 The Group has initially applied IFRS 15 and IFRS 9 as of January 1, 2018. Under the transition methods chosen, comparative information is not restated (see Note 5).

2 The applicable income tax rate of 20.8% corresponds to the applicable tax rate of the main operating company Sunrise Communications AG in the current period.

3 Related to the tax-exempt disposal of Swiss Towers AG on August 3, 2017, by Group companies in Luxembourg.

As of December 31, 2018, tax liabilities for income taxes totaling CHF 26.7 million (December 31, 2017: CHF 23.9 million) are recorded as "Income tax payable." Income tax receivables are recorded within "Current portion of trade and other receivables" and total CHF 0.5 million as of December 31, 2018 (December 31, 2017: CHF 0.1 million).

### *Deferred tax assets and liabilities*

Deferred tax assets are recognized in the statement of financial position in non-current assets. 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<br>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) |
| IFRS 15 net contract assets | - | (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)* |

| CHFk<br>December 31, 2017[2] | Assets | Liabilities | Net amount |
|---|---|---|---|
| Intangible assets[1] | - | (183,515) | (183,515) |
| Property, plant and equipment | - | (1,814) | (1,814) |
| Customer acquisition costs | 9,263 | - | 9,263 |
| Tax loss carryforwards | 921 | - | 921 |
| Deferred income | 2,032 | (575) | 1,457 |
| Employee benefit obligations | 17,209 | - | 17,209 |
| Transaction fees | - | (4,102) | (4,102) |
| Other | - | (110) | (110) |
| **Total** | **29,425** | **(190,116)** | **(160,691)** |
| *Thereof deferred tax assets* | | | — |
| *Thereof deferred tax liabilities* | | | *(160,691)* |

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 15 and IFRS 9 as of January 1, 2018. Under the transition methods chosen, comparative information is not restated (see Note 5).

As of December 31, 2018, and 2017, 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, 2018, 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<br>December 31 | 2018 | 2017 |
|---|---|---|
| Due to expire within 1 year | 4,578 | - |
| Due to expire within 2 to 5 years | 1,694 | 6,332 |
| Due to expire within 6 to 10 years | 126 | 239 |
| Due to expire within 10 to 20 years | 33,813 | 19,961 |
| Amount not due to expire | 726,716 | 723,318 |
| **Total** | **766,927** | **749,850** |

Of these amounts, CHF 4.9 million relate to operating companies (2017: CHF 4.8 million) and CHF 762.0 million relate to holding and financing companies (2017: CHF 745.0 million).

*Specification of deferred taxes*

| CHFk 2018 | 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 purchase price allocation (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. Under the transition methods chosen, comparative information is not restated (see note 5).

| CHFk 2017[1] | Deferred tax assets/ (liabilities) net, January 1 | Deferred tax (expense)/ income | Deferred tax through OCI | Change in consolidation scope due to disposal of subsidiary[2] | Deferred tax assets/ (liabilities) net, December 31 |
|---|---|---|---|---|---|
| Intangible assets[1] | (211,659) | 28,144 | - | - | (183,515) |
| Property, plant and equipment | (2,849) | (1,300) | - | 2,335 | (1,814) |
| Customer acquisition costs | 10,885 | (1,622) | - | - | 9,263 |
| Tax loss carryforwards | 2,901 | (1,980) | - | - | 921 |
| Deferred income | 1,623 | (166) | - | - | 1,457 |
| Employee benefit obligations | 20,873 | 765 | (4,233) | (196) | 17,209 |
| Transaction fees | (6,203) | 2,101 | - | - | (4,102) |
| Other | (19) | (91) | - | - | (110) |
| **Total** | **(184,448)** | **25,851** | **(4,233)** | **2,139** | **(160,691)** |

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 Related to the disposal of Swiss Towers AG on August 3, 2017.

## NOTE 14 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 | 2018 | 2017 |
|---|---|---|
| **Basic earnings per share** | | |
| Net income attributable to equity holders of SCG (CHFk) | 106,918 | 504,792 |
| Weighted average number of shares outstanding | 45,062,317 | 45,000,000 |
| **Basic earnings per share (in CHF)[1]** | **2.37** | **11.22** |
| **Diluted earnings per share** | | |
| Net income attributable to equity holders of SCG (CHFk) | 106,918 | 504,792 |
| Weighted average number of shares outstanding | 45,153,679 | 45,155,374 |
| **Diluted earnings per share (in CHF)** | **2.37** | **11.18** |

1 In 2017, the net gain of CHF 419.6 million resulting from the sale of Swiss Towers AG positively impacted the earnings per share positively.

If the vesting conditions were fully met as of December 31, 2018, a maximum of 98,870 shares (December 31, 2017: 191,920) would have a dilutive effect.

## NOTE 15 Intangible assets

| 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.

| CHFk 2017 | Goodwill | Subscriber base | Other rights, software, licenses and brands | Intangibles under development | Total |
|---|---|---|---|---|---|
| Costs as of January 1 | 1,147,769 | 1,218,683 | 1,223,444 | 19,647 | 3,609,543 |
| Additions[1] | - | - | 73,625 | 41,318 | 114,943 |
| Transferred to/(from) other items | - | - | 19,285 | (19,285) | - |
| Assets disposed of or fully amortized during the period | - | - | (81,823) | - | (81,823) |
| **Costs as of December 31** | **1,147,769** | **1,218,683** | **1,234,531** | **41,680** | **3,642,663** |
| Accumulated amortization and write-downs as of January 1 | - | (692,379) | (568,264) | - | (1,260,643) |
| Amortization for the period | - | (113,350) | (140,134) | - | (253,484) |
| Assets disposed of or fully amortized during the period | - | - | 81,823 | - | 81,823 |
| **Accumulated amortization and write-downs as of December 31** | **-** | **(805,729)** | **(626,575)** | **-** | **(1,432,304)** |
| **Net carrying value as of December 31** | **1,147,769** | **412,954** | **607,956** | **41,680** | **2,210,359** |

1 Thereof cash additions CHF 107.5 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 2018 and 2017 no write-downs for impairment of other rights, software, licenses and brands were recognized. In the year ended December 31, 2018, internal costs capitalized totaled CHF 11.6 million (2017: CHF 10.6 million). No interest was capitalized during the years ended December 31, 2018, and December 31, 2017.

Additions from third parties in 2018 and 2017 include software licenses, IRU, product development as well as investments in process digitalization.

The carrying value of intangible assets not yet amortized is CHF 104.8 million for the year ended December 31, 2018, and mainly comprises assets under construction and not yet used IRUs (2017: CHF 41.7 million).

As of December 31, 2018, and December 31, 2017, 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 2018. An operating-segment-level summary of goodwill allocation is presented below:

*Goodwill allocation*

| CHFk<br>December 31 | 2018 | 2017 |
|---|---|---|
| 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 2018, there are no other recorded intangible assets with indefinite useful lives (2017: 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<br>December 31 | 2018 | 2017 |
|---|---|---|
| Long-term growth rate | 0.1% | 0.0% |
| WACC (pre-tax) | 5.3% | 5.6% |

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 7.0% by stable other key assumptions

– set the long-term growth rate to -1.0% by stable other key assumptions

– combined the discount rate of 5.5% 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, 2018.

## NOTE 16 Property, plant and equipment

| CHFk<br>2018 | Telecommunications 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** |
| **Thereof carrying value of finance leases as of December 31** | **3,987** | **-** | **-** | **3,987** |

1 Thereof cash additions CHF 181.8 million.

| CHFk<br>2017 | Telecommunications installations | Other installations | Property, plant and equipment under construction | Total |
|---|---|---|---|---|
| Costs as of January 1 | 1,713,786 | 128,170 | 56,850 | 1,898,806 |
| Additions[1] | 101,608 | 4,800 | 99,032 | 205,440 |
| Transferred to/(from) other items | 40,208 | 2,983 | (43,191) | - |
| Assets disposed of during the period | (16,952) | (26,790) | - | (43,742) |
| Change in consolidation scope due to disposal of subsidiary | (220,710) | - | (1,364) | (222,074) |
| **Costs as of December 31** | **1,617,940** | **109,163** | **111,327** | **1,838,430** |
| Accumulated depreciation and write-downs as of January 1 | (917,743) | (97,271) | - | (1,015,014) |
| Depreciation for the period | (159,622) | (15,038) | - | (174,660) |
| Assets disposed of during the period | 12,365 | 26,216 | - | 38,581 |
| Change in consolidation scope due to disposal of subsidiary | 108,239 | - | - | 108,239 |
| **Accumulated depreciation and write-downs as of December 31** | **(956,761)** | **(86,093)** | **-** | **(1,042,854)** |
| **Net carrying value as of December 31** | **661,179** | **23,070** | **111,327** | **795,576** |
| **Thereof carrying value of finance leases as of December 31** | **5,530** | **-** | **-** | **5,530** |

1 Thereof cash additions CHF 207.5 million.

In 2018, the Group recognized CHF 2.6 million in write-downs (2017: CHF 2.5 million). These were primarily attributable to the replacement of the mobile network equipment.

In the period ended December 31, 2018, capitalized internal costs totaled CHF 7.7 million (2017: CHF 8.2 million). In 2018 and 2017 no interest was capitalized. Additions from third parties in 2018 include a decrease of CHF 2.1 million in asset retirement obligations without cash effect due to lower cost assumptions (2017: increase of CHF 3.9 million). The Group has recoursed guarantee obligations for payment and performance in connection with lease contracts (see Note 32 on page 64).

## NOTE 17 Trade and other receivables

| CHFk<br>December 31 | 2018 | 2017 |
|---|---|---|
| Trade and other receivables | 382,773 | 401,794 |
| Accrued revenue[1] | - | 91,629 |
| Contract assets[1] | 103,749 | - |
| **Total** | **486,522** | **493,423** |
| *Thereof current portion of trade and other receivables* | *325,960* | *435,217* |
| *Thereof current portion of contract assets* | *99,682* | - |
| *Thereof non-current portion of trade and other receivables* | *56,813* | *58,206* |
| *Thereof non-current portion of contract assets* | *4,067* | - |

1 In order to be compliant with IFRS 15 accrued revenue is newly classified as contract assets. As of December 31, 2018, contract assets includes assets arising from multi-component contracts (as described in note 4) of CHF 12.2 million.

| CHFk<br>December 31 | 2018 | 2017[1] |
|---|---|---|
| Allowances for uncollectible amounts as of January 1 | (93,193) | (87,025) |
| Increase of allowances for uncollectible amounts, net | (16,959) | (6,168) |
| **Total allowances for uncollectible amounts** | **(110,152)** | **(93,193)** |

1 The Group has initially applied IFRS 15 and IFRS 9 as of January 1, 2018. Under the transition methods chosen, comparative information is not restated (see Note 5).

| CHFk<br>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** |

| CHFk<br>December 31, 2017 | Not due | 1-36 days | 37-67 days | 68-98 days | > 99 days | Trade and other receivables | Not due | Accrued income |
|---|---|---|---|---|---|---|---|---|
| Gross amount | 347,143 | 26,479 | 13,502 | 6,467 | 101,396 | 494,987 | 91,629 | 91,629 |
| Expected credit loss | (1,473) | (4,417) | (2,089) | (2,395) | (82,819) | (93,193) | - | - |
| **Net amount** | **345,670** | **22,062** | **11,413** | **4,072** | **18,577** | **401,794** | **91,629** | **91,629** |

The total net amount of trade receivables past due as of December 31, 2018, was CHF 60.1 million (2017: CHF 56.1 million). The carrying value of receivables was not pledged as of December 31, 2018, or as of December 31, 2017.

## NOTE 18 Prepaid expenses

| CHFk<br>December 31 | 2018 | 2017 |
|---|---|---|
| Prepaid lease payments | 336 | 417 |
| Other prepaid expenses | 9,181 | 6,312 |
| **Total** | **9,517** | **6,729** |
| *Thereof current* | *8,886* | *6,481* |
| *Thereof non-current* | *631* | *248* |

## NOTE 19 Inventories

| CHFk<br>December 31 | 2018 | 2017 |
|---|---|---|
| Finished goods and merchandise | 43,412 | 53,008 |
| Work in progress | 2,917 | 4,466 |
| **Total** | **46,329** | **57,474** |

Write-downs of inventories to the net realizable value totaled CHF 3.6 million in 2018 (2017: CHF 3.4 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 (2017: CHF 202. million). No inventories were expected to be sold after more than one year.

## NOTE 20 Cash and cash equivalents

| CHFk<br>December 31 | 2018 | 2017 |
|---|---|---|
| Cash and cash equivalents | 420,919 | 272,486 |
| **Total** | **420,919** | **272,486** |

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, 2018 (December 31, 2017: CHF nil).

As of December 31, 2018, the Group had no pledged cash and cash equivalents (December 31, 2017: CHF nil).

## NOTE 21 Equity

| CHFk<br>December 31 | 2018 | 2017[1] |
|---|---|---|
| Common shares | 45,069 | 45,000 |
| Share premium[2] | 2,162,727 | 2,342,653 |
| Other reserve | (776,143) | (776,143) |
| Accumulated profit/(deficit) | 49,524 | (101,229) |
| **Total equity** | **1,481,177** | **1,510,281** |

1 The Group has initially applied IFRS 15 and IFRS 9 as of January 1, 2018. Under the transition methods chosen, comparative information is not restated (see Note 5).

2 Share premium includes reserves which are freely available for distribution of dividends.

*Share capital*

As of December 31, 2018, 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. In connection with the management long-term incentive programs, and as approved by the Annual General Meeting on April 15, 2016, the share capital was increased by means of an authorized capital increase of 69,028 shares on February 9, 2018.

*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 / (deficit)*

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/(deficit).

*Dividend*

| CHFk | 2018 | 2017 |
|---|---|---|
| Cash dividends on ordinary shares declared and paid: | | |
| Final dividend for 2017: CHF 4.00 per share (2016: CHF 3.33) | 180,276 | 149,850 |
| Proposed dividends on ordinary shares: | | |
| Proposed cash dividend for 2018: CHF 4.20 per share (2017: CHF 4.00) | 189,290 | 180,276 |

At the Annual General Meeting on April 11, 2018, the payment of an ordinary dividend from statutory reserves from capital contributions in the amount of CHF 180.3 million (CHF 4.0 per share) in respect of the 2017 financial year was approved. The dividend payment was made on April 18, 2018.

The Board of Directors will propose a payment of an ordinary dividend of CHF 4.20 per share at the Annual General Meeting in respect of the 2018 financial year. This equates to a total dividend distribution of CHF 189.3 million. The dividend payment is planned for April 16, 2019. 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, 2018.

**NOTE 22 Share-based payment**

| CHFk<br>January 1 - December 31 | 2018 | 2017 |
|---|---|---|
| Equity-settled share-based payment | 1,610 | 2,702 |
| – *Thereof MLTIPZero* | *141* | *680* |
| – *Thereof MLTIP* | *27* | *191* |
| – *Thereof MLTIP Revised* | *655* | *240* |
| – *Thereof MLTIPE* | *787* | *1,060* |
| – *Thereof portion of short-term incentive paid in shares*[1] | - | *531* |
| Portion of short-term incentive settled in cash[1] | - | 1,447 |
| **Total expenses for share-based payment** | **1,610** | **4,149** |

1 The MLTIP Revised is discontinued and therefore the 2018 bonus will be fully paid out in cash and does not impact the equity as of December 31, 2018.

The Company allocated shares to employees in the following employee incentive plans:

*Management Long-Term Investment Programs (MLTIPZero, MLTIP, MLTIP Revised and MLTIPE)*

Certain members of the Executive Leadership Team and selected Other Top Management were offered the opportunity to take part in Management Long-Term Investment Programs. These plans grant a certain number of shares (Performance Shares) for each held Investment Share. As a general rule, Performance Shares do not vest until the employees have completed a three-year period of service. The related expense is recognized over the service period and adjusted by the expected number of employees eligible for Performance Shares.

***MLTIPZero***

Participants in this program could purchase a certain number of Sunrise shares (Investment Shares) at the initial public offering price of CHF 68. Purchasers of such offered shares are subject to a blocking period of three years from the first day of trading. There were no minimum service requirements for employees 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 February 2018, the blocking period for this plan ended and 69,028 Performance Shares were awarded.

***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 are then blocked for a three-year period. There were no minimum service requirements for employees 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 February 2018, the blocking period for this plan ended and 69,028 Performance Shares were awarded.

***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, 2018, 6,067 MLTIP Revised Investment Shares (2017: 7,774) out of the 2016 short-term incentive are eligible for Performance Shares with a value at grant date of CHF 64.02 per share. 8,120 MLTIP Revised Investment Shares (2017: 9,138) 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, 2018, 9,544 MLTIP Revised Investment Shares (2017: nil) 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. 7,651 MLTIP Revised Investment Shares (2017: nil) 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, 2018, 808 MLTIP Revised Investment Shares (2017: 808) are eligible for Performance Shares with a value at grant date of CHF 81.40.

***MLTIPE***

Participants in this program could purchase a certain number of Sunrise shares at the share price on the date of purchase.

The same rules as for the MLTIP apply, and the CEO benefits from the good leaver clause as in the MLTIP Revised plan. In 2018, 40,249 MLTIPE Investment Shares (2017: 46,771) were eligible for Performance Shares with a value at grant date of CHF 69.55 for shares granted in April 2016, CHF 65.03 for shares granted in June 2016, CHF 85.35 for shares granted in June 2017 and CHF 77.35 per share for shares granted in July 2017.

In 2018 and 2017, 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**<br>**January 1 - December 31** | **2018** | **2017** |
|---|---|---|
| Members of the Board of Directors | 389 | 244 |
| Members of the Executive Leadership Team | 1,329 | 2,010 |
| **Total** | **1,718** | **2,254** |

## NOTE 23 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. Risks for invalidity and death are reinsured by Elips 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 16% as of December 31, 2018 (December 31, 2017: 21.9%). 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. A 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**<br>**January 1 - December 31** | **2018** | **2017** |
|---|---|---|
| Current service costs | (20,953) | (20,221) |
| Interest costs on benefit obligations | (687) | (679) |
| **Pension costs recognized in the statement of income** | **(21,640)** | **(20,900)** |

***Assets and obligations***

| **CHFk**<br>**December 31** | **2018** | **2017** |
|---|---|---|
| Fair value of plan assets | (316,915) | (313,676) |
| Defined benefit obligation | 401,796 | 398,445 |
| **Employee benefit obligations recognized in the statement of financial position** | **84,881** | **84,769** |

***Movement in defined benefit obligations***

| **CHFk** | **2018** | **2017** |
|---|---|---|
| Balance as of January 1 | 398,445 | 399,112 |
| Reduction of subsidiaries | - | (961) |
| **Included in the statement of income** | | |
| – Current service costs | 21,155 | 20,330 |
| – Interest costs on defined benefit obligation | 2,611 | 2,492 |
| **Included in other comprehensive income** | | |
| Actuarial (gain)/loss arising from: | | |
| – Demographic assumptions | - | - |
| – Financial assumptions | (13,460) | (1,478) |
| – Experience adjustment | (3,562) | (1,608) |
| **Other** | | |
| Employee contributions | 10,519 | 10,399 |
| Benefits paid/transferred | (13,912) | (29,841) |
| **Total defined benefit obligations** | **401,796** | **398,445** |

*Movement in fair value of plan assets*

| CHFk | 2018 | 2017 |
|---|---|---|
| Balance as of January 1 | (313,676) | (296,878) |
| **Included in the statement of income** | | |
| Interest income | (2,126) | (1,922) |
| **Included in other comprehensive income** | | |
| Return on plan assets excluding interest income | 12,250 | (22,270) |
| Actuarial losses | - | 4,613 |
| **Other** | | |
| Company contributions | (16,756) | (16,661) |
| Employee contributions | (10,519) | (10,399) |
| Benefits paid | 13,912 | 29,841 |
| **Total fair value of plan assets** | **(316,915)** | **(313,676)** |

*Asset allocation of plan assets*

| | DECEMBER 31, 2018 | | DECEMBER 31, 2017 | |
|---|---|---|---|---|
| CHFk | Quoted prices | Unquoted prices | Quoted prices | Unquoted prices |
| Cash and cash equivalents | (5,229) | - | (6,681) | - |
| Equity securities | - | 111,015 | - | 117,785 |
| Debt securities | - | 151,961 | - | 144,542 |
| Real estate | 32 | 46,396 | 31 | 44,260 |
| Other | - | 12,740 | - | 13,739 |
| **Total** | **(5,197)** | **322,112** | **(6,650)** | **320,326** |

Plan assets do not include any property used by Group companies as of December 31, 2018. 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*

| % | 2018 | 2017 |
|---|---|---|
| Discount rate | 0.85 | 0.67 |
| Future salary increases | 2.00 | 2.00 |

As of December 31, 2018, the weighted average duration of the defined benefit obligation was 18.2 years (2017: 17.4 years). For 2019, the Group's projected contributions to its pension funds total CHF 15.5 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, 2018: | | |
| – Discount rate (0.5 ppt movement) | (33,578) | 39,417 |
| – Future salary increases (1 ppt movement) | 11,789 | (10,821) |

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 24 Borrowings

| CHFk<br>December 31 | Nominal value at inception | Capitalized debt issuance cost[1] | Debt modification revaluation[5] | Debt repayments | 2018 | 2017[1] |
|---|---|---|---|---|---|---|
| **Floating rate** | | | | | | |
| Term loan B3 - CHF[2] | 1,410,000 | (18,683) | (22,096) | - | 1,369,221 | 894,331 |
| **Fixed rate** | | | | | | |
| Senior secured notes - CHF[3] | 500,000 | - | - | (500,000) | - | 495,625 |
| Senior secured notes - CHF[4] | 200,000 | (959) | - | - | 199,041 | - |
| **Total loans and notes** | **2,110,000** | **(19,642)** | **(22,096)** | **(500,000)** | **1,568,262** | **1,389,956** |
| **Other** | | | | | | |
| Debt relating to finance leases | - | - | - | (6,966) | 4,747 | 9,496 |
| **Total borrowings** | | | | | **1,573,009** | **1,399,452** |
| *Thereof current* | | | | | *1,973* | *4,899* |
| *Thereof non-current* | | | | | *1,571,036* | *1,394,553* |

1 At issuance of the borrowings or at the debt modification date

2 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)

3 Issued February 18, 2015, repaid on June 20, 2018

4 Issued June 27, 2018

5 Thereof CHF 15.1 million reflected in financial income, CHF 3.6 million in financial expenses and CHF 10.7 million in accumulated deficit as of January 1, 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 test biannually on June 30 and December 31. The last covenant test, performed as of December 31, 2018, showed that the Group was in compliance with the applicable financial covenant.

Liabilities relating to finance leases are related to lease agreements on fiber networks.

In Q2 2018 the Group completed the amendment and extension as well as repricing of its existing senior facilities agreement. The existing term loan B facility ("TLB") has been increased by CHF 500 million to CHF 1,410 million. The revolving credit facility ("RCF") remains unchanged at CHF 200 million and is currently undrawn. The leverage-dependent margins of the facilities were reduced by 25 and 30 bps throughout the margin grid for the TLB and the RCF, respectively. The new facilities have a maturity of 5 years.

The proceeds from the increased TLB were used to prematurely redeem the CHF 500 million 2.125% senior secured notes due in March 2022. Furthermore, the Group placed CHF 200 million inaugural Swiss domestic senior secured notes due in 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. In connection with the repricing transaction, the Group incurred transaction costs in the amount of CHF 9.7 million which are capitalized as debt issuance cost on the consolidated statement of financial position.

## NOTE 25 Financial instruments

| CHFk December 31, 2018 | 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 financial leases | - | (2,774) | (2,774) |
| Non-current portion of trade payables and other payables | - | (368) | (368) |
| **Total non-current financial liabilities** | **-** | **(1,571,404)** | **(1,571,404)** |
| **Current financial liabilities** | | | |
| Current portion of financial leases | - | (1,973) | (1,973) |
| Current portion of trade payables 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)** |

| CHFk December 31, 2017[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 | 58,206 | - | 58,206 |
| **Total non-current financial assets** | **58,206** | **-** | **58,206** |
| **Current financial assets** | | | |
| Current portion of trade and other receivables | 435,153 | - | 435,153 |
| Cash and cash equivalents | 272,486 | - | 272,486 |
| **Total current financial assets** | **707,639** | **-** | **707,639** |
| **Total financial assets** | **765,845** | **-** | **765,845** |
| **Non-current financial liabilities** | | | |
| Non-current portion of loans and notes | - | (1,389,956) | (1,389,956) |
| Non-current portion of financial leases | - | (4,597) | (4,597) |
| Non-current portion of trade payables and other payables | - | (5,308) | (5,308) |
| **Total non-current financial liabilities** | **-** | **(1,399,861)** | **(1,399,861)** |
| **Current financial liabilities** | | | |
| Current portion of financial leases | - | (4,899) | (4,899) |
| Current portion of trade payables and other payables | - | (530,772) | (530,772) |
| Other current liabilities | - | (85) | (85) |
| **Total current financial liabilities** | **-** | **(535,756)** | **(535,756)** |
| **Total financial liabilities** | **-** | **(1,935,617)** | **(1,935,617)** |
| **Total** | **765,845** | **(1,935,617)** | **(1,169,772)** |

1 The Group has initially applied IFRS 15 and IFRS 9 as of January 1, 2018. Under the transition methods chosen, comparative information is not restated (see Note 5).

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, 2018, and December 31, 2017, the Group has no other material exposure to foreign currencies.

***Foreign currency sensitivity***

| | NET EXPOSURE | | | EFFECT ON PROFIT BEFORE TAX | |
|---|---|---|---|---|---|
| **CHFk** | **December 31, 2018** | **December 31, 2017** | **Change in %** | **December 31, 2018** | **December 31, 2017** |
| EUR / CHF | 5,548 | (5,134) | +/-10% | +/-564 | +/-513 |
| USD / CHF | 784 | (3,790) | +/-10% | +/-78 | +/-379 |

***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, 2018, and December 31, 2017, all other variables held constant. The interest rate of the Group's floating rate borrowings consists of a base rate, being the higher of the LIBOR or 0%, plus a variable margin. With the relevant LIBOR in Swiss francs currently being negative, 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** | | **2018** | **2017**[1] |
| CHF interest rates | +10ppt | (1,451) | (1,017) |
| CHF interest rates | -10ppt | - | - |

1 The Group has initially applied IFRS 15 and IFRS 9 as of January 1, 2018. Under the transition methods chosen, comparative information is not restated (see Note 5).

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, 2018.

*C: Maturity profiles*

| CHFk<br>December 31, 2018 | < 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) |
| Financial leases | (1,973) | (488) | (808) | (1,478) | (4,747) |
| Other current liabilities | (446) | - | - | - | (446) |
| **Total financial liabilities** | **(521,313)** | **(25,359)** | **(1,431,963)** | **(203,519)** | **(2,182,154)** |

| CHFk<br>December 31, 2017[1] | < 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| Trade payables and other payables | (530,772) | (5,308) | - | - | (536,080) |
| Borrowings - notional | - | - | (1,389,956) | - | (1,389,956) |
| Borrowings - interest | (29,179) | (29,078) | (66,501) | - | (124,758) |
| Financial leases | (4,899) | (1,823) | (1,047) | (1,727) | (9,496) |
| Other current liabilities | (85) | - | - | - | (85) |
| **Total financial liabilities** | **(564,935)** | **(36,209)** | **(1,457,504)** | **(1,727)** | **(2,060,375)** |

1 The Group has initially applied IFRS 15 and IFRS 9 as of January 1, 2018. Under the transition methods chosen, comparative information is not restated (see Note 5).

*D: Undrawn credit lines*

The Group had the following undrawn borrowing facilities:

| CHFk<br>December 31 | 2018 | 2017 |
|---|---|---|
| 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. From this amount CHF 25.0 million (2017: CHF 25.0 million) are 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 2018.

The ancillary facility of CHF 25.0 million (December 31, 2017: 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 23.9 million (2017: CHF 22.6 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 17 on page 50 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 21 on page 51), current and non-current borrowings (see Note 24 on page 56) 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 2018 and 2017.

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:

| | **CARRYING AMOUNT (BY MEASUREMENT BASIS)** | | |
|---|---|---|---|
| **CHFk December 31, 2018** | **Amortized cost** | **Total** | **Comparison Fair value[1]** |
| **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) |
| Financial leases | (4,747) | (4,747) | |
| Other current liabilities | (446) | (446) | |

1 The fair value of borrowings for disclosure purposes is based on quoted prices in an active market for identical liabilities.

| | **CARRYING AMOUNT (BY MEASUREMENT BASIS)** | | |
|---|---|---|---|
| **CHFk December 31, 2017[1]** | **Amortized cost** | **Total** | **Comparison Fair value[2]** |
| **Financial assets** | | | |
| Cash | 272,486 | 272,486 | |
| Trade and other receivables | 493,359 | 493,359 | |
| **Financial liabilities** | | | |
| Trade payables and other payables | (536,080) | (536,080) | |
| Loans and notes | (1,389,956) | (1,389,956) | (1,415,150) |
| Financial leases | (9,496) | (9,496) | |
| Other current liabilities | (85) | (85) | |

1 The Group has initially applied IFRS 15 and IFRS 9 as of January 1, 2018. Under the transition methods chosen, comparative information is not restated (see Note 5).

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 | Financial lease liabilities | Trade and other payables | Total |
|---|---|---|---|---|
| **Balance as of January 1, 2018** | **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 capital leases | - | 2,217 | | 2,217 |
| Repayment of capital leases | - | (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** |

| CHFk | Loans and notes | Financial lease liabilities | Trade and other payables | Total |
|---|---|---|---|---|
| **Balance as of January 1, 2017** | **1,828,327** | **16,833** | **492,314** | **2,337,474** |
| Proceeds from long-term loans and notes | (321) | - | - | (321) |
| Repayment of long-term loans and notes | (450,000) | - | - | (450,000) |
| Repayment of capital leases | - | (7,337) | - | (7,337) |
| Other financing activities | - | - | (20,026) | (20,026) |
| **Total changes from financing cash flows** | **(450,321)** | **(7,337)** | **(20,026)** | **(477,684)** |
| Other movements not relating to financing activities | 11,950 | - | 74,009 | 85,959 |
| **Balance as of December 31, 2017** | **1,389,956** | **9,496** | **546,297** | **1,945,749** |

## NOTE 26 Trade and other payables

| CHFk<br>December 31 | 2018 | 2017 |
|---|---|---|
| Trade payables | 457,794 | 485,404 |
| Interest payable | 2,271 | 2,719 |
| Other payables and accruals | 41,319 | 58,174 |
| **Total** | **501,384** | **546,297** |
| *Thereof current* | *501,016* | *540,989* |
| *Thereof non-current* | *368* | *5,308* |

## NOTE 27 Provisions

| CHFk | Asset retirement obligations[1] | Restructuring obligations | Other provisions | Total |
|---|---|---|---|---|
| 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 current* | *4,740* | *490* | *775* | *6,005* |
| *Thereof non-current* | *54,372* | - | - | *54,372* |
| Provisions as of January 1, 2017 | 118,750 | 3,500 | 2,118 | 124,368 |
| Provisions made during the period | 3,931 | 1,116 | 336 | 5,383 |
| Change in present value | 1,199 | - | - | 1,199 |
| Provisions used during the period | (957) | (2,461) | (140) | (3,558) |
| Unused provisions reversed during the period | (708) | (867) | (1,075) | (2,650) |
| Change in consolidation scope due to disposal of subsidiary | (50,276) | - | - | (50,276) |
| **Provisions as of December 31, 2017** | **71,939** | **1,288** | **1,239** | **74,466** |
| *Thereof current* | *1,047* | *1,288* | *1,239* | *3,574* |
| *Thereof non-current* | *70,892* | - | - | *70,892* |

1 Decrease of asset retirement obligations (ARO) in 2017 is mainly related to the disposal of the subsidiary (see Note 12 on page 44) in 2017. In 2018, an updated cost estimate led to a reversal of ARO provisions with an impact on the consolidated statements of income of CHF 10.2 million.

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 28 Contract liability and deferred income

| CHFk<br>December 31 | 2018 | 2017 |
|---|---|---|
| Deferred income from dark fibers | 7,434 | 7,859 |
| Deferred income from other telecommunications services | 30,034 | 28,261 |
| **Total[1]** | **37,468** | **36,120** |
| *Thereof current portion of deferred income* | *-* | *26,984* |
| *Thereof current portion of contract liabilities* | *31,510* | *-* |
| *Thereof non-current portion of deferred income* | *-* | *9,136* |
| *Thereof portion of non-current contract liabilities* | *5,958* | *-* |

1 In order to be compliant with IFRS 15, deferred income is newly classified as a contract liability and includes the liability arising from activation fees of CHF 1.0 million (see Note 8).

## NOTE 29 Change in net working capital

| CHFk<br>December 31 | 2018 | 2017[1] |
|---|---|---|
| Change in inventories | 11,145 | (28,733) |
| Change in trade and other receivables | 10,368 | (36,106) |
| Change in trade and other payables | (54,736) | 79,347 |
| Change in contract assets | (9,241) | - |
| Change in contract liabilities | 26 | - |
| Change in contract costs | (6,112) | - |
| Change in other items, net | (389) | 17,809 |
| **Total** | **(48,939)** | **32,317** |

1 The Group has initially applied IFRS 15 and IFRS 9 as of January 1, 2018. Under the transition methods chosen, comparative information is not restated (see Note 5).

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 the mobile license and non-cash capital expenditures related to Indefeasible Rights of Use (IRU) are excluded.

For 2018, the change in net working capital resulted in a negative change of CHF 48.9 million. This is mainly driven by changes in trade and other payables (CHF 54.7 million) caused by payments of mobile phones and tablets bought in Q4 2017 and roaming settlements. This was also impacted by a negative change related to IFRS 15 accounts (CHF 15.3 million). These effects were partly offset by the reduction of inventory (CHF 11.1 million) and by a positive change in trade and other receivables (CHF 10.4 million).

Compared to 2017, the change in net working capital showed a decline of CHF 81.3 million. This was mainly driven by movements in roaming discount settlements, which had a positive impact in 2017 and reversed in 2018, the disposal of Swiss Towers AG in 2017 and by the application of new IFRS accounting standards (IFRS 9 and IFRS 15).

## NOTE 30 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 | Zurich | CHF | 45,069 | | |
| Sunrise Communications AG | Telecommunications services | Zurich | CHF | 50,000 | 100 | Full |
| TelCommunication Services AG | Telecommunications services | Zurich | CHF | 2,000 | 100 | Full |
| YOL Services AG | Telecommunications services | Zurich | 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 31 Related parties

| Name of related party | Nature of relationship | Domicile |
|---|---|---|
| Pensionskasse Sunrise | Pension fund | Zurich |

As described in Note 22 on pages 52 et seq., certain managers and employees of Sunrise Communications AG participate in a management equity program and employee participa-tion program involving Sunrise Communications Group AG.

The key management of Sunrise is composed of:

***Sunrise Communications Group AG***

**Board of Directors**

| | |
|---|---|
| Peter Kurer | Chairman |
| Peter Schöpfer | Vice-Chairman |
| Robin Bienenstock | Member |
| Ingrid Deltenre | Member |
| Michael Krammer | Member |
| Jesper Ovesen | Member |
| Joachim Preisig[1] | Member |
| Christoph Vilanek | Member |

1 Joachim Preisig resigned from the Board of Directors as of December 31, 2018.

***Sunrise Communications AG (main operating entity of the Group)***

**Board of Directors**

| | |
|---|---|
| Peter Schöpfer | Chairman |
| André Krause | Member |
| Olaf Swantee | Member |

**Executive Leadership Team**

| | |
|---|---|
| Olaf Swantee | Chief Executive Officer (CEO) |
| André Krause | Chief Financial Officer (CFO) |
| Françoise Clemes | Chief Services Officer (CSO) |
| Bruno Duarte | Chief Consumer Officer (CCO) |
| Elmar Grasser | Chief Technology Officer (CTO) |
| Robert Wigger | Chief Business Officer (CBO) |
| Patrick Alain Meier | a.i. Chief Administrative Officer (CAO) |
| Dominik Rubli (until September 2018) | Chief Administrative Officer (CAO) |
| Karin Schmidt (until May 2018) | Chief Human Resources Officer (CHRO) |

During 2018, Dominik Rubli and Karin Schmidt left the company. Marcel Huber and Tobias Foster were appointed the new Chief Administrative Officer and Chief Human Resources Officer, respectively. They will join the Executive Leadership Team in 2019.

Related party transactions in 2018 are limited to the payment of salaries and bonuses.

**NOTE 32 Other financial commitments**

| CHFk<br>December 31 | 2018 | 2017 |
|---|---|---|
| **Non-cancelable lease commitments for operating leases** | | |
| Rental expense relating to properties and mobile sites in the period of interminability | 191,062 | 201,281 |
| Lease commitments for machinery, equipment, computers and other equipment | 12,290 | 14,981 |
| **Total** | **203,352** | **216,262** |
| Broken down as follows: | | |
| – Less than 6 months | 26,028 | 24,378 |
| – Between 6 and 12 months | 22,531 | 22,710 |
| – Between 1 and 2 years | 25,613 | 29,850 |
| – Between 2 and 5 years | 53,355 | 52,810 |
| – Over 5 years | 75,825 | 86,514 |
| **Total** | **203,352** | **216,262** |
| **Total rental expense recognized for all operating leases** | | |
| Minimum lease payments | 56,995 | 77,355 |
| Sublease receipts | (2,360) | (3,597) |
| **Total** | **54,635** | **73,758** |
| Contractual and purchase commitments[1] | 468,911 | 87,689 |

1 Contractual and purchase commitments relate to investments in property, plant and equipment and intangible assets.

**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, 2018, and December 31, 2017, the maximum guarantee totals the value of the shares, preferred equity certificates and intercompany receivables.

**NOTE 34 Events after the balance sheet date**

On February 27, 2019, Sunrise announced that it has entered into a Share Purchase Agreement and a Transitional Services Agreement with Liberty Global plc regarding the acquisition of UPC Switzerland GmbH. Completion of the Transaction is subject to receipt of regulatory clearance and the approval of a capital increase by the company's shareholders.

The Group entered into an agreement with Swiss Towers AG regarding the sale of 133 telecom towers for a consideration of CHF 28.6 million, effective as of January 1, 2019.

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To the General Meeting of
**Sunrise Communications Group AG, Zurich**

Zurich, February 27, 2019

**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 statement of financial position as at 31 December 2018 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 97 to 154) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, 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 1,876 million for the year ended 31 December 2018. Revenue is predominantly derived from services including mobile voice and data, landline voice and internet, and IPTV. Corresponding accounting policies are discussed in note 4 to the consolidated financial statements. Disclosures regarding sales and disaggregation of revenues are included in notes 7 and 8 to the consolidated financial statements. |

**Revenue Recognition**

| | |
|---|---|
| | 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.<br><br>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 2018. |

**Impairment Test for Goodwill**

| | |
|---|---|
| **Area of focus** | Goodwill represents 29% of the Group's total assets and 77% of the Group's total equity as at 31 December 2018. As stated in note 3 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 2018 and determined that there was no impairment. Key assumptions concerning the impairment test are disclosed in note 15 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.<br><br>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. |

Building a better working world

**Capitalization of Property, Plant and Equipment**

| | |
|---|---|
| **Risk** | The Group's investments to property, plant and equipment amounted to CHF 200 million during the year ended 31 December 2018. Corresponding accounting policies are discussed in note 4 and amounts capitalized during the period in note 16 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. |

**Capitalization of Property, Plant and Equipment**

| | |
|---|---|
| **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.<br><br>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 2018. |

**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.<br><br>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.

**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<br>Licensed audit expert<br>(Auditor in charge) | Tobias Meyer<br>Licensed audit expert |

# Consolidated Financial Statements

# Sunrise Communications Group AG as of and for the year ended December 31, 2017

## Consolidated Financial Statements

## Consolidated Statements of Income

| CHFk<br>January 1 - December 31 | Note | 2017 | 2016 |
|---|---|---|---|
| **Revenue** | **6,7** | **1,854,175** | **1,896,673** |
| Transmission costs and costs of goods sold | | (661,549) | (703,974) |
| Other operating expenses | | (395,839) | (382,198) |
| Wages, salaries and pension costs | 8 | (214,604) | (221,353) |
| Other income | 9 | 10,436 | 10,591 |
| Other expenses | | (286) | (1,051) |
| **Income before depreciation and amortization, net financial items and income taxes** | | **592,333** | **598,688** |
| Amortization | 14 | (253,484) | (252,266) |
| Depreciation and impairment losses | 15 | (174,660) | (207,302) |
| **Operating income** | | **164,189** | **139,120** |
| Foreign currency gains, net | | 1,162 | 1,321 |
| Financial income | | 105 | 2,124 |
| Financial expenses | | (52,431) | (58,708) |
| **Net financial items** | **10** | **(51,164)** | **(55,263)** |
| Gain on disposal of subsidiary | 11 | 419,589 | - |
| **Income before income taxes** | | **532,614** | **83,857** |
| Income taxes | 12 | (27,822) | 3,236 |
| **Net income** | | **504,792** | **87,093** |
| **Net income attributable to equity holders of the parent company** | | **504,792** | **87,093** |
| **Basic earnings per share (in CHF)** | **13** | **11.22** | **1.93** |
| **Diluted earnings per share (in CHF)** | **13** | **11.18** | **1.93** |

The accompanying Notes form an integral part of the consolidated financial statements.

## Consolidated Statements of Comprehensive Income

| CHFk<br>January 1 - December 31 | 2017 | 2016 |
|---|---|---|
| **Net income** | **504,792** | **87,093** |
| Actuarial gain related to defined benefit pension plans | 20,743 | 18,891 |
| Income tax effect | (4,233) | (4,494) |
| **Net other comprehensive income not to be reclassified to profit and loss in subsequent periods** | **16,510** | **14,397** |
| **Other comprehensive income, net of tax** | **16,510** | **14,397** |
| **Total comprehensive income** | **521,302** | **101,490** |
| **Comprehensive income attributable to equity holders of the parent company** | **521,302** | **101,490** |

The accompanying Notes form an integral part of the consolidated financial statements.

## Consolidated Statements of Financial Position

**Assets**

| CHFk | Note | December 31, 2017 | December 31, 2016 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 14 | 2,210,359 | 2,348,900 |
| Property, plant and equipment | 15 | 795,576 | 883,792 |
| Non-current portion of trade and other receivables | 16 | 58,206 | 55,830 |
| Non-current portion of prepaid expenses | 17 | 248 | 583 |
| Deferred tax assets | 12 | - | 433 |
| **Total non-current assets** | | **3,064,389** | **3,289,538** |
| **Current assets** | | | |
| Inventories | 18 | 57,474 | 28,741 |
| Current portion of trade and other receivables | 16 | 435,217 | 393,856 |
| Current portion of prepaid expenses | 17 | 6,481 | 7,916 |
| Cash and cash equivalents | 19 | 272,486 | 214,175 |
| **Total current assets** | | **771,658** | **644,688** |
| **Total assets** | | **3,836,047** | **3,934,226** |

The accompanying Notes form an integral part of the consolidated financial statements.

**Equity and liabilities**

| CHFk | Note | December 31, 2017 | December 31, 2016 |
|---|---|---|---|
| **Equity** | | | |
| Common shares | | 45,000 | 45,000 |
| Share premium | | 2,342,653 | 2,489,962 |
| Other reserves | | (776,143) | (776,143) |
| Accumulated deficit | | (101,229) | (622,531) |
| **Total equity** | **20** | **1,510,281** | **1,136,288** |
| **Non-current liabilities** | | | |
| Non-current portion of loans and notes | 23 | 1,389,956 | 1,828,327 |
| Non-current portion of financial leases | 23 | 4,597 | 9,236 |
| Non-current portion of trade and other payables | 25 | 5,308 | 16,043 |
| Deferred tax liabilities | 12 | 160,691 | 184,881 |
| Non-current portion of provisions | 26 | 70,892 | 118,222 |
| Employee benefit obligations | 22 | 84,769 | 102,234 |
| Non-current portion of deferred income | 27 | 9,136 | 10,409 |
| **Total non-current liabilities** | | **1,725,349** | **2,269,352** |
| **Current liabilities** | | | |
| Current portion of financial leases | 23 | 4,899 | 7,597 |
| Current portion of trade and other payables | 25 | 540,989 | 476,271 |
| Income tax payable | 12 | 23,886 | 3,873 |
| Current portion of provisions | 26 | 3,574 | 6,146 |
| Current portion of deferred income | 27 | 26,984 | 33,710 |
| Other current liabilities | | 85 | 989 |
| **Total current liabilities** | | **600,417** | **528,586** |
| **Total liabilities** | | **2,325,766** | **2,797,938** |
| **Total equity and liabilities** | | **3,836,047** | **3,934,226** |

The accompanying Notes form an integral part of the consolidated financial statements.

## Consolidated Statements of Cash Flow

| CHFk<br>January 1 - December 31 | Note | 2017 | 2016 |
|---|---|---|---|
| **Income before income taxes** | | **532,614** | **83,857** |
| Amortization | 14 | 253,484 | 252,266 |
| Depreciation and impairment losses | 15 | 174,660 | 207,302 |
| Gain on disposal of property, plant and equipment | | (3,532) | (84) |
| Gain on disposal of subsidiary | 11 | (419,589) | - |
| Movement in pension | | 3,481 | 4,670 |
| Movement in provisions | | (3,877) | (9,192) |
| Change in net working capital | 28 | 32,317 | (67,924) |
| **Cash flow from operating activities before net financial items and tax** | | **569,558** | **470,895** |
| Financial income | 10 | (105) | (2,124) |
| Financial expense | 10 | 52,431 | 58,708 |
| Foreign currency gains, net | | 1,967 | (1,321) |
| Interest received | | 96 | 45 |
| Interest paid | | (39,454) | (50,577) |
| Corporate income and withholding tax paid | | (31,185) | (29,609) |
| **Total cash flow from operating activities** | | **553,308** | **446,017** |
| Purchase of property, plant and equipment | 15 | (207,471) | (141,392) |
| Purchase of intangible assets | 14 | (107,545) | (71,206) |
| Sale of property, plant and equipment | | 18 | 120 |
| Net proceeds from subsidiary disposal | 11 | 449,502 | - |
| **Total cash flow from/(used) in investing activities** | | **134,504** | **(212,478)** |
| Proceeds from long-term loans and notes | | (321) | (240) |
| Repayments of long-term loans and notes | 23 | (450,000) | - |
| Fees in connection with repricing and extension of credit facilities | | - | (7,640) |
| Repayments of capital leases | 23 | (7,337) | (6,266) |
| Payment of 3rd installment of mobile spectrum license | | - | (108,308) |
| Dividend payment | | (149,850) | (135,000) |
| Other financing activities | | (20,026) | (7,616) |
| **Total cash flow used in financing activities** | | **(627,534)** | **(265,070)** |
| **Total cash flow** | | **60,278** | **(31,531)** |
| Cash and cash equivalents as of January 1 | | 214,175 | 244,388 |
| Foreign currency impact on cash | 10 | (1,967) | 1,318 |
| **Cash and cash equivalents as of December 31** | | **272,486** | **214,175** |

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 | Valuation reserve | Accumulated deficit | Total |
|---|---|---|---|---|---|---|
| **Equity as of January 1, 2016** | **45,000** | **2,623,723** | **(776,143)** | **(23)** | **(724,021)** | **1,168,536** |
| Net income for the period | - | - | - | - | 87,093 | 87,093 |
| Other comprehensive income | - | - | - | - | 14,397 | 14,397 |
| **Total comprehensive income** | **-** | **-** | **-** | **-** | **101,490** | **101,490** |
| Share-based payment | - | 1,239 | - | - | - | 1,239 |
| Dividend payment | - | (135,000) | - | - | - | (135,000) |
| Other | - | - | - | 23 | - | 23 |
| **Equity as of December 31, 2016** | **45,000** | **2,489,962** | **(776,143)** | **-** | **(622,531)** | **1,136,288** |
| **Equity as of January 1, 2017** | **45,000** | **2,489,962** | **(776,143)** | **-** | **(622,531)** | **1,136,288** |
| Net income for the period | - | - | - | - | 504,792 | 504,792 |
| Other comprehensive income | - | - | - | - | 16,510 | 16,510 |
| **Total comprehensive income** | **-** | **-** | **-** | **-** | **521,302** | **521,302** |
| Share-based payment | - | 2,541 | - | - | - | 2,541 |
| Dividend payment | - | (149,850) | - | - | - | (149,850) |
| **Equity as of December 31, 2017** | **45,000** | **2,342,653** | **(776,143)** | **-** | **(101,229)** | **1,510,281** |

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 Binzmühlestrasse 130, CH-8050 Zurich, Switzerland.

The consolidated financial statements for the year ended December 31, 2017, 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 and 4G / 4G+ 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 27, 2018, and are subject to shareholder approval at the Annual General Meeting to be held on April 11, 2018.

**NOTE 2 Basis of preparation**

The consolidated financial statements of the Group as of and for the year ended December 31, 2017, 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 4 on page 82 et seq.

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 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. 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, 2017.

*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, 2017 | December 31, 2016 | January 1 - December 31, 2017 | January 1 - December 31, 2016 |
| Euro | 1.1703 | 1.0721 | 1.1131 | 1.1020 |
| US Dollar | 0.9743 | 1.0190 | 0.9979 | 0.9932 |

***Revenue recognition***

Revenue comprises goods and services provided during the year after deduction of VAT and rebates relating directly to sales. 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

Revenue is allocated to each component of multi-element arrangements, including undelivered elements and other performance conditions, based on fair value. The revenue related to each element is recorded in accordance with the accounting policies stated above.

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 raised from early termination of contracts, revenue from subleases, disposal of property, plant and equipment as well as restructuring expenses, including any reversals of such items.

***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. Subscriber acquisition and retention costs are expensed 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.

General borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the costs of those assets until such assets are substantially ready for their intended use or sale.

***Property, plant and equipment***

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

Cost comprises 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 includes 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.

Leased property, plant and equipment that qualify as finance leases are recognized as assets acquired. The costs of finance leases are measured at the lower of the assets' fair value and the present value of future minimum lease payments. Lease payments on operating leases are accrued and expensed on a straight-line basis over the term of the lease.

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.

***Financial assets***

*Loans and receivables*

Included in loans and receivables are interest-bearing term deposits held with financial institutions for periods of more than 3 months. They are included in current assets, except for deposits with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. After their initial recognition at amortized cost, loans and receivables are measured using the effective interest method. Foreign exchange gains and losses are recognized in the statement of income.

***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. An allowance is established when there is objective evidence that the Group will not be able to collect all amounts due to the original terms of the receivable. 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, 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 carrying amount of the asset is reduced through the use of an allowance account and the amount of 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.

Current tax assets and liabilities are offset only if certain criteria are met.

*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 expenses are measured on the basis of tax rates enacted or substantively enacted at the end of the reporting 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.

***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 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 this 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.

***Deferred income***

Deferred income comprises payments for services to be rendered in subsequent periods. Deferred income comprises, for example, deferred sales related to prepaid services and leased lines. See also Revenue recognition on page 78.

***Leases***

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

***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 4 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 3 on page 77 et seq. 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 Notes 14 and 15 on pages 91 et seq. and 93 et seq., respectively.

– 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 recoverable. 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 14 on page 91 et seq.

– 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 22 on page 97 et seq., 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 12 on page 89 et seq. 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 26 on page 105.

– Revenue, as shown in Note 7 on page 86, is recognized when realized or realizable and earned. Revenue from non-refundable up-front connection fees is deferred and recognized as income over the expected term of the related customer relationship. The term is estimated using historical customer churn rates. A change in management estimates may have a significant impact on the amount and timing of the revenue for any period.

– In the context of the sale of one subsidiary to a third party (see Note 11 on page 88) 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 as the criteria for a lease agreement are not fulfilled.

**NOTE 5 Standards issued but not yet effective**

A number of new standards are effective for annual periods beginning after January 1, 2017, which were adopted by the Group; however, they have no material impact on the Group's financial statements.

At the date of these consolidated Group financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective. As a result these standards and interpretations do not impact these consolidated financial statements.

***IFRS 9 Financial Instruments***

IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, accrued income/credit notes and contract assets regarding IFRS 15 as well as new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Whereas the revised guidance on classification and measurement on financial instruments as well as the new general hedge accounting requirements have no impact on the Group's financial statements, the new expected credit loss model will increase the loss allowance.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic indicators affect ECLs. For the Group, accounts receivables, accrued income/credit notes and contract assets are considered for the impairment requirements according to IFRS 9. The Group will use the simplified approach with lifetime ECLs which is allowed for trade receivables. During 2017, the Group has performed a detailed impact assessment for impairment of financial assets. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018. The Group expects to book a net tax effect amount between CHF 1.2 million and CHF 2.0 million in accumulated deficit as of January 1, 2018. Furthermore, the Group assessed the potential IFRS 9 impact for cash and cash equivalents. The Group has a money market account amounting CHF 30.0 million which can be cancelled at any time with a withdrawal time of 35 days as well as rent deposits accounts of CHF 1.4 million. They are all handled by Swiss banks with strong credit ratings. Therefore, the IFRS 9 impact is considered as not material for both kinds of deposits.

The Group adopted IFRS 9 on the required effective date as of January 1, 2018.

***IFRS 15 Revenue from Contracts with Customers***

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs.

IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. The Group will adopt the new standard on the required effective date using the partial retrospective method through a corresponding adjustment to equity as of January 1, 2018 (cumulative method).

According to IFRS 15 Revenue from Contracts with Customers, 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. The new standard provides for a single, principles-based, five-step model which is to be applied to all contracts with customers and where the transaction price is generally allocated to each separate performance obligation in proportion to the stand-alone selling prices. Also, revenue is recognized when the customer obtains control of the promised goods or services, whereas the current standard focuses on transfer of risks and rewards.

For multi-component contracts (mobile subscription with subsidized mobile device), revenue must be reallocated to the already delivered components (mobile device) meaning that revenue is recognized earlier. 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. Assets and liabilities related to rights and obligations in a contract are recorded net in the statement of financial position.

While the revenue amount remains unchanged over the contractual term, the revenue from hardware sales will increase and the revenue from services will be reduced accordingly.

In addition, incremental costs of obtaining and fulfilling a contract are capitalized under certain conditions. Commission paid to retailers or employees (costs of obtaining a contract) are capitalized and recognized as expenses over the contractual term.

In order to help the users of financial statements understand the amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, the new standard requires additional information to be disclosed in the Notes.

For the implementation of IFRS 15, the Group created three different workstreams corresponding to the Residential (fixed and mobile), Business (fixed and mobile) and Wholesale segments. In the Residential segment and for some part of its Business Customers, the Group applied the Contract by Contract method. The most significant adjustments on revenue relate to the timing of recognition (i.e., one-time fees), the amount of revenue to be recognized (uneven discounts) and its allocation to the various performance obligations. In the remaining part of the Business segment, the portfolio approach was applied for which the most significant adjustments reallocate a portion of the revenue to be received over the contract duration related to mobile devices delivered at contract inception. In the Wholesale segment, the Group came to the conclusion that no significant adjustments have to be recognized.

Based on the current progress of the implementation project and for all contracts active as per the transition date, the Group expects to increase equity by booking approximately CHF 45.0 million before tax in accumulated deficit as of January 1, 2018, for the cumulative effects of the changes resulting mainly from the one-off effect of:

– Recognition of activation fees and uneven discounts

– Reallocation of revenue to hardware sales

– Capitalization of costs to obtain a contract – major part of the impact

Based on 2017 figures, the Group does not expect any significant change in revenue but expects a mid-single digit increase of the EBITDA in 2018 because of the capitalization of costs to obtain a contract. The impact becomes immaterial in 2020.

***IFRS 16 Leasing***

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e., the customer (lessee) and the supplier (lessor). IFRS 16 replaces the previous leases standard, IAS 17 Leases, and related Interpretations. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, with early adoption permitted but only if IFRS 15 Revenue from Contracts with Customers is applied as well.

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 to make lease payments. There are optional exemptions for short-term leases and leases of low value items.

In 2017, the Group completed an initial assessment of the potential impacts of IFRS 16 but has not yet completed its detailed assessment. So far the Group has clustered its leases into

– leases related to facilities such as office buildings, parking spaces and printers

– leases related to retail, which consist of the shops rentals

– leases related to network, such as network sites and fiber cables.

The clusters will be used to analyze the different kinds of contracts and to extrapolate the financial impact per class. As the contracts in the first two clusters are rather standardized and less complex, the focus will mainly be on the third cluster.

As of December 31, 2017, the Group's future minimum lease payments under non-cancellable operating leases for those three main groups amounted to CHF 237.5 million on an undiscounted basis.

The actual impact of applying IFRS 16 on the consolidated financial statements in the period of initial application will depend on future economic conditions, including the borrowing rate of the Group as of January 1, 2019, the composition of the lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options, and the extent to which the Group chooses to use practical expedients and recognition exemptions.

The Group plans to apply IFRS 16 initially as of January 1, 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of accumulated deficit as of January 1, 2019, with no restatement of comparative information. When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group is assessing the potential impact of using these practical expedients.

***Other standards***

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

– Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2), effective as of January 1, 2018

– Annual Improvements to IFRSs 2014 – 2016 Cycle – various standards (Amendments to IFRS 1 and IAS 28), effective as of January 1, 2018

– IFRIC 22 Foreign Currency Transactions and Advance Consideration, effective as of January 1, 2018

– IFRIC 23 Uncertainty over Income Tax Treatments, effective as of January 1, 2018

**NOTE 6 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 which 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-sized 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 and sundry revenue and payments of reminder fees 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 2017 | RESIDENTIAL 2016 | BUSINESS 2017 | BUSINESS 2016 | WHOLESALE[1] 2017 | WHOLESALE[1] 2016 | HEAD OFFICE ACTIVITIES 2017 | HEAD OFFICE ACTIVITIES 2016 | TOTAL 2017 | TOTAL 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | | | |
| External customers | 1,317,198 | 1,337,192 | 267,570 | 284,249 | 230,538 | 239,292 | 38,869 | 35,940 | 1,854,175 | 1,896,673 |
| Inter-segment revenue[2] | - | - | - | - | 1,232 | 40,528 | - | - | 1,232 | 40,528 |
| **Total** | **1,317,198** | **1,337,192** | **267,570** | **284,249** | **231,770** | **279,820** | **38,869** | **35,940** | **1,855,407** | **1,937,201** |
| **Transmission costs and costs of goods sold** | | | | | | | | | | |
| External customers | (421,285) | (428,383) | (87,031) | (91,700) | (153,233) | (183,486) | - | (405) | (661,549) | (703,974) |
| Inter-segment costs[2] | (1,232) | (40,528) | - | - | - | - | - | - | (1,232) | (40,528) |
| **Total** | **(422,517)** | **(468,911)** | **(87,031)** | **(91,700)** | **(153,233)** | **(183,486)** | **-** | **(405)** | **(662,781)** | **(744,502)** |
| Other operating expenses | (139,733) | (134,918) | (18,562) | (15,248) | (4,549) | (4,565) | (232,995) | (227,467) | (395,839) | (382,198) |
| Wages, salaries and pension costs | (59,991) | (59,414) | (39,308) | (35,323) | (4,576) | (4,465) | (110,729) | (122,151) | (214,604) | (221,353) |
| Other income | 296 | 51 | - | - | - | - | 10,140 | 10,540 | 10,436 | 10,591 |
| Other expenses | - | (543) | - | - | - | - | (286) | (508) | (286) | (1,051) |
| **EBITDA[2]** | **695,253** | **673,457** | **122,669** | **141,978** | **69,412** | **87,304** | **(295,001)** | **(304,051)** | **592,333** | **598,688** |

1 Including hubbing revenue of CHF 128.3 million generated in 2017 and CHF 132.4 million generated in 2016.

2 Most of the inter-segment revenue and costs are related to YOL Communications GmbH which merged into Sunrise Communications AG retrospectively as of January 1, 2017. Accordingly, inter-segment revenue and costs decreased because of the merger in the current year.

***Reconciliation of net income before interest, tax, depreciation and amortization (EBITDA)***

| CHFk January 1 - December 31 | 2017 | 2016 |
|---|---|---|
| **EBITDA from reportable segments** | **592,333** | **598,688** |
| Unallocated: | | |
| – Amortization | (253,484) | (252,266) |
| – Depreciation | (174,660) | (207,302) |
| – Net financial items | (51,164) | (55,263) |
| – Gain on disposal | 419,589 | - |
| **Income before income taxes** | **532,614** | **83,857** |

## NOTE 7 Revenue

| CHFk January 1 - December 31 | 2017 | 2016 |
|---|---|---|
| Mobile services | 1,231,048 | 1,263,727 |
| Landline services | 378,275 | 418,592 |
| *Thereof hubbing* | *128,252* | *132,439* |
| Landline Internet and TV | 244,852 | 214,354 |
| **Total** | **1,854,175** | **1,896,673** |

| CHFk January 1 - December 31 | 2017 | 2016 |
|---|---|---|
| Sales of goods | 298,833 | 302,606 |
| Sales of services | 1,555,342 | 1,594,067 |
| **Total** | **1,854,175** | **1,896,673** |

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 and connection for PSTN / ISDN and Voice over Internet Protocol 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 devices 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.

## NOTE 8 Wages, salaries and pension costs

| CHFk<br>January 1 - December 31 | 2017 | 2016 |
|---|---|---|
| Wages and salaries | (197,048) | (201,499) |
| Pension expenses | (20,221) | (21,997) |
| Other social security costs | (16,132) | (16,947) |
| **Total** | **(233,401)** | **(240,443)** |
| *Thereof capitalized as non-current assets* | *18,797* | *19,090* |
| **Total** | **(214,604)** | **(221,353)** |

Remuneration for the Executive Leadership Team and the Board of Directors is shown below:

***Remuneration for the Executive Leadership Team and the Board of Directors***

| | EXECUTIVE LEADERSHIP TEAM | | BOARD OF DIRECTORS | |
|---|---|---|---|---|
| CHFk<br>January 1 - December 31 | 2017 | 2016 | 2017 | 2016 |
| Wages and salaries | (5,464) | (5,846) | (1,174) | (848) |
| Pension expenses | (837) | (905) | - | - |
| Other social security costs | (422) | (451) | (44) | (30) |
| **Total** | **(6,723)** | **(7,202)** | **(1,218)** | **(878)** |

## NOTE 9 Other income

| CHFk<br>January 1 - December 31 | 2017 | 2016 |
|---|---|---|
| **Other income** | | |
| Early termination fees | 2,133 | 1,925 |
| Sub-leases | 3,597 | 4,790 |
| Reversal of provision and accruals | 1,404 | 3,156 |
| Gain on disposal of property, plant and equipment | 3,236 | 111 |
| Other | 66 | 609 |
| **Total** | **10,436** | **10,591** |

## NOTE 10 Net financial items

| CHFk<br>January 1 - December 31, 2017 | Interest | Total financial income/ (expenses) before foreign currency | Net foreign currency gains/(losses) | Total |
|---|---|---|---|---|
| **Income** | | | | |
| Cash and cash equivalents | 1 | 1 | - | 1 |
| Other | 104 | 104 | 3,129 | 3,233 |
| **Total** | **105** | **105** | **3,129** | **3,234** |
| **Expenses** | | | | |
| Cash and cash equivalents | - | - | (1,967) | (1,967) |
| Financial liabilities measured at amortized cost | (47,512) | (47,512) | - | (47,512) |
| Other | (4,919) | (4,919) | - | (4,919) |
| **Total** | **(52,431)** | **(52,431)** | **(1,967)** | **(54,398)** |
| **Net financial items** | **(52,326)** | **(52,326)** | **1,162** | **(51,164)** |

| CHFk<br>January 1 - December 31, 2016 | Interest | Total financial income/ (expenses) before foreign currency | Net foreign currency gains/(losses) | Total |
|---|---|---|---|---|
| **Income** | | | | |
| Cash and cash equivalents | - | - | 1,318 | 1,318 |
| Other | 2,124 | 2,124 | 3 | 2,127 |
| **Total** | **2,124** | **2,124** | **1,321** | **3,445** |
| **Expenses** | | | | |
| Financial liabilities measured at amortized cost | (51,781) | (51,781) | - | (51,781) |
| Other | (6,927) | (6,927) | - | (6,927) |
| **Total** | **(58,708)** | **(58,708)** | **-** | **(58,708)** |
| **Net financial items** | **(56,584)** | **(56,584)** | **1,321** | **(55,263)** |

**NOTE 11 Disposal of subsidiary**

On August 3, 2017, Sunrise sold Swiss Towers AG (the "subsidiary") to a consortium led by Cellnex Telecom S.A. for a total consideration of CHF 502.3 million. The assets and liabilities of the subsidiary, which had been classified as held for sale since March 31, 2017, were deconsolidated as of August 3, 2017. The net assets sold amounted to CHF 72.9 million. The net result recorded on the transaction amounts to a gain of CHF 419.6 million and is recognized as a gain on disposal in the consolidated statements of income.

On August 4, 2017, Sunrise used a portion of the received consideration to repay CHF 450.0 million of the existing term loans under the senior facilities agreement originally dated January 13, 2015 (for additional information see Note 23 on page 99).

The result of the disposal of the subsidiary in 2017 is as follows:

| CHFk<br>January 1 - December 31 | 2017 |
|---|---|
| Total sales proceeds | 502,250 |
| Disposal-related expenses | (5,548) |
| Forgiveness of loan | (4,196) |
| Disposal of net assets | (72,917) |
| **Gain on disposal of subsidiary** | **419,589** |
| Disposal of net assets | 72,917 |
| Disposal of cash and cash equivalents | (43,004) |
| **Net cash flow from disposal of subsidiary** | **449,502** |

The net assets disposed of, amounting to CHF 72.9 million, can be broken down as follows:

| CHFk | August 3, 2017 |
|---|---|
| **Assets** | |
| Property, plant and equipment | 113,835 |
| Current portion of prepaid expenses | 8,581 |
| Cash and cash equivalents | 43,004 |
| **Total assets** | **165,420** |
| **Liabilities** | |
| Deferred tax liabilities | 2,139 |
| Non-current portion of loans and notes | 4,196 |
| Non-current portion of provisions | 50,276 |
| Employee benefit obligations | 961 |
| Current portion of trade and other payables | 8,227 |
| Income tax payable | 1,433 |
| Current portion of deferred income | 25,271 |
| **Total liabilities** | **92,503** |
| **Net assets disposed** | **72,917** |

## NOTE 12 Income taxes

### *Analysis of income taxes*

| CHFk<br>January 1 - December 31 | 2017 | 2016 |
|---|---|---|
| Current income tax expense | (53,960) | (23,015) |
| Adjustments recognized for current tax of prior periods | 287 | (363) |
| Deferred tax income | 25,851 | 26,614 |
| **Total income tax (expense)/income recognized in statement of income** | **(27,822)** | **3,236** |
| Income before income taxes | 532,614 | 83,857 |
| Expected tax expense at applicable tax rate of 20.8% (2016: 20.9%)[1] | (110,784) | (17,526) |
| Effect of income taxed at differing tax rates than 20.8% (2016: 20.9%)[2] | (26,085) | 973 |
| Non-deductible items | (3,288) | (5,268) |
| Additional tax deductions[3] | 1,617 | 20,218 |
| Tax exempt disposal of subsidiary[2] | 115,219 | - |
| Tax effects of unrecognized tax losses | (5,333) | (832) |
| Adjustments to deferred tax balances arising from tax rate changes | 908 | 5,951 |
| Adjustments recognized for current tax of prior periods | 287 | (363) |
| Other effects | (363) | 83 |
| **Total income tax (expense)/income recognized in statement of income** | **(27,822)** | **3,236** |

1 The applicable income tax rate of 20.8% corresponds to the applicable tax rate of the main operating company Sunrise Communications AG in the current period.

2 Related to the tax exempt disposal of Swiss Towers AG on August 3, 2017, by Group companies in Luxembourg.

3 Substantial effect in 2016: Tax-deductible impairment of investments.

As of December 31, 2017, tax liabilities for income taxes totaling CHF 23.9 million (December 31, 2016: CHF 3.9 million) are recorded as “Income tax payable”. Income tax receivables are recorded within “Current portion of trade and other receivables” and total CHF 0.1 million as of December 31, 2017 (December 31, 2016: CHF nil million).

### *Deferred tax assets and liabilities*

Deferred tax assets are recognized in the statement of financial position in non-current assets. Deferred tax liabilities are recognized in the statement of financial position in non-current liabilities.

The Group offsets tax assets and liabilities if and 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<br>December 31, 2017 | Assets | Liabilities | Net amount |
|---|---|---|---|
| Intangible assets | - | (183,515) | (183,515) |
| Property, plant and equipment | - | (1,814) | (1,814) |
| Customer acquisition costs | 9,263 | - | 9,263 |
| Tax loss carryforwards | 921 | - | 921 |
| Deferred income | 2,032 | (575) | 1,457 |
| Employee benefit obligations | 17,209 | - | 17,209 |
| Transaction fees | - | (4,102) | (4,102) |
| Other | - | (110) | (110) |
| **Total** | **29,425** | **(190,116)** | **(160,691)** |
| *Thereof deferred tax assets* | | | - |
| *Thereof deferred tax liabilities* | | | *(160,691)* |

| CHFk<br>December 31, 2016 | Assets | Liabilities | Net amount |
|---|---|---|---|
| Intangible assets | - | (211,659) | (211,659) |
| Property, plant and equipment | - | (2,849) | (2,849) |
| Customer acquisition costs | 10,885 | - | 10,885 |
| Tax loss carryforwards | 2,901 | - | 2,901 |
| Deferred income | 2,371 | (748) | 1,623 |
| Employee benefit obligations | 20,873 | - | 20,873 |
| Transaction fees | - | (6,203) | (6,203) |
| Other | 15 | (34) | (19) |
| **Total** | **37,045** | **(221,493)** | **(184,448)** |
| *Thereof deferred tax assets* | | | *433* |
| *Thereof deferred tax liabilities* | | | *(184,881)* |

As of December 31, 2017, no (net) deferred tax assets were recognized for Group companies which incurred a loss in the current period (December 31, 2016: CHF 0.4 million).

***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, 2017, 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<br>December 31 | 2017 | 2016 |
|---|---|---|
| Due to expire within 1 year | - | - |
| Due to expire within 2 to 5 years | 10,299 | 3,309 |
| Due to expire within 6 to 10 years | 239 | 7,453 |
| Due to expire within 10 to 20 years | 19,961 | - |
| Amount not due to expire | 723,318 | 719,065 |
| **Total** | **753,817** | **729,827** |

Of these amounts, CHF 4.8 million relate to operating companies (2016: CHF 3.3 million) and CHF 749.0 million relate to holding and financing companies (2016: CHF 726.5 million).

***Specification of deferred taxes***

| CHFk<br>2017 | Deferred tax assets/ (liabilities) net, January 1 | Deferred tax (expense)/ income | Deferred tax through OCI | Change in consolidation scope due to disposal of subsidiary[2] | Deferred tax assets/ (liabilities) net, December 31 |
|---|---|---|---|---|---|
| Intangible assets[1] | (211,659) | 28,144 | - | | (183,515) |
| Property, plant and equipment | (2,849) | (1,300) | - | 2,335 | (1,814) |
| Customer acquisition costs | 10,885 | (1,622) | - | | 9,263 |
| Tax loss carryforwards | 2,901 | (1,980) | - | | 921 |
| Deferred income | 1,623 | (166) | - | | 1,457 |
| Employee benefit obligations | 20,873 | 765 | (4,233) | (196) | 17,209 |
| Transaction fees | (6,203) | 2,101 | - | | (4,102) |
| Other | (19) | (91) | - | | (110) |
| **Total** | **(184,448)** | **25,851** | **(4,233)** | **2,139** | **(160,691)** |

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 Related to the disposal of Swiss Towers AG on August 3, 2017.

| CHFk 2016 | Deferred tax assets/ (liabilities) net, January 1 | Deferred tax (expense)/ income | Deferred tax through OCI | Change in consolidation scope due to disposal of subsidiary | Deferred tax assets/ (liabilities) net, December 31 |
|---|---|---|---|---|---|
| Intangible assets[1] | (242,537) | 30,878 | - | - | (211,659) |
| Property, plant and equipment | (3,148) | 299 | - | - | (2,849) |
| Customer acquisition costs | 15,697 | (4,812) | - | - | 10,885 |
| Tax loss carryforwards | 2,896 | 5 | - | - | 2,901 |
| Deferred income | 1,982 | (359) | - | - | 1,623 |
| Employee benefit obligations | 24,228 | 1,139 | (4,494) | - | 20,873 |
| Transaction fees | (5,712) | (491) | - | - | (6,203) |
| Other | 26 | (45) | - | - | (19) |
| **Total** | **(206,568)** | **26,614** | **(4,494)** | **-** | **(184,448)** |

1 This deferred tax liability arises primarily from intangible assets recognized during the PPA of Sunrise Communications AG, such as customer base and brands.

## NOTE 13 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 | 2017 | 2016 |
|---|---|---|
| **Basic earnings per share** | | |
| Net income attributable to equity holders of SCG (CHFk) | 504,792 | 87,093 |
| Weighted average number of shares outstanding | 45,000,000 | 45,000,000 |
| **Basic earnings per share (in CHF)** | **11.22** | **1.93** |
| **Diluted earnings per share** | | |
| Net income attributable to equity holders of SCG (CHFk) | 504,792 | 87,093 |
| Weighted average number of shares outstanding | 45,155,374 | 45,106,386 |
| **Diluted earnings per share (in CHF)** | **11.18** | **1.93** |

If the vesting conditions were fully met as of December 31, 2017, a maximum of 193,748 shares (December 31, 2016: 191,319) would have a dilutive effect.

## NOTE 14 Intangible assets

| CHFk 2017 | Goodwill | Subscriber base | Other rights, software, licenses and brands | Intangibles under development | Total |
|---|---|---|---|---|---|
| Costs as of January 1 | 1,147,769 | 1,218,683 | 1,223,444 | 19,647 | 3,609,543 |
| Additions[1] | - | - | 73,625 | 41,318 | 114,943 |
| Transferred to/(from) other items | - | - | 19,285 | (19,285) | - |
| Assets disposed of or fully amortized during the period | - | - | (81,823) | - | (81,823) |
| **Costs as of December 31** | **1,147,769** | **1,218,683** | **1,234,531** | **41,680** | **3,642,663** |
| Accumulated amortization and write-downs as of January 1 | - | (692,379) | (568,264) | - | (1,260,643) |
| Amortization for the period | - | (113,350) | (140,134) | - | (253,484) |
| Assets disposed of or fully amortized during the period | - | - | 81,823 | - | 81,823 |
| **Accumulated amortization and write-downs as of December 31** | **-** | **(805,729)** | **(626,575)** | **-** | **(1,432,304)** |
| **Net carrying value as of December 31** | **1,147,769** | **412,954** | **607,956** | **41,680** | **2,210,359** |

1 Thereof cash additions CHF 107.5 million.

| CHFk<br>2016 | Goodwill | Subscriber base | Other rights, software, licenses and brands | Intangibles under development | Total |
|---|---|---|---|---|---|
| Costs as of January 1 | 1,147,769 | 1,218,683 | 1,124,663 | 39,606 | 3,530,721 |
| Additions[1] | - | - | 60,333 | 19,744 | 80,077 |
| Transferred to/(from) other items | - | - | 39,703 | (39,703) | - |
| Assets disposed of or fully amortized during the period | - | - | (1,255) | - | (1,255) |
| **Costs as of December 31** | **1,147,769** | **1,218,683** | **1,223,444** | **19,647** | **3,609,543** |
| Accumulated amortization and write-downs as of January 1 | - | (579,029) | (430,602) | - | (1,009,631) |
| Amortization for the period | - | (113,350) | (138,916) | - | (252,266) |
| Assets disposed of or fully amortized during the period | - | - | 1,254 | - | 1,254 |
| **Accumulated amortization and write-downs as of December 31** | **-** | **(692,379)** | **(568,264)** | **-** | **(1,260,643)** |
| **Net carrying value as of December 31** | **1,147,769** | **526,304** | **655,180** | **19,647** | **2,348,900** |

1 Thereof cash additions CHF 71.2 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 2017 and 2016 no write-downs for impairment of other rights, software, licenses and brands were recognized. In the year ended December 31, 2017, internal costs capitalized totaled CHF 10.6 million (2016: CHF 12.8 million). No interest was capitalized during the years ended December 31, 2017, and December 31, 2016.

Additions from third parties in 2017 and 2016 include software licenses, IRU, product development as well as investments in process digitalization.

The carrying value of intangible assets not yet amortized is CHF 41.7 million for the year ended December 31, 2017, and mainly comprises assets under construction (2016: CHF 19.6 million).

As of December 31, 2017, and December 31, 2016, 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 2017. An operating-segment-level summary of goodwill allocation is presented below:

***Goodwill allocation***

| CHFk<br>December 31 | 2017 | 2016 |
|---|---|---|
| Residential | 905,319 | 889,268 |
| Business | 190,029 | 190,029 |
| Wholesale | 52,421 | 68,472 |
| **Total** | **1,147,769** | **1,147,769** |

In 2017 a reorganization within the Group (merger of subsidiary with its parent company) changed the composition of two CGUs to which goodwill has been allocated. Using a relative value approach, goodwill in the amount of CHF 16.1 million was reallocated between Wholesale and Residential.

Goodwill has an indefinite useful life and is therefore analyzed for impairment on an annual basis. In 2017, there are no other recorded intangible assets with indefinite useful lives (2016: 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<br>December 31 | 2017 | 2016 |
|---|---|---|
| Long-term growth rate | 0.0% | 0.0% |
| WACC (pre-tax) | 5.6% | 5.7% |

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 7.3% by stable other key assumptions

– set the long-term growth rate to -3.5% by stable other key assumptions

– combined the discount rate of 6.4% 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, 2017.

**NOTE 15 Property, plant and equipment**

| CHFk<br>2017 | Telecommunications installations | Other installations | Property, plant and equipment under construction | Total |
|---|---|---|---|---|
| Costs as of January 1 | 1,713,786 | 128,170 | 56,850 | 1,898,806 |
| Additions[1] | 101,608 | 4,800 | 99,032 | 205,440 |
| Transferred to/(from) other items | 40,208 | 2,983 | (43,191) | - |
| Assets disposed of during the period | (16,952) | (26,790) | - | (43,742) |
| Change in consolidation scope due to disposal of subsidiary | (220,710) | - | (1,364) | (222,074) |
| **Costs as of December 31** | **1,617,940** | **109,163** | **111,327** | **1,838,430** |
| Accumulated depreciation and write-downs as of January 1 | (917,743) | (97,271) | - | (1,015,014) |
| Depreciation for the period | (159,622) | (15,038) | - | (174,660) |
| Assets disposed of during the period | 12,365 | 26,216 | - | 38,581 |
| Change in consolidation scope due to disposal of subsidiary | 108,239 | - | - | 108,239 |
| **Accumulated depreciation and write-downs as of December 31** | **(956,761)** | **(86,093)** | **-** | **(1,042,854)** |
| **Net carrying value as of December 31** | **661,179** | **23,070** | **111,327** | **795,576** |
| **Carrying value of finance leases as of December 31** | **5,530** | **-** | **-** | **5,530** |

1 Thereof cash additions CHF 207.5 million.

| CHFk 2016 | Telecommunications installations | Other installations | Property, plant and equipment under construction | Total |
|---|---|---|---|---|
| Costs as of January 1 | 1,624,184 | 117,022 | 93,910 | 1,835,116 |
| Additions[1] | 88,838 | 6,389 | 42,998 | 138,225 |
| Transferred to/(from) other items | 75,025 | 5,033 | (80,058) | - |
| Assets disposed of during the period | (74,261) | (274) | - | (74,535) |
| **Costs as of December 31** | **1,713,786** | **128,170** | **56,850** | **1,898,806** |
| Accumulated depreciation and write-downs as of January 1 | (803,149) | (79,064) | - | (882,213) |
| Depreciation for the period | (188,820) | (18,481) | - | (207,301) |
| Assets disposed of during the period | 74,226 | 274 | - | 74,500 |
| **Accumulated depreciation and write-downs as of December 31** | **(917,743)** | **(97,271)** | **-** | **(1,015,014)** |
| **Net carrying value as of December 31** | **796,043** | **30,899** | **56,850** | **883,792** |
| **Carrying value of finance leases as of December 31** | **9,929** | **-** | **-** | **9,929** |

1 Thereof cash additions CHF 141.4 million.

In 2017, the Group recognized CHF 2.5 million in write-downs (2016: CHF 7.7 million). These were primarily attributable to the replacement of the mobile network equipment.

In the period ended December 31, 2017, capitalized internal costs totaled CHF 8.2 million (2016: CHF 6.3 million). In 2017 and 2016 no interest was capitalized. Additions from third parties in 2017 include an increase of CHF 3.9 million in asset retirement obligations without cash effect (2016: decrease of CHF 14.3 million). The Group has recoursed guarantee obligations for payment and performance in connection with lease contracts (see Note 31 on page 107 et seq.).

### NOTE 16 Trade and other receivables

| CHFk December 31 | 2017 | 2016 |
|---|---|---|
| Trade receivables | 491,969 | 447,029 |
| Other receivables | 1,454 | 2,657 |
| **Total** | **493,423** | **449,686** |
| *Thereof current* | *435,217* | *393,856* |
| *Thereof non-current* | *58,206* | *55,830* |

| CHFk December 31 | 2017 | 2016 |
|---|---|---|
| Allowances for uncollectible amounts as of January 1 | (87,025) | (87,881) |
| (Reduction)/Addition of allowances for uncollectible amounts, net | (6,168) | 856 |
| **Total allowances for uncollectible amounts** | **(93,193)** | **(87,025)** |

| CHFk December 31 | Days | 2017 | 2016 |
|---|---|---|---|
| **Not impaired** | | **466,862** | **414,913** |
| *Thereof receivables not due* | | *427,284* | *398,640* |
| *Thereof receivables past due* | *1 – 36* | *17,727* | *12,049* |
| *Thereof receivables past due* | *37 – 67* | *9,677* | *4,176* |
| *Thereof receivables past due* | *68 – 98* | *2,268* | *48* |
| *Thereof receivables past due more than* | *99* | *9,906* | - |
| **Impaired** | | **26,561** | **34,773** |
| *Thereof receivables not due* | | *10,015* | *16,594* |
| *Thereof receivables past due* | *1 – 36* | *4,335* | *6,517* |
| *Thereof receivables past due* | *37 – 67* | *1,736* | *1,553* |
| *Thereof receivables past due* | *68 – 98* | *1,804* | *1,719* |
| *Thereof receivables past due more than* | *99* | *8,671* | *8,390* |
| **Total** | | **493,423** | **449,686** |

The total net amount of trade receivables past due as of December 31, 2017, was CHF 56.1 million (2016: CHF 34.5 million). Other classes within receivables do not contain impaired assets. The carrying value of receivables was not pledged as of December 31, 2017, or as of December 31, 2016.

As of December 31, 2017, net receivables of CHF 39.6 million (2016: CHF 16.3 million) were past due but not impaired. These mainly relate to a number of independent Business, Wholesale and Residential customers with no recent history of default. The main part relates to a wholesale partner where the Group does not see a potential default risk.

**NOTE 17 Prepaid expenses**

| CHFk<br>December 31 | 2017 | 2016 |
|---|---|---|
| Prepaid lease payments | 417 | 2,290 |
| Other prepaid expenses | 6,312 | 6,209 |
| **Total** | **6,729** | **8,499** |
| *Thereof current* | *6,481* | *7,916* |
| *Thereof non-current* | *248* | *583* |

**NOTE 18 Inventories**

| CHFk<br>December 31 | 2017 | 2016 |
|---|---|---|
| Finished goods and merchandise | 53,008 | 22,420 |
| Work in progress | 4,466 | 6,321 |
| **Total** | **57,474** | **28,741** |

Write-downs of inventories to the net realizable value totaled CHF 3.4 million in 2017 (2016: CHF 3.7 million). The carrying amount of inventories recognized as an expense in Transmission costs and cost of goods sold and Other operating expenses totaled CHF 202.0 million (2016: CHF 197.6 million). No inventories were expected to be sold after more than one year.

**NOTE 19 Cash and cash equivalents**

| CHFk<br>December 31 | 2017 | 2016 |
|---|---|---|
| Cash and cash equivalents | 272,486 | 214,175 |
| **Total** | **272,486** | **214,175** |

Sunrise 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, 2017 (December 31, 2016: CHF nil).

Under the senior facilities agreement and the senior secured notes indenture, the Group has no pledged cash and cash equivalents as of December 31, 2017, and December 31, 2016.

**NOTE 20 Equity**

| CHFk<br>December 31 | 2017 | 2016 |
|---|---|---|
| Common shares | 45,000 | 45,000 |
| Share premium[1] | 2,342,653 | 2,489,962 |
| Other reserve | (776,143) | (776,143) |
| Accumulated deficit | (101,229) | (622,531) |
| **Total equity** | **1,510,281** | **1,136,288** |

1 Share premium includes reserves which are freely available for distribution of dividends.

***Share capital***

As of December 31, 2017, the total number of authorized and issued ordinary shares comprised 45,000,000 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 2017, there was no change in share capital. In connection with the management long-term incentive programs, and as approved by the Annual General Meeting on April 15, 2016, the share capital was increased by means of an authorized capital increase of 69,028 shares.

*Other reserve*

The change in 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 deficit*

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 deficit.

*Dividend*

| CHFk | 2017 | 2016 |
|---|---|---|
| Cash dividends on ordinary shares declared and paid: | | |
| Final dividend for 2016: CHF 3.33 per share (2015: CHF 3.00) | 149,850 | 135,000 |
| Proposed dividends on ordinary shares: | | |
| Final cash dividend for 2017: CHF 4.00 per share (2016: CHF 3.33) | 180,276 | 149,850 |

At the Annual General Meeting on April 11, 2017, the payment of an ordinary dividend from statutory reserves from capital contributions in the amount of CHF 149.9 million (CHF 3.33 per share) in respect of the 2016 financial year was approved. The dividend payment was made on April 19, 2017.

The Board of Directors will propose a payment of an ordinary dividend of CHF 4.00 per share at the Annual General Meeting in respect of the 2017 financial year. This equates to a total dividend distribution of CHF 180.3 million. The dividend payment is planned for April 18, 2018. 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, 2017.

## NOTE 21 Share-based payment

| CHFk<br>January 1 - December 31 | 2017 | 2016 |
|---|---|---|
| Equity-settled share-based payment | 2,702 | 1,851 |
| *Thereof MLTIPZero* | *680* | *953* |
| *Thereof MLTIP* | *191* | *255* |
| *Thereof MLTIP Revised* | *240* | - |
| *Thereof MLTIPE* | *1,060* | *643* |
| *Thereof portion of short-term incentive paid in shares* | *531* | - |
| Portion of short-term incentive settled in cash | 1,447 | 1,671 |
| **Total expenses for share-based payment** | **4,149** | **3,522** |

The Company allocated shares to employees in the following employee incentive plans:

*Management Long-Term Investment Programs (MLTIPZero, MLTIP, MLTIP Revised and MLTIPE)*

Certain members of the Executive Leadership Team and selected Other Top Management were offered the opportunity to take part in Management Long-Term Investment Programs. These plans grant a certain number of shares (Performance Shares) for each held Investment Share. As a general rule, Performance Shares do not vest until the employees have completed a three-year period of service. The related expense is recognized over the service period and adjusted by the expected number of employees eligible for Performance Shares.

*MLTIPZero*

Participants in this program could purchase a certain number of Sunrise shares (Investment Shares) at the initial public offering price of CHF 68. Purchasers of such offered shares are subject to a lock-up period of three years from the first day of trading. There are no minimum service requirements for employees for Investment Shares; however, the matching number of Performance Shares awarded at the end of the lock-up period is subject to continued employment and satisfaction of certain performance targets. In 2017, 58,494 MLTIPZero Investment Shares (2016: 76,729) were eligible for Performance Shares with a value at grant date of CHF 80.24 per share.

*MLTIP*

Under this plan, eligible participants may 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 will then be blocked for a three-year period. There are no minimum service requirements for employees for Investment Shares; however, the number of shares awarded at the end of the blocking period is subject to continued employment and satisfaction of certain performance targets. The selected portion of the short-term incentive to be paid out in shares (equity-settled) is classified under equity as of December 31, 2017; the remaining portion (cash-settled) is shown under other payables. In 2017, 6,810 MLTIP Investment Shares (2016: 8,193) out of the 2016 short-term incentive were eligible for Performance Shares with a value at grant date of CHF 87.70 per share. 2,914 MLTIP Investment Shares (2016: 4,175) out of the 2017 short-term incentive are eligible for Performance Shares with a value at grant date of CHF 73.16 per share.

***MLTIP Revised***

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 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 the employment until the relevant termination date. The selected portion of the short-term incentive to be paid out in shares (equity-settled) is classified under equity as of December 31, 2017; the remaining portion (cash-settled) is shown under other payables. In 2017, 7,774 MLTIP Revised Investment Shares (2016: nil) out of the 2016 short-term incentive were eligible for Performance Shares with a value at grant date of CHF 64.02 per share. 9,138 MLTIP Revised Investment Shares (2016: nil) out of the 2016 short-term incentive are eligible for Matching Shares with a value at grant date of CHF 62.72 for shares granted in March 2017 and CHF 66.72 per shares for shares granted in June 2017.

In September 2017, 808 MLTIP Revised Investment Shares (2016: nil) were granted for a new ELT member. All shares are eligible for Performance Shares with a value at grant date of CHF 81.40.

***MLTIPE***

Participants in this program could purchase a certain number of Sunrise shares at the share price on the date of purchase.

Same rules as for the MLTIP apply, the CEO benefits from the good leaver clause as in the MLTIP Revised plan. In 2017, 46,771 MLTIP Investment Shares (2016: 38,449) were eligible for Performance Shares with a value at grant date of CHF 69.55 for shares granted in April 2016, of CHF 65.03 for shares granted in June 2016, of CHF 85.35 for shares granted in June 2017 and of CHF 77.35 per share for shares granted in July 2017.

In 2017 and 2016, 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**<br>**January 1 - December 31** | **2017** | **2016** |
|---|---|---|
| Members of the Board of Directors | 244 | 108 |
| Members of the Executive Leadership Team | 2,010 | 2,055 |
| **Total** | **2,254** | **2,163** |

**NOTE 22 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. Risks for invalidity and death are reinsured by Elips 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 the management of the Foundation according to Swiss Law. In accordance with 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 21.9% as of December 31, 2017. 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 employees' 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. A 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<br>January 1 - December 31 | 2017 | 2016 |
|---|---|---|
| Current service costs | (20,330) | (22,558) |
| Interest costs on benefit obligations | (570) | (855) |
| **Pension costs recognized in the statement of income** | **(20,900)** | **(23,413)** |

***Assets and obligations***

| CHFk<br>December 31 | 2017 | 2016 |
|---|---|---|
| Fair value of plan assets | (313,676) | (296,878) |
| Defined benefit obligation | 398,445 | 399,112 |
| **Employee benefit obligations recognized in the statement of financial position** | **84,769** | **102,234** |

***Movement in defined benefit obligations***

| CHFk | 2017 | 2016 |
|---|---|---|
| Balance as of January 1 | 399,112 | 416,784 |
| Reduction of subsidiaries | (961) | - |
| **Included in the statement of income** | | |
| – Current service costs | 20,330 | 22,558 |
| – Interest costs on defined benefit obligation | 2,492 | 3,266 |
| **Included in other comprehensive income** | | |
| Actuarial (gain)/loss arising from: | | |
| – Demographic assumptions | - | (14,675) |
| – Financial assumptions | (1,478) | 7,999 |
| – Experience adjustment | (1,608) | (7,295) |
| **Other** | | |
| Employee contributions | 10,399 | 11,105 |
| Benefits paid/transferred | (29,841) | (40,630) |
| **Total defined benefit obligations** | **398,445** | **399,112** |

***Movement in fair value of plan assets***

| CHFk | 2017 | 2016 |
|---|---|---|
| Balance as of January 1 | (296,878) | (301,415) |
| **Included in the statement of income** | | |
| Interest income | (1,922) | (2,411) |
| **Included in other comprehensive income** | | |
| Return on plan assets excluding interest income | (22,270) | (4,920) |
| Actuarial losses | 4,613 | - |
| **Other** | | |
| Company contributions | (16,661) | (17,657) |
| Employee contributions | (10,399) | (11,105) |
| Benefits paid | 29,841 | 40,630 |
| **Total fair value of plan assets** | **(313,676)** | **(296,878)** |

*Asset allocation of plan assets*

| CHFk | DECEMBER 31, 2017 Quoted prices | DECEMBER 31, 2017 Unquoted prices | DECEMBER 31, 2016 Quoted prices | DECEMBER 31, 2016 Unquoted prices |
|---|---|---|---|---|
| Cash and cash equivalents | (6,681) | - | (3,554) | - |
| Equity securities | - | 117,785 | - | 110,915 |
| Debt securities | - | 144,542 | - | 128,392 |
| Real estate | 31 | 44,260 | 29 | 42,144 |
| Other | - | 13,739 | - | 18,952 |
| **Total** | **(6,650)** | **320,326** | **(3,525)** | **300,403** |

Plan assets do not include any property used by Group companies as of December 31, 2017. 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 on bank (new compared to 2016) and 0.8% to 7.2% other investments.

*Principal actuarial assumptions*

| % | 2017 | 2016 |
|---|---|---|
| Discount rate | 0.67 | 0.65 |
| Future salary increases | 2.00 | 2.00 |

As of December 31, 2017, the weighted average duration of the defined benefit obligation was 17.4 years (2016: 17.5 years). For 2018, the Group's projected contributions to its pension funds total CHF 15.7 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, 2017: | | |
| – Discount rate (0.5 ppt movement) | (31,826) | 37,413 |
| – Future salary increases (1 ppt movement) | 12,309 | (11,256) |

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 23 Borrowings**

| CHFk | Nominal value at inception | Capitalized debt issuance costs[1] | Debt repayments | December 31, 2017 | December 31, 2016 |
|---|---|---|---|---|---|
| **Floating rate** | | | | | |
| Term loan B2 - CHF[2] | 1,360,000 | (15,669) | (450,000) | 894,331 | 1,333,709 |
| **Fixed rate** | | | | | |
| Senior secured notes - CHF[3] | 500,000 | (4,375) | - | 495,625 | 494,618 |
| **Total loans and notes** | **1,860,000** | **(20,044)** | **(450,000)** | **1,389,956** | **1,828,327** |
| **Other** | | | | | |
| Debt relating to financial leases | - | - | (7,337) | 9,496 | 16,833 |
| **Total borrowings** | | | | **1,399,452** | **1,845,160** |
| *Thereof current* | | | | *4,899* | *7,597* |
| *Thereof non-current* | | | | *1,394,553* | *1,837,563* |

1 At issuance of the borrowings.

2 Issued February 13, 2015 (CHF 1,000.0 million) and February 18, 2015 (CHF 360.0 million); partially repaid on August 4, 2017 (CHF 450.0 million).

3 Issued February 18, 2015.

The Group's financial indebtedness is governed by financial covenants specified in the senior facilities agreement dated February 9, 2015. The main covenant is the leverage ratio. The Group performs covenant testing as of each half-year date within the financial year of the Group. The last covenant testing, performed as of December 31, 2017, showed that the Group was in compliance with the applicable financial covenants.

Liabilities relating to finance leases are related primarily to lease agreements on fiber networks.

On December 30, 2016, Sunrise successfully closed on a repricing transaction for its credit facilities. As a result of this transaction, Sunrise achieved a margin reduction of 25bps on its revolving credit facility and 50bps on its term loan B2 facility. In addition to the repricing, the amendment of the senior facilities agreement includes an updated margin ratchet as well as an extension of maturity on the revolving credit facility to August 2021 and on the term loan B2 facility to February 2022. Other technical and legal amendments were also implemented. In connection with the repricing transaction, the Group incurred transaction costs in the amount of CHF 8.0 million which are capitalized as debt issuance costs in the consolidated statement of financial position.

On August 4, 2017, Sunrise partially used the gross proceeds from the disposal of a subsidiary (see Note 11 on page 88) to reduce the indebtedness of the Group by CHF 450.0 million. Additionally capitalized transactions costs of CHF 6.1 million were released.

**NOTE 24 Financial instruments**

| CHFk<br>December 31, 2017 | Loans and receivables | Financial liabilities measured at amortized cost | Total |
|---|---|---|---|
| **Non-current financial assets** | | | |
| Non-current portion of trade and other receivables | 58,206 | - | 58,206 |
| **Total non-current financial assets** | **58,206** | **-** | **58,206** |
| **Current financial assets** | | | |
| Current portion of trade and other receivables | 435,153 | - | 435,153 |
| Cash and cash equivalents | 272,486 | - | 272,486 |
| **Total current financial assets** | **707,639** | **-** | **707,639** |
| **Total financial assets** | **765,845** | **-** | **765,845** |
| **Non-current financial liabilities** | | | |
| Non-current portion of loans and notes | - | (1,389,956) | (1,389,956) |
| Non-current portion of financial leases | - | (4,597) | (4,597) |
| Non-current portion of trade payables and other payables | - | (5,308) | (5,308) |
| **Total non-current financial liabilities** | **-** | **(1,399,861)** | **(1,399,861)** |
| **Current financial liabilities** | | | |
| Current portion of financial leases | - | (4,899) | (4,899) |
| Current portion of trade payables and other payables | - | (530,772) | (530,772) |
| Other current liabilities | - | (85) | (85) |
| **Total current financial liabilities** | **-** | **(535,756)** | **(535,756)** |
| **Total financial liabilities** | **-** | **(1,935,617)** | **(1,935,617)** |
| **Total** | **765,845** | **(1,935,617)** | **(1,169,772)** |

| CHFk<br>December 31, 2016 | Loans and receivables | Financial liabilities measured at amortized cost | Total |
|---|---|---|---|
| **Non-current financial assets** | | | |
| Non-current portion of trade and other receivables | 55,830 | - | 55,830 |
| **Total non-current financial assets** | **55,830** | **-** | **55,830** |
| **Current financial assets** | | | |
| Current portion of trade and other receivables | 393,856 | - | 393,856 |
| Cash and cash equivalents | 214,175 | - | 214,175 |
| **Total current financial assets** | **608,031** | **-** | **608,031** |
| **Total financial assets** | **663,861** | **-** | **663,861** |
| **Non-current financial liabilities** | | | |
| Non-current portion of loans and notes | - | (1,828,327) | (1,828,327) |
| Non-current portion of financial leases | - | (9,236) | (9,236) |
| Non-current portion of trade payables and other payables | - | (16,043) | (16,043) |
| **Total non-current financial liabilities** | **-** | **(1,853,606)** | **(1,853,606)** |
| **Current financial liabilities** | | | |
| Current portion of financial leases | - | (7,597) | (7,597) |
| Current portion of trade payables and other payables | - | (465,589) | (465,589) |
| Other current liabilities | - | (989) | (989) |
| **Total current financial liabilities** | **-** | **(474,175)** | **(474,175)** |
| **Total financial liabilities** | **-** | **(2,327,781)** | **(2,327,781)** |
| **Total** | **663,861** | **(2,327,781)** | **(1,663,920)** |

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, 2017, and December 31, 2016, the Group has no other material exposure to foreign currencies.

***Foreign currency sensitivity***

| | NET EXPOSURE | | | EFFECT ON PROFIT BEFORE TAX | |
|---|---|---|---|---|---|
| CHFk | December 31, 2017 | December 31, 2016 | Change in % | December 31, 2017 | December 31, 2016 |
| EUR / CHF | (5,134) | (1,320) | +/-10% | +/-513 | +/-132 |
| USD / CHF | (3,790) | (847) | +/-10% | +/-379 | +/-85 |

***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, 2017, all other variables held constant. The interest rate of the Group's floating rate borrowings consists of a base rate, being the higher of the LIBOR or 0%, plus a variable margin. With the applicable LIBOR in Swiss franc currently being negative, the Group would therefore not benefit from a lower interest rate level.

***Interest rate sensitivity***

| CHFk<br>December 31 | INCREASE / DECREASE IN BASIS POINTS | EFFECT ON PROFIT BEFORE TAX<br>2017 | <br>2016 |
|---|---|---|---|
| CHF interest rates | +10ppt | (1,017) | (1,477) |
| CHF interest rates | -10ppt | - | - |

Cash flow forecasting is performed by 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 on floating-rate instruments are determined using zero-coupon rates.

***C: Maturity profiles***

| CHFk<br>December 31, 2017 | < 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| Trade payables and other payables | (530,772) | (5,308) | - | - | (536,080) |
| Borrowings - notional | - | - | (1,389,956) | - | (1,389,956) |
| Borrowings - interest | (30,112) | (29,179) | (87,284) | (5,639) | (152,214) |
| Financial leases | (4,899) | (1,823) | (1,047) | (1,727) | (9,496) |
| Other current liabilities | (85) | - | - | - | (85) |
| **Total financial liabilities** | **(565,868)** | **(36,310)** | **(1,478,287)** | **(7,366)** | **(2,087,831)** |

| CHFk<br>December 31, 2016 | < 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| Trade payables and other payables | (465,589) | (16,043) | - | - | (481,632) |
| Borrowings - notional | - | - | | (1,828,327) | (1,828,327) |
| Borrowings - interest | (38,278) | (38,203) | (114,684) | (7,114) | (198,279) |
| Financial leases | (7,597) | (4,640) | (2,601) | (1,995) | (16,833) |
| Other current liabilities | (989) | - | - | - | (989) |
| **Total financial liabilities** | **(512,453)** | **(58,886)** | **(117,285)** | **(1,837,436)** | **(2,526,060)** |

***D: Undrawn credit lines***

The Group had the following undrawn borrowing facilities:

| CHFk<br>December 31 | 2017 | 2016 |
|---|---|---|
| Revolving Credit Facility (RCF) | 200,000 | 200,000 |
| *Thereof ancillary facility* | *25,000* | *16,000* |
| **Total RCF** | **200,000** | **200,000** |

In the senior facilities agreement dated February 9, 2015, as amended on December 23, 2016, a multi-currency revolving credit facility (RCF) was made available with a total commitment equal to CHF 200 million. As part of the RCF, an ancillary facility of CHF 25.0 million (2016: CHF 16.0 million) was established.

As at the balance sheet date, any amounts drawn under the RCF bear a margin of CHFLIBOR + 1.50%. For any committed and undrawn amounts, a commitment fee of 35% of the corresponding margin applies, i.e., 0.61% per annum as at the balance sheet date. No utilization has been made under the revolving credit facility during financial year 2017.

The ancillary facility of CHF 25.0 million (December 31, 2016: CHF 16.0 million) is currently undrawn and bears a facility fee of 0.2% per annum. The Group has CHF 22.6 million (2016: CHF 13.7 million) in guarantees outstanding under the ancillary facility, on which a fee of 1.2% 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 are limited due to the nature of the Group's business with very low customer concentration (see Note 16 on page 94 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 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 20 on page 95), current and non-current borrowings (see Note 23 on page 99) 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 it is 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 2017 and 2016.

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:

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<br>December 31, 2017 | CARRYING AMOUNT (BY MEASUREMENT BASIS)<br>Amortized cost | <br>Total | Comparison Fair value[1] |
|---|---|---|---|
| **Financial assets** | | | |
| Cash | 272,486 | 272,486 | |
| Trade and other receivables | 493,359 | 493,359 | |
| **Financial liabilities** | | | |
| Trade payables and other payables | (536,080) | (536,080) | |
| Loans and notes | (1,389,956) | (1,389,956) | (1,415,150) |
| Financial leases | (9,496) | (9,496) | |
| Other current liabilities | (85) | (85) | |

1 The fair value of borrowings for disclosure purposes is based on quoted prices in an active market for identical liabilities.

| CHFk<br>December 31, 2016 | CARRYING AMOUNT (BY MEASUREMENT BASIS)<br>Amortized cost | <br>Total | Comparison Fair value[1] |
|---|---|---|---|
| **Financial assets** | | | |
| Cash | 214,175 | 214,175 | |
| Trade and other receivables | 449,686 | 449,686 | |
| **Financial liabilities** | | | |
| Trade payables and other payables | (481,632) | (481,632) | |
| Loans and notes | (1,828,327) | (1,828,327) | (1,869,500) |
| Financial leases | (16,833) | (16,833) | |
| Other current liabilities | (989) | (989) | |

1 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 | Financial lease liabilities | Trade and other payables | Total |
|---|---|---|---|---|
| **Balance as of January 1, 2017** | **1,828,327** | **16,833** | **492,314** | **2,337,474** |
| Proceeds from long-term loans and notes | (321) | - | - | (321) |
| Repayment of long-term loans and notes | (450,000) | - | - | (450,000) |
| Repayment of capital leases | - | (7,337) | - | (7,337) |
| Other financing activities | - | - | (20,026) | (20,026) |
| Total changes from financing cash flows | (450,321) | (7,337) | (20,026) | (477,684) |
| Other movements not relating to financing activities | 11,950 | - | 74,009 | 85,959 |
| **Balance as of December 31, 2017** | **1,389,956** | **9,496** | **546,297** | **1,945,749** |

## NOTE 25 Trade and other payables

| CHFk<br>December 31 | 2017 | 2016 |
|---|---|---|
| Trade payables | 485,404 | 427,363 |
| Interest payable | 2,719 | 3,653 |
| Other payables and accruals | 58,174 | 61,298 |
| **Total** | **546,297** | **492,314** |
| *Thereof current* | *540,989* | *476,271* |
| *Thereof non-current* | *5,308* | *16,043* |

Compared to 2016, trade and other payables increased in 2017 driven by higher roaming discount payables, transmissions cost payables and inventory payables.

The decrease of non-current portion of trade and other payables is mainly due to the reclassification of the third installment (due in January 2018) related to the investment into broadband connectivity services from Swisscom in the total amount of CHF 14.8 million from non-current to current portion of trade and other payables.

**NOTE 26 Provisions**

| CHFk | Asset retirement obligations[1] | Restructuring obligations | Other provisions | Total |
|---|---|---|---|---|
| Provisions as of January 1, 2017 | 118,750 | 3,500 | 2,118 | 124,368 |
| Provisions made during the period | 3,931 | 1,116 | 336 | 5,383 |
| Change in present value | 1,199 | - | - | 1,199 |
| Provisions used during the period | (957) | (2,461) | (140) | (3,558) |
| Unused provisions reversed during the period | (708) | (867) | (1,075) | (2,650) |
| Change in consolidation scope due to disposal of subsidiary | (50,276) | - | - | (50,276) |
| **Provisions as of December 31, 2017** | **71,939** | **1,288** | **1,239** | **74,466** |
| *Thereof current* | *1,047* | *1,288* | *1,239* | *3,574* |
| *Thereof non-current* | *70,892* | - | - | *70,892* |
| Provisions as of January 1, 2016 | 137,514 | 10,342 | 2,149 | 150,005 |
| Provisions made during the period | (14,335) | 3,530 | 469 | (10,336) |
| Change in present value | (2,079) | - | - | (2,079) |
| Provisions used during the period | (952) | (9,516) | (485) | (10,953) |
| Unused provisions reversed during the period | (1,398) | (856) | (15) | (2,269) |
| **Provisions as of December 31, 2016** | **118,750** | **3,500** | **2,118** | **124,368** |
| *Thereof current* | *528* | *3,500* | *2,118* | *6,146* |
| *Thereof non-current* | *118,222* | - | - | *118,222* |

1 Decrease of asset retirement obligations (ARO) in 2017 is mainly related to the disposal of the subsidiary (see Note 11 on page 88) in 2017. In 2016 changes in ARO assumptions led to a decrease.

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 27 Deferred income**

| CHFk<br>December 31 | 2017 | 2016 |
|---|---|---|
| Deferred income from dark fibers | 7,859 | 8,685 |
| Deferred income from other telecommunications services | 28,261 | 35,434 |
| **Total** | **36,120** | **44,119** |
| *Thereof current* | *26,984* | *33,710* |
| *Thereof non-current* | *9,136* | *10,409* |

**NOTE 28 Change in net working capital**

| CHFk<br>December 31 | 2017 | 2016 |
|---|---|---|
| Change in inventories | (28,733) | 1,174 |
| Change in trade and other receivables | (36,106) | (59,422) |
| Change in trade and other payables | 79,347 | 346 |
| Change in other items, net | 17,809 | (10,022) |
| **Total** | **32,317** | **(67,924)** |

Net working capital includes current assets and liabilities as well as non-current prepaid expenses, long-term trade receivables and deferred income. Changes in trade and other payables related to the mobile license and non-cash capital expenditures related to IRUs are excluded.

The positive change in net working capital of CHF 32.3 million during 2017 is primarily related to an increase in trade and other payables, driven by roaming discounts and payables to handset suppliers, and other items, related to prepayment of network service fees to Swiss Towers AG. This was partially offset by higher inventories and trade and other receivables driven by carriers and increased receivables related to iPhone sales.

**NOTE 29 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 | Zurich | CHF | 45,000 | | |
| Sunrise Communications AG | Telecommunications services | Zurich | CHF | 50,000 | 100 | Full |
| TelCommunication Services AG | Telecommunications services | Zurich | CHF | 2,000 | 100 | Full |
| YOL Services AG | Telecommunications services | Zurich | 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 |

YOL Communications GmbH, a fully owned subsidiary, has been retrospectively merged into Sunrise Communications AG as of January 1, 2017.

**NOTE 30 Related parties**

| Name of related party | Nature of relationship | Domicile |
|---|---|---|
| Pensionskasse Sunrise | Pension fund | Zurich |

As described in Note 21 on page 96 et seq., certain managers and employees of Sunrise Communications AG participate in a management equity program and employee participation program involving Sunrise Communications Group AG.

The key management of Sunrise is composed of:

***Sunrise Communications Group AG***

| Board of Directors | |
|---|---|
| Peter Kurer | Chairman |
| Peter Schöpfer | Vice-Chairman |
| Robin Bienenstock | Member |
| Michael Krammer | Member |
| Jesper Ovesen | Member |
| Joachim Preisig | Member |
| Lorne Somerville[1] | Member |
| Christoph Vilanek | Member |

1 Lorne Somerville resigned from the Board of Directors as of the end of the Annual General Meeting of April 11, 2017.

*Sunrise Communications AG (main operating entity of the Group)*

**Board of Directors**

| | |
|---|---|
| Peter Schöpfer | Chairman |
| André Krause | Member |
| Olaf Swantee | Member |

**Executive Leadership Team**

| | |
|---|---|
| Olaf Swantee | Chief Executive Officer (CEO) |
| André Krause | Chief Financial Officer (CFO) |
| Françoise Clemes | Chief Services Officer (CSO) |
| Timm Degenhardt (until February 2017) | Chief Consumer Officer (CCO) |
| Bruno Duarte (since June 2017) | Chief Consumer Officer (CCO) |
| Elmar Grasser | Chief Technology Officer (CTO) |
| Massimiliano Nunziata (until May 2017) | Chief Business Officer (CBO) |
| Robert Wigger (since September 2017) | Chief Business Officer (CBO) |
| Dominik Rubli | Chief Administrative Officer (CAO) |
| Karin Schmidt | Chief Human Resources Officer (CHRO) |

Related party transactions in 2017 are limited to the payment of salaries and bonuses.

## NOTE 31 Other financial commitments

| CHFk<br>December 31 | 2017 | 2016 |
|---|---|---|
| **Non-cancelable lease commitments for operating leases** | | |
| Rental expense relating to properties and mobile sites in the period of interminability | 216,641 | 210,114 |
| Lease commitments for machinery, equipment, computers and other equipment | 20,865 | 29,423 |
| **Total** | **237,506** | **239,537** |
| Broken down as follows: | | |
| – Less than 6 months | 31,870 | 48,159 |
| – Between 6 and 12 months | 29,649 | 46,272 |
| – Between 1 and 2 years | 29,044 | 45,733 |
| – Between 2 and 5 years | 52,257 | 62,303 |
| – Over 5 years | 94,686 | 37,070 |
| **Total** | **237,506** | **239,537** |
| **Total rental expense recognized for all operating leases** | | |
| Minimum lease payments | 90,826 | 98,530 |
| Sublease receipts | (3,597) | (4,761) |
| **Total** | **87,229** | **93,769** |
| Contractual and purchase commitments[1] | 87,689 | 92,906 |

1 Contractual and purchase commitments relate to investments in property, plant and equipment and intangible assets.

The increase in operating leases over five years is mainly due to the lease obligation arising from the contract for the new headquarter starting in 2019 and the opening of a new flagship store. This was partially offset by leases related to the disposal of the passive infrastructure in the course of the sale of Swiss Towers AG.

## NOTE 32 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, 2017, and December 31, 2016, the maximum guarantee totals the value of the shares, preferred equity certificates and intercompany receivables.

## NOTE 33 Events after the balance sheet date

Sunrise entered into two new agreements with Swiss Fibre Net AG (SFN) and Services Industriels de Genève (SIG) on January 10 (SFN) and February 27, 2018 (SIG), respectively. The new agreements give Sunrise access to a certain amount of fiber lines on new terms: Sunrise will invest CHF 47.4 million upfront during 2018 and will then benefit from additional low single-digit annual gross profit contribution. The fiber line scope of the agreements is open to extension, dependent on further upfront investments and gross profit contribution.

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To the General Meeting of
**Sunrise Communications Group AG, Zurich**

Zurich, February 27, 2018

**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 income as at 31 December 2017 and consolidated statements of comprehensive income, consolidated statements of financial position, consolidated statements of cash flow, consolidated statements of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statement (pages 85 to 141) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, 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 1'854 million for the year ended 31 December 2017. Revenue is predominantly derived from services including mobile voice and data, landline voice and internet, and IPTV. Corresponding accounting policies are discussed in note 3 to the consolidated financial statements. Disclosures regarding sales and segmentation of revenues are included in notes 6 and 7 to the consolidated financial statements. |

| | |
|---|---|
| | Revenue recognition is highly complex given the large number of service offerings, the high volume of transactions and the frequent changes in product and service options. Therefore revenue recognition was an area of focus during our audit. |
| **Our audit response** | We identified the occurrence, completeness and cut-off of revenue as key focus areas of our audit. 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 over sales developments and margins of separate revenue classes and revenue as a whole and tested individual transactions, accruals and contracts on a sample basis. |

**Impairment Test for Goodwill**

| | |
|---|---|
| **Area of focus** | Goodwill represents 30% of the Group's total assets and 76% of the Group's total equity as at December 2016. As stated in note 3 to the consolidated financial statements, the carrying value of goodwill is tested annually for impairment. The Company per- formed its annual impairment test of goodwill in the fourth quarter of 2017 and determined that there was no impairment. Key assumptions concerning the impairment test are disclosed in note 14 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 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. |

**Capitalization of Property, Plant and Equipment**

| | |
|---|---|
| **Risk** | The Group's investments to property, plant and equipment amounted to CHF 205 million during the year ended 31 December 2017. Corresponding accounting policies are discussed in note 3 and amounts capitalized during the period in note 15 to the consolidated financial statements. There is a risk that items which are not eligible for |

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| | |
|---|---|
| | 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. |

**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 Group continues to invest in this infrastructure and the underlying processes to meet clients' needs and business requirements. 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, we defined IT internal controls as an area of focus for our audit. |
| **Our audit response** | With the assistance of our IT audit specialists, we tested the design and operating effectiveness of IT general controls (change management, logical access, other ITGC's), application controls and electronic reports provided by the Company. |

### 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.

### 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: http://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

# UPC Switzerland

# Condensed Combined Carve-out Financial Statements
# June 30, 2019

## UPC Switzerland

## TABLE OF CONTENTS

**Independent Auditors' Report on the Review of Condensed Combined Carve-out Interim Financial Information**

**To the Managing Directors of**
**UPC Schweiz GmbH, Wallisellen**

*Introduction*

We have reviewed the accompanying condensed combined carve-out balance sheet of UPC Switzerland (the Swiss operations of UPC Schweiz GmbH and the entities as set out in note 1, together the "Reporting Entity") as at 30 June 2019, the condensed combined carve-out statements of operations, comprehensive earnings, changes in equity and cash flows for the six-month period then ended, and notes to the interim financial information ("the condensed combined carve-out interim financial information"). Management is responsible for the preparation and presentation of this condensed combined carve-out interim financial information in accordance with U.S. generally accepted accounting principles. Our responsibility is to express a conclusion on this condensed combined carve-out interim financial information based on our review.

*Scope of Review*

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed combined carve-out interim financial information as at 30 June 2019 is not prepared, in all material respects, in accordance with U.S. generally accepted accounting principles.

*Emphasis of Matter – Basis of Preparation*

We draw attention to note 1 to the condensed combined carve-out financial information, which describes its basis of preparation, including the approach to and the purpose for preparing it and that the preparation involves complex allocations of assets, liabilities and costs. Consequently, the Reporting Entity's condensed combined carve-out financial information may not necessarily be indicative of the financial performance that would have been achieved if the Reporting Entity had operated as an independent entity, nor may it be indicative of the results of operations of the Reporting Entity for any future period. The combined carve-out financial information was prepared in the context of the planned sale of the Reporting Entity to Sunrise Communications Group AG. As a result, the condensed combined carve-out financial information may not be suitable for another purpose.

*Other matter*

We draw attention to the fact that we have not reviewed the condensed combined carve-out statements of operations, comprehensive earnings, changes in equity and cash flows for the six-month period ended 30 June 2018, or any of the related notes, and accordingly, we do not express a conclusion on them.

KPMG AG

Radim Chalupa
Licensed Audit Expert

Farrukh Masud

Zurich, 16 September 2019

**UPC Switzerland**

**CONDENSED COMBINED CARVE-OUT BALANCE SHEETS**
**(unaudited)**

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| | in millions | |
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | CHF 0.7 | CHF 0.4 |
| Trade receivables, net | 142.9 | 235.4 |
| Related-party receivables (note 8) | 15.9 | 14.6 |
| Other current assets (note 3) | 32.8 | 46.9 |
| Total current assets | 192.3 | 297.3 |
| Property and equipment, net (notes 4 and 6) | 1,218.9 | 1,210.5 |
| Goodwill | 2,853.9 | 2,853.9 |
| Other assets, net (notes 4 and 6) | 180.7 | 70.6 |
| Total assets | CHF 4,445.8 | CHF 4,432.3 |
| **LIABILITIES AND EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | CHF 39.3 | CHF 52.3 |
| Related-party payables (note 8) | 72.5 | 67.3 |
| Deferred revenue (note 3) | 164.6 | 234.3 |
| Current portion of debt and finance lease obligations (notes 5 and 6) | 133.3 | 112.0 |
| Other accrued and current liabilities (note 6) | 172.8 | 164.3 |
| Total current liabilities | 582.5 | 630.2 |
| Long-term debt and finance lease obligations (notes 5 and 6) | 12.8 | 15.2 |
| Other long-term liabilities (notes 3, 6 and 9) | 139.6 | 46.6 |
| Total liabilities | 734.9 | 692.0 |
| Commitments and contingencies (notes 7, 9 and 11) | | |
| Equity: | | |
| Net parent investment | 3,713.9 | 3,741.5 |
| Accumulated other comprehensive loss, net of taxes (note 10) | (21.8) | (20.9) |
| Total parent equity | 3,692.1 | 3,720.6 |
| Noncontrolling interests | 18.8 | 19.7 |
| Total equity | 3,710.9 | 3,740.3 |
| Total liabilities and equity | CHF 4,445.8 | CHF 4,432.3 |

The accompanying notes are an integral part of these condensed combined carve-out financial statements.

## UPC Switzerland

### CONDENSED COMBINED CARVE-OUT STATEMENTS OF OPERATIONS
### (unaudited)

| | Six months ended June 30, | |
|---|---|---|
| | 2019 | 2018 |
| | in millions | |
| Revenue (notes 3 and 8) | CHF 630.8 | CHF 654.0 |
| Operating costs and expenses: | | |
| Programming and other direct costs of services (note 8) | 128.0 | 127.4 |
| Other operating (note 8) | 79.3 | 78.3 |
| Selling, general and administrative (**SG&A**) (note 8) | 101.5 | 90.4 |
| Related-party fees and allocations, net (note 8) | 84.0 | 80.9 |
| Depreciation and amortization | 129.4 | 127.7 |
| Impairment, restructuring and other operating items, net | 8.8 | 3.1 |
| | 531.0 | 507.8 |
| Operating income | 99.8 | 146.2 |
| Non-operating income (expense): | | |
| Interest expense | (1.9) | (1.8) |
| Foreign currency transaction gains, net | 1.0 | 0.4 |
| Other income, net | 4.5 | 5.8 |
| | 3.6 | 4.4 |
| Earnings before income taxes | 103.4 | 150.6 |
| Income tax expense (note 7) | (20.6) | (30.4) |
| Net earnings | 82.8 | 120.2 |
| Net earnings attributable to noncontrolling interests | (2.0) | (2.0) |
| Net earnings attributable to parent entity | CHF 80.8 | CHF 118.2 |

The accompanying notes are an integral part of these condensed combined carve-out financial statements.

## UPC Switzerland

## CONDENSED COMBINED CARVE-OUT STATEMENTS OF COMPREHENSIVE EARNINGS
**(unaudited)**

| | Six months ended June 30, | |
|---|---|---|
| | **2019** | **2018** |
| | **in millions** | |
| Net earnings | CHF 82.8 | CHF 120.2 |
| Other comprehensive loss, net of taxes (note 10): | | |
| Pension-related adjustments | (0.9) | (1.5) |
| Comprehensive earnings | 81.9 | 118.7 |
| Comprehensive earnings attributable to noncontrolling interests, net of taxes | (2.0) | (2.1) |
| Comprehensive earnings attributable to parent entity, net of taxes | CHF 79.9 | CHF 116.6 |

The accompanying notes are an integral part of these condensed combined carve-out financial statements.

## UPC Switzerland

## CONDENSED COMBINED CARVE-OUT STATEMENTS OF CHANGES IN EQUITY
(unaudited)

| | Net parent investment | Accumulated other comprehensive loss, net of taxes | Non-controlling interests | Total equity |
|---|---|---|---|---|
| | in millions | | | |
| Balance at January 1, 2018, before effect of accounting change | CHF 3,686.1 | CHF (4.4) | CHF 21.0 | CHF 3,702.7 |
| Impact of ASU No. 2014-09, Revenue from Contracts with Customers | 8.8 | — | — | 8.8 |
| Balance at January 1, 2018, as adjusted for accounting change | 3,694.9 | (4.4) | 21.0 | 3,711.5 |
| Net earnings | 118.2 | — | 2.0 | 120.2 |
| Other comprehensive earnings (loss), net of taxes (note 10) | — | (1.5) | 0.1 | (1.4) |
| Distributions to parent, net (note 1) | (168.6) | — | — | (168.6) |
| Distributions to noncontrolling interest owners | — | — | (3.2) | (3.2) |
| Other, net | 2.7 | — | — | 2.7 |
| Balance at June 30, 2018 | CHF 3,647.2 | CHF (5.9) | CHF 19.9 | CHF 3,661.2 |

The accompanying notes are an integral part of these condensed combined carve-out financial statements.

## UPC Switzerland

## CONDENSED COMBINED CARVE-OUT STATEMENTS OF CHANGES IN EQUITY—(Continued)
(unaudited)

| | Net parent investment | Accumulated other comprehensive loss, net of taxes | Non-controlling interests | Total equity |
|---|---|---|---|---|
| | in millions | | | |
| Balance at January 1, 2019, before effect of accounting change | CHF 3,741.5 | CHF (20.9) | CHF 19.7 | CHF 3,740.3 |
| Impact of ASU No. 2016-02, Leases (note 2) | 1.9 | — | — | 1.9 |
| Balance at January 1, 2019, as adjusted for accounting change | 3,743.4 | (20.9) | 19.7 | 3,742.2 |
| Net earnings | 80.8 | — | 2.0 | 82.8 |
| Other comprehensive loss, net of taxes (note 10) | — | (0.9) | — | (0.9) |
| Distributions to parent, net (note 1) | (112.6) | — | — | (112.6) |
| Distributions to noncontrolling interest owners | — | — | (2.9) | (2.9) |
| Other, net | 2.3 | — | — | 2.3 |
| Balance at June 30, 2019 | CHF 3,713.9 | CHF (21.8) | CHF 18.8 | CHF 3,710.9 |

The accompanying notes are an integral part of these condensed combined carve-out financial statements.

## UPC Switzerland

## CONDENSED COMBINED CARVE-OUT STATEMENTS OF CASH FLOWS
**(unaudited)**

| | Six months ended June 30, | |
|---|---|---|
| | 2019 | 2018 |
| | in millions | |
| Cash flows from operating activities: | | |
| Net earnings | CHF 82.8 | CHF 120.2 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | |
| Share-based compensation expense | 10.7 | 5.1 |
| Related-party fees and allocations, net | 84.0 | 80.9 |
| Depreciation and amortization | 129.4 | 127.7 |
| Impairment, restructuring and other operating items, net | 8.8 | 3.1 |
| Foreign currency transaction gains, net | (1.0) | (0.4) |
| Deferred income tax expense (benefit) | 1.9 | (2.3) |
| Current tax expense attributable to carve-out adjustments | 1.3 | 7.2 |
| Changes in operating assets and liabilities | 18.5 | 59.4 |
| Net cash provided by operating activities | 336.4 | 400.9 |
| Cash flows from investing activities: | | |
| Capital expenditures | (103.4) | (80.2) |
| Proceeds from sale of investments | 0.5 | 0.5 |
| Net cash used by investing activities | CHF (102.9) | CHF (79.7) |

The accompanying notes are an integral part of these condensed combined carve-out financial statements.

## UPC Switzerland

## CONDENSED COMBINED CARVE-OUT STATEMENTS OF CASH FLOWS—(Continued) (unaudited)

| | Six months ended June 30, 2019 | Six months ended June 30, 2018 |
|---|---|---|
| | in millions | |
| Cash flows from financing activities: | | |
| Repayments of debt and finance lease obligations | CHF (59.2) | CHF (50.3) |
| Borrowings of debt | 37.9 | 17.9 |
| Distributions to parent, net | (209.4) | (282.8) |
| Distributions by subsidiaries to noncontrolling interest owners | (2.9) | (3.2) |
| Net cash used by financing activities | (233.6) | (318.4) |
| Effect of exchange rate changes on cash and cash equivalents and restricted cash | 0.4 | (2.2) |
| Net increase in cash and cash equivalents and restricted cash | 0.3 | 0.6 |
| Cash and cash equivalents and restricted cash: | | |
| Beginning of year | 1.0 | 1.4 |
| End of year | CHF 1.3 | CHF 2.0 |
| Cash paid for interest | CHF 1.5 | CHF 1.8 |
| Net cash paid (received) for taxes | CHF 9.5 | CHF (7.6) |
| Details of end of period cash and cash equivalents and restricted cash: | | |
| Cash and cash equivalents | CHF 0.7 | CHF 1.4 |
| Restricted cash included in other assets, net | 0.6 | 0.6 |
| Total cash and cash equivalents and restricted cash | CHF 1.3 | CHF 2.0 |

The accompanying notes are an integral part of these condensed combined carve-out financial statements.

## (1) Basis of Preparation

The accompanying condensed combined carve-out financial statements include the historical financial information of certain subsidiaries of Liberty Global plc (**Liberty Global**) (collectively, **UPC Switzerland**) that are to be sold to Sunrise Communications Group AG (**Sunrise**) pursuant to an agreement dated February 27, 2019 (the **Transaction**). UPC Switzerland provides residential and business-to-business (**B2B**) communications services throughout Switzerland. In these notes, the terms "we," "our," "our company" and "us" refer to UPC Switzerland. The entities and related direct and indirect ownership interests that are included within these UPC Switzerland condensed combined carve-out financial statements are listed in the table below.

| Entities | Ownership interest |
|---|---|
| UPC Schweiz GmbH (**UPC Schweiz**)(a) | 100.0% |
| Sitel SA (**Sitel**) | 66.7% |
| Teledistal SA (**Teledistal**)(b) | 58.3% |
| Video 2000 SA | 60.0% |
| Telelavaux SA | 80.0% |

(a) Liberty Global holds a 100% direct ownership interest in UPC Schweiz. UPC Schweiz holds a direct ownership interest in the remaining entities included in these condensed combined carve-out financial statements, with the exception of Teledistal.

(b) Teledistal is owned directly by Sitel and indirectly by UPC Schweiz through UPC Schweiz's ownership in Sitel. The percentage indicated reflects Sitel's ownership interest in Teledistal.

As these condensed combined carve-out financial statements are intended to represent the financial position, results of operations and cash flows of UPC Switzerland's Swiss operations only, all non-Swiss entities currently or historically owned by UPC Schweiz have been excluded. Accordingly, these condensed combined carve-out financial statements do not include any investments in, financing thereof, or interest and tax impacts related to these non-Swiss entities or the financial position, results of operations and cash flows of any non-Swiss entities currently or historically owned by UPC Schweiz. In addition, interest-bearing related-party loans payable and receivable between UPC Schweiz and its parent that have been or are expected to be settled prior to completion of the Transaction are included within net parent investment on our condensed combined carve-out balance sheets and statements of changes in equity and any related interest income, interest expense and tax impacts of these adjustments have been excluded from these condensed combined carve-out financial statements. All significant intercompany accounts and transactions between the businesses comprising UPC Switzerland have been eliminated in the accompanying condensed combined carve-out financial statements. Costs incurred on behalf of the condensed combined carve-out entities by other subsidiaries of Liberty Global have been allocated based on the methods described in note 8. Although we believe that the presentation described above is reasonable, the accompanying condensed combined carve-out financial statements are not necessarily indicative of what UPC Switzerland's historical financial position, results of operations or cash flows would have been if UPC Switzerland had been operating as a separate standalone entity.

As these financial statements have been prepared on a condensed combined carve-out basis, it is not meaningful to show share capital or provide an analysis of additional paid-in capital or retained earnings. Therefore, amounts that reflect the carrying value of investments of Liberty Global in the combined entities are disclosed as net parent investment and accumulated other comprehensive loss, while the carrying value of net assets attributable to shareholders other than Liberty Global are presented as non-controlling interests.

These unaudited condensed combined carve-out financial statements have been prepared in accordance with accounting principles generally accepted in the United States (**GAAP**), and do not include all of the information required by GAAP for complete financial statements. In the opinion of management, these financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the results of operations for the interim periods presented. The results of operations for any interim period are not necessarily indicative of results for the full year.

These unaudited condensed combined carve-out financial statements should be read in conjunction with the combined carve-out financial statements and notes thereto as of and for the year ended December 31, 2018. Unless otherwise indicated, ownership percentages are calculated as of June 30, 2019.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates and assumptions are used in accounting for, among other things, allowances for uncollectible accounts, certain components of revenue, programming and copyright costs, deferred income taxes and related valuation allowances, loss contingencies, impairment assessments, capitalization of internal costs associated with construction and installation activities, lease terms, useful lives of long-lived assets, share-based compensation and actuarial liabilities associated with certain benefit plans. Actual results could differ from those estimates.

These condensed combined carve-out financial statements reflect our consideration of the accounting and disclosure implications of subsequent events through September 16, 2019, the date of issuance.

## (2) Accounting Changes

*ASU 2016-02*

In February 2016, the Financial Accounting Standards Board (**FASB**) issued Accounting Standards Update (**ASU**) No. 2016-02, *Leases* (**ASU 2016-02**), which, for most leases, results in lessees recognizing right-of-use (**ROU**) assets and lease liabilities on the balance sheet. ASU 2016-02, as amended by ASU No. 2018-11, *Targeted Improvements*, requires lessees and lessors to recognize and measure leases using one of two modified retrospective approaches. A number of optional practical expedients may be applied in transition. We adopted ASU 2016-02 on January 1, 2019 by recording a cumulative-effect adjustment to the opening balance of our net parent investment. Amounts and disclosures for comparative periods are presented in accordance with accounting standards previously in effect.

The main impact of the adoption of ASU 2016-02 relates to the recognition of ROU assets and lease liabilities on our condensed combined carve-out balance sheet for those leases classified as operating leases under previous GAAP. In transition, we have applied the practical expedients that permit us not to reassess (i) whether expired or existing contracts contain a lease under the new standard, (ii) the lease classification for expired or existing leases or (iii) whether previously-capitalized initial direct costs would qualify for capitalization under the new standard. In addition, we have not used hindsight during transition.

Upon adoption of ASU 2016-02, on January 1, 2019 we recorded (i) ROU assets of CHF 121.0 million and lease liabilities of CHF 126.2 million related to operating leases and (ii) an increase to our net parent investment of CHF 1.9 million. In addition, we reclassified our existing prepaid lease expense, accrued lease expense and lease incentive liabilities, resulting in a net increase to our ROU assets of CHF 6.4 million. The adoption of ASU 2016-02 did not have a significant impact on our condensed combined carve-out statements of operations or cash flows. For additional information regarding our leases, see note 6.

## (3) Revenue Recognition and Related Costs

Substantially all of our revenue is recognized over time. A large portion of our revenue is derived from customers who are subject to month-to-month contracts. Revenue from customers who are subject to other contracts is generally recognized over the term of such contracts, which is typically 12 months for our residential service contracts, one to three years for our mobile service contracts and one to five years for our B2B service contracts.

### *Contract Balances*

If we transfer goods or services to a customer but do not have an unconditional right to payment, we record a contract asset. Contract assets typically arise from the uniform recognition of introductory promotional discounts over the contract period and accrued revenue for handset sales. Our contract assets were CHF 5.0 million and CHF 2.9 million as of June 30, 2019 and December 31, 2018, respectively. Our contract asset balances are included within other current assets on our condensed combined carve-out balance sheets.

We record a contract liability when we receive payment prior to transferring goods or services to a customer. Such amounts are included as deferred revenue on our condensed combined carve-out balance sheets. We primarily defer revenue for (i) installation and other upfront services and (ii) other services that are invoiced prior to when services are provided. Our deferred revenue balances were CHF 165.7 million and CHF 235.5 million as of June 30, 2019 and December 31, 2018, respectively. The decrease in deferred revenue for the six months ended June 30, 2019 is primarily due to CHF 123.8 million of revenue recognized that was included in our deferred revenue balance at December 31, 2018, partially offset by advanced billings recorded in the period. The current and long-term portions of our deferred revenue balances are included within deferred revenue and other long-term liabilities, respectively, on our condensed combined carve-out balance sheets.

### *Contract Costs*

Our aggregate assets associated with incremental costs to obtain our contracts were CHF 6.9 million and CHF 3.8 million at June 30, 2019 and December 31, 2018, respectively. Our asset balances related to contract costs are included within other current assets on our condensed combined carve-out balance sheets. We amortized CHF 4.8 million and CHF 5.0 million during the six months ended June 30, 2019 and 2018, respectively, to operating costs and expenses related to these assets.

### *Revenue by Major Category*

Our revenue by major category is set forth below:

| | Six months ended June 30, | |
|---|---|---|
| | **2019** | **2018** |
| | **in millions** | |
| Residential revenue: | | |
| Residential cable revenue[a]: | | |
| Subscription revenue[b]: | | |
| Video | CHF 239.0 | CHF 261.2 |
| Broadband internet | 166.4 | 173.7 |
| Fixed-line telephony | 51.5 | 57.8 |
| Total subscription revenue | 456.9 | 492.7 |
| Non-subscription revenue | 39.5 | 43.0 |
| Total residential cable revenue | 496.4 | 535.7 |
| Residential mobile revenue[c]: | | |
| Subscription revenue[b] | 30.7 | 23.4 |
| Non-subscription revenue | 13.7 | 7.5 |
| Total residential mobile revenue | 44.4 | 30.9 |
| Total residential revenue | 540.8 | 566.6 |
| B2B revenue[d]: | | |
| Subscription revenue | 10.7 | 9.6 |
| Non-subscription revenue | 78.2 | 76.8 |
| Total B2B revenue | 88.9 | 86.4 |
| Other revenue | 1.1 | 1.0 |
| Total | CHF 630.8 | CHF 654.0 |

(a) Residential cable subscription revenue includes amounts received from subscribers for ongoing services. Residential cable non-subscription revenue includes, among other items, channel carriage fees, late fees and revenue from the sale of equipment.

(b) Residential subscription revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the standalone price for each individual service. As a result, changes in the standalone pricing of our cable and mobile products or the composition of bundles can contribute to changes in our product revenue categories from period to period.

(c) Residential mobile subscription revenue includes amounts received from subscribers for ongoing services. Residential mobile non-subscription revenue includes, among other items, interconnect revenue and revenue from sales of mobile handsets and other devices.

(d) B2B subscription revenue represents revenue from services to certain small or home office (**SOHO**) subscribers. SOHO subscribers pay a premium price to receive expanded service levels along with video, broadband internet, fixed-line telephony or mobile services that are the same or similar to the mass marketed products offered to our residential subscribers. B2B non-subscription revenue includes business broadband internet, video, fixed-line telephony, mobile and data services offered to medium to large enterprises and, on a wholesale basis, to other operators.

## (4) Long-lived Assets

### *Property and Equipment, Net*

The details of our property and equipment and the related accumulated depreciation are set forth below:

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| | in millions | |
| Distribution systems | CHF 2,709.3 | CHF 2,647.6 |
| Customer premises equipment | 283.5 | 265.0 |
| Support equipment, buildings and land | 268.4 | 245.9 |
| Total property and equipment, gross | 3,261.2 | 3,158.5 |
| Accumulated depreciation | (2,042.3) | (1,948.0) |
| Total property and equipment, net | CHF 1,218.9 | CHF 1,210.5 |

Depreciation expense related to our property and equipment was CHF 126.1 million and CHF 124.5 million during six months ended June 30, 2019 and 2018, respectively.

During the six months ended June 30, 2019 and 2018, we recorded non-cash increases to our property and equipment related to certain vendor financing arrangements of CHF 36.0 million and CHF 31.5 million, respectively, which exclude related value-added taxes (**VAT**) of CHF 2.1 million and CHF 2.2 million, respectively, that were also financed by our vendors under these arrangements.

### *Intangible Assets, Net*

The details of our intangible assets, which are included in other assets, net, on our condensed combined carve-out balance sheets, are set forth below:

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| | in millions | |
| Customer relationships | CHF 54.7 | CHF 54.7 |
| Total intangible assets, gross | 54.7 | 54.7 |
| Accumulated amortization | (28.8) | (25.4) |
| Total intangible assets, net | CHF 25.9 | CHF 29.3 |

## (5) Debt

As of June 30, 2019 and December 31, 2018, our total third-party debt balances were CHF 129.3 million and CHF 110.7 million, respectively, and represent amounts owed pursuant to interest-bearing vendor financing arrangements that are used to finance certain of our property and equipment additions and operating expenses. These obligations include VAT that was paid on our behalf by the vendors. At June 30, 2019 and December 31, 2018, the amounts owed pursuant to these arrangements include CHF 87.8 million and CHF 82.1 million related to third-party capital-related vendor financing obligations for which we and another subsidiary of Liberty Global are co-obligors. As we have a legal obligation to the third-party vendors under these financing arrangements, we have included these obligations within third-party debt on our condensed combined carve-out balance sheets.

At June 30, 2019, our third-party debt balance was all classified as current, CHF 65.8 million of which is due in the remainder of 2019 and CHF 63.5 million of which is due in 2020.

## (6) Leases

### *General*

We enter into operating and finance leases for network equipment, real estate and vehicles. Certain of our vehicle leases contain residual value guarantees, which represent the amount we are required to pay for the vehicle to transfer ownership to us at the end of the lease term.

***Policies***

For leases with a term greater than 12 months, we recognize on the lease commencement date (i) ROU assets representing our right to use an underlying asset and (ii) lease liabilities representing our obligation to make lease payments over the lease term. Lease and non-lease components in a contract are generally accounted for separately. We allocate the total consideration in a contract proportionally to lease and non-lease components based on the relative standalone price for each respective component.

We initially measure lease liabilities at the present value of the remaining lease payments over the lease term. Options to extend or terminate the lease are included only when it is reasonably certain that we will exercise that option. As most of our leases do not provide enough information to determine an implicit interest rate, we generally use a portfolio level incremental borrowing rate in our present value calculation. We initially measure ROU assets at the value of the lease liability, plus any initial direct costs and prepaid lease payments, less any lease incentives received.

With respect to our finance leases, (i) ROU assets are generally depreciated on a straight-line basis over the shorter of the lease term or the useful life of the asset and (ii) interest expense on the lease liability is recorded using the effective interest method. Operating lease expense is recognized on a straight-line basis over the lease term. For leases with a term of 12 months or less (short-term leases), we do not recognize ROU assets or lease liabilities. Short-term lease expense is recognized on a straight-line basis over the lease term.

***Lease Balances***

At June 30, 2019, the weighted average remaining lease terms for operating and finance leases were 10.4 years and 7.4 years, respectively, and the weighted average discount rates were 3.8% and 5.6%, respectively.

A summary of our ROU assets as of June 30, 2019 is set forth below (in millions):

| | |
|---|---|
| Operating leases[(a)] | CHF 115.5 |
| Finance leases[(b)] | 12.3 |
| Total | CHF 127.8 |

(a) Our operating lease ROU assets are included in other assets, net, on our condensed combined carve-out balance sheet.

(b) Our finance lease ROU assets are included in property and equipment, net, on our condensed combined carve-out balance sheet.

A summary of additions to our ROU assets during the six months ended June 30, 2019 is set forth below (in millions):

| | |
|---|---|
| ROU assets recorded during the period associated with: | |
| Operating leases | CHF 3.1 |
| Finance leases[(a)] | 2.3 |
| Total | CHF 5.4 |

(a) During the six months ended June 30, 2018, we did not record any additions to our property and equipment associated with capital leases.

A summary of our lease liabilities as of June 30, 2019 is set forth below (in millions):

| | |
|---|---|
| Operating leases[(a)] | CHF 118.6 |
| Finance leases[(b)] | 16.8 |
| Total | CHF 135.4 |

(a) The current and long-term portions of our operating lease liabilities are included within other accrued and current liabilities and other long-term liabilities, respectively, on our condensed combined carve-out balance sheet.

(b) The current and long-term portions of our finance lease liabilities are included within current portion of debt and finance lease obligations and long-term debt and finance lease obligations, respectively, on our condensed combined carve-out balance sheet. As of December 31, 2018, we had CHF 16.5 million of capital lease liabilities included on our condensed combined carve-out balance sheet.

A summary of our aggregate lease expense for the six months ended June 30, 2019 is set forth below (in millions):

| | |
|---|---|
| Finance lease expense: | |
| Depreciation and amortization | CHF 1.2 |
| Interest expense | 0.4 |
| Total finance lease expense | 1.6 |
| Operating lease expense[(a)] | 12.7 |
| Short-term lease expense[(a)] | 1.6 |
| Total lease expense | CHF 15.9 |

(a) Our operating lease expense and short-term lease expense are included in other operating expenses and SG&A expenses in our condensed combined carve-out statements of operations.

A summary of our cash outflows from operating and finance leases recorded during the six months ended June 30, 2019 is set forth below (in millions):

| | |
|---|---|
| Cash paid for amounts included in the measurement of lease liabilities: | |
| Operating cash outflows from operating leases | CHF 15.2 |
| Operating cash outflows from finance leases | 0.4 |
| Financing cash outflows from finance leases | 1.4 |
| Total cash outflows from operating and finance leases | CHF 17.0 |

Maturities of our operating and finance lease obligations as of June 30, 2019 are presented below and represent Swiss franc equivalents based on June 30, 2019 exchange rates:

| | Operating leases | Finance leases |
|---|---|---|
| | in millions | |
| Year ending December 31: | | |
| 2019 (remainder of year) | CHF 11.7 | CHF 1.8 |
| 2020 | 18.1 | 3.6 |
| 2021 | 15.7 | 2.7 |
| 2022 | 15.0 | 2.6 |
| 2023 | 13.4 | 2.3 |
| 2024 | 12.4 | 1.9 |
| Thereafter | 69.1 | 5.7 |
| Total payments | 155.4 | 20.6 |
| Less: present value discount | (36.8) | (3.8) |
| Present value of lease payments | CHF 118.6 | CHF 16.8 |
| Current portion | CHF 14.7 | CHF 4.0 |
| Noncurrent portion | CHF 103.9 | CHF 12.8 |

Maturities of our operating lease commitments and capital lease obligations as of December 31, 2018 are presented below and represent Swiss franc equivalents based on December 31, 2018 exchange rates:

| | Operating leases | Capital leases |
|---|---|---|
| | in millions | |
| Year ending December 31: | | |
| 2019 | CHF 17.8 | CHF 2.7 |
| 2020 | 15.3 | 3.0 |
| 2021 | 14.3 | 2.4 |
| 2022 | 13.7 | 2.3 |
| 2023 | 11.8 | 2.2 |
| Thereafter | 55.9 | 9.6 |
| Total payments | CHF 128.8 | 22.2 |
| Amounts representing interest | | (5.7) |
| Total capital leases | | CHF 16.5 |
| Current portion | | CHF 1.3 |
| Noncurrent portion | | CHF 15.2 |

## (7) Income Taxes

Income tax expense attributable to our earnings before income taxes differ from the amounts computed using the Swiss income tax rates of 19.3% and 19.6% for the six months ended June 30, 2019 and 2018, respectively, as a result of the following factors:

| | Six months ended June 30, | |
|---|---|---|
| | 2019 | 2018 |
| | in millions | |
| Computed "expected" tax expense | CHF (20.0) | CHF (29.5) |
| Non-deductible or non-taxable interest and other expenses | (1.2) | (0.8) |
| Basis and other differences in the treatment of items associated with investments in our combined carve-out entities | — | 0.1 |
| Other, net | 0.6 | (0.2) |
| Total income tax expense | CHF (20.6) | CHF (30.4) |

## (8) Related-party Transactions

Our related-party transactions are as follows:

| | Six months ended June 30, | |
|---|---|---|
| | 2019 | 2018 |
| | in millions | |
| Credits (charges) included in: | | |
| Revenue | CHF 1.2 | CHF 1.6 |
| Programming and other direct costs of services | (3.2) | (2.9) |
| Other operating | (3.1) | (2.6) |
| SG&A | (1.3) | 1.6 |
| Allocated share-based compensation expense | (10.7) | (5.1) |
| Fees and allocations, net: | | |
| Operating and SG&A (exclusive of depreciation and share-based compensation) | (12.6) | (20.2) |
| Depreciation | (36.3) | (33.3) |
| Share-based compensation | (8.6) | (4.8) |
| Management fee | (26.5) | (22.6) |
| Total fees and allocations, net | (84.0) | (80.9) |
| Included in net earnings | CHF (101.1) | CHF (88.3) |
| Property and equipment transfers, net | CHF 24.2 | CHF 5.5 |

*General.* Certain Liberty Global subsidiaries charge fees and allocate costs and expenses to UPC Switzerland, and UPC Switzerland charges fees and allocates costs and expenses to certain Liberty Global subsidiaries. Depending on the nature of these related-party transactions, the amount of the charges or allocations may be based on (i) our estimated share of the underlying costs, (ii) our estimated share of the underlying costs plus a mark-up or (iii) commercially-negotiated rates. The components of related-party fees and allocations are based on (a) the amount and nature of costs incurred by the allocating Liberty Global subsidiaries during the period, (b) the allocation methodologies in effect during the period and (c) the size of the overall pool of entities that are charged fees and allocated costs, such that changes in any of these factors would likely result in changes to the amount of related-party fees and allocations in future periods. For example, to the extent that a Liberty Global subsidiary borrowing group was to acquire (sell) an operating entity, and assuming no change in the total costs incurred by the allocating entities, the fees charged and the costs allocated to our company would decrease (increase). Although we believe that the related-party charges and allocations described below are reasonable, the related-party costs and expenses reflected in our condensed combined carve-out statements of operations are not necessarily indicative of the costs that we would have incurred had we operated as an independent, stand-alone entity for all the periods presented.

*Revenue.* Amounts primarily relate to certain programming, broadcasting and mobile services provided to certain affiliates outside of UPC Switzerland.

*Programming and other direct costs of services.* Amounts represent certain charges from other Liberty Global subsidiaries and affiliates to UPC Switzerland for certain broadcasting, broadband and interconnect services provided to our company.

*Other operating expenses.* Amounts represent certain charges between Liberty Global subsidiaries and UPC Switzerland, primarily for call center costs and other customer related services.

*SG&A expenses*. Amounts represent certain charges between Liberty Global subsidiaries and UPC Switzerland, primarily for certain support and management functions.

*Allocated share-based compensation expense*. Amounts are allocated to our company by Liberty Global subsidiaries and represent share-based compensation expense associated with the Liberty Global share-based incentive awards held by certain employees of our condensed combined carve-out entities. Share-based compensation expense is included in SG&A expenses in our condensed combined carve-out statements of operations.

*Fees and allocations, net.* These amounts, which are allocated using Liberty Global's transfer-pricing methodology and are based on our company's estimated share of the applicable costs (including personnel-related and other costs associated with the services provided) incurred by Liberty Global subsidiaries, represent the aggregate net effect of charges between our company and various Liberty Global subsidiaries that are outside of our company. These charges generally relate to management, finance, legal, technology and other services that support our company's operations. The categories of our fees and allocations, net, are as follows:

- *Operating and SG&A (exclusive of depreciation and share-based compensation).* The amounts included in this category represent our estimated share of certain centralized technology, management, marketing, finance and other operating and SG&A expenses of Liberty Global subsidiaries, whose activities benefit multiple operations, including operations within and outside of our company. The amounts allocated represent our estimated share of the actual costs incurred by Liberty Global subsidiaries, without a mark-up.

- *Depreciation.* The amounts included in this category represent our estimated share of depreciation of assets not owned by our company. The amounts allocated represent our estimated share of the actual costs incurred by Liberty Global subsidiaries, without a mark-up.

- *Share-based compensation.* The amounts included in this category represent our estimated share of share-based compensation associated with Liberty Global employees who are not employees of our company. The amounts allocated represent our estimated share of the actual costs incurred by Liberty Global subsidiaries, without a mark-up.

- *Management fee.* The amounts included in this category represent our estimated allocable share of (i) operating and SG&A expenses related to stewardship services provided by certain Liberty Global subsidiaries and (ii) the mark-up, if any, applicable to each category of the related-party fees and allocations charged to our company.

*Property and equipment transfers, net*. These amounts represent the net carrying values related to (i) customer premises equipment acquired from other Liberty Global subsidiaries, which centrally procure equipment on behalf of our company and various other Liberty Global subsidiaries, and (ii) used customer premises and network-related equipment acquired from or transferred to other Liberty Global subsidiaries.

*Related-party balances.* Amounts included within related-party receivables and payables on our condensed combined carve-out balance sheets are generally settled in the month following the end of each applicable quarter. Balances associated with charges from Liberty Global for the above described fees and allocations are settled through the cash pooling arrangement UPC Switzerland has with Liberty Global whereby excess cash generated by UPC Switzerland is transferred to Liberty Global on a daily basis.

## (9) Defined Benefit Plans

The components of net periodic pension cost recorded in our condensed combined carve-out statements of operations are as follows:

| | Six months ended June 30, | |
|---|---|---|
| | 2019 | 2018 |
| | in millions | |
| Service cost | CHF 5.8 | CHF 6.0 |
| Interest cost | 1.3 | 1.0 |
| Expected return on plan assets | (4.0) | (4.1) |
| Other | (0.4) | (1.7) |
| Net periodic pension cost[(a)] | CHF 2.7 | CHF 1.2 |

(a) Net period pension cost for the six months ended June 30, 2018 excludes aggregate curtailment gains of CHF 0.6 million, which are included in impairment, restructuring and other operating items, net in our condensed combined carve-out statement of operations.

### *Employer Contributions*

As disclosed in our combined carve-out financial statements as of and for the year ended December 31, 2018, we expect to contribute CHF 13.8 million to our defined benefit plans in 2019. As of June 30, 2019, CHF 6.6 million of contributions have been made.

## (10) Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss on our condensed combined carve-out balance sheets and statements of changes in equity reflect the aggregate impact of pension-related adjustments. Other comprehensive loss for the six months ended June 30, 2019 and 2018 includes adjustments that are net of income tax expense of CHF 0.2 million and CHF 0.4 million, respectively.

The changes in accumulated other comprehensive loss, net of taxes, during the six months ended June 30, 2019 and 2018 are summarized below.

| | Accumulated other comprehensive loss | Non-controlling interests | Total accumulated other comprehensive loss |
|---|---|---|---|
| | | in millions | |
| Balance at January 1, 2018 | CHF (4.4) | CHF (2.0) | CHF (6.4) |
| Other comprehensive earnings (loss) | (1.5) | 0.1 | (1.4) |
| Balance at June 30, 2018 | CHF (5.9) | CHF (1.9) | CHF (7.8) |
| Balance at January 1, 2019 | (20.9) | (2.1) | CHF (23.0) |
| Other comprehensive loss | (0.9) | — | (0.9) |
| Balance at June 30, 2019 | CHF (21.8) | CHF (2.1) | CHF (23.9) |

## (11) Commitments and Contingencies

### *Commitments*

In the normal course of business, we have entered into agreements that commit our company to make cash payments in future periods with respect to programming contracts, network and connectivity commitments and purchases of customer premises and other equipment and services. These commitments are set forth below and do not reflect any liabilities that are included on our June 30, 2019 condensed combined carve-out balance sheet.

| | Payments due during: | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Remainder of 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Thereafter | Total |
| | in millions | | | | | | | |
| Programming commitments | CHF 23.6 | CHF 47.0 | CHF 41.0 | CHF 17.8 | CHF — | CHF — | CHF — | CHF 129.4 |
| Network and connectivity commitments | 8.7 | 5.1 | 2.7 | 2.1 | 1.6 | 1.1 | 13.2 | 34.5 |
| Purchase commitments | 13.7 | 11.4 | 5.9 | — | — | — | — | 31.0 |
| Total | CHF 46.0 | CHF 63.5 | CHF 49.6 | CHF 19.9 | CHF 1.6 | CHF 1.1 | CHF 13.2 | CHF 194.9 |

Programming commitments consist of obligations associated with certain of our programming and sports rights contracts that are enforceable and legally binding on us as we have agreed to pay minimum fees without regard to (i) the actual number of subscribers to the programming services, (ii) whether we terminate service to a portion of our subscribers or dispose of a portion of our distribution systems or (iii) whether we discontinue our premium sports services. Programming commitments do not include increases in future periods associated with contractual inflation or other price adjustments that are not fixed. Accordingly, the amounts reflected in the above table with respect to these contracts are significantly less than the amounts we expect to pay in these periods under these contracts. Historically, payments to programming vendors have represented a significant portion of our operating costs, and we expect that this will continue to be the case in future periods. In this regard, our total programming and copyright costs aggregated CHF 32.3 million and CHF 36.9 million during the six months ended June 30, 2019 and 2018, respectively.

Network and connectivity commitments include commitments associated with (i) network maintenance commitments and (ii) fiber leasing agreements.

Purchase commitments include unconditional and legally-binding obligations related to (i) the purchase of customer premises and other equipment and (ii) certain service-related commitments, including information technology and maintenance services.

In addition to the commitments set forth in the table above, we have significant commitments under defined benefit plans and similar agreements, pursuant to which we expect to make payments in future periods.

We also have commitments pursuant to agreements with, and obligations imposed by, franchise authorities and municipalities, which may include obligations in certain markets to move aerial cable to underground ducts or to upgrade, rebuild or extend portions of our broadband communication systems. Such amounts are not included in the above table because they are not fixed or determinable.

### *Guarantees and Other Credit Enhancements*

In the ordinary course of business, we may provide (i) indemnifications to our lenders, our vendors and certain other parties and (ii) performance and/or financial guarantees to local municipalities, our customers and vendors. Historically, these arrangements have not resulted in our company making any material payments and we do not believe that they will result in material payments in the future.

*Other Regulatory Issues.* Video distribution, broadband internet, fixed-line telephony, mobile and content businesses are regulated in Switzerland. Adverse regulatory developments could subject our businesses to a number of risks. Regulation, including conditions imposed on us by competition or other authorities as a requirement to close acquisitions or dispositions, could limit growth, revenue and the number and types of services offered and could lead to increased operating costs and property and equipment additions. In addition, regulation may restrict our operations and subject them to further competitive pressure, including pricing restrictions, interconnect and other access obligations, and restrictions or controls on content, including content provided by third parties. Failure to comply with current or future regulation could expose our businesses to various penalties.

In addition to the foregoing items, we have contingent liabilities related to matters arising in the ordinary course of business including (i) legal proceedings, (ii) issues involving VAT and wage, property, withholding and other tax issues and (iii) disputes over interconnection, programming, copyright and channel carriage fees. While we generally expect that the amounts required to satisfy these contingencies will not materially differ from any estimated amounts we have accrued, no assurance can be given that the resolution of one or more of these contingencies will not result in a material impact on our results of operations, cash flows or financial position in any given period. Due, in general, to the complexity of the issues involved and, in certain cases, the lack of a clear basis for predicting outcomes, we cannot provide a meaningful range of potential losses or cash outflows that might result from any unfavorable outcomes.

# UPC Switzerland

# Combined Carve-out Financial Statements December 31, 2018, 2017 and 2016

**UPC Switzerland**

**TABLE OF CONTENTS**

**Independent Auditor's Report**

**To the Managing Directors of**
**UPC Schweiz GmbH, Wallisellen**

**Report of the Independent Auditor on the Combined Carve-out Financial Statements of UPC Switzerland for the fiscal years 2018, 2017 and 2016**

*Opinion*

We have audited the combined carve-out financial statements of UPC Switzerland (the Swiss operations of UPC Schweiz GmbH and the entities as set out in note 1, together the "Reporting Entity"), which comprise the combined carve-out balance sheets as of 31 December 2018, 2017 and 2016, the combined carve-out statements of operations, comprehensive earnings, changes in equity and cash flows for each of the three years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying combined carve-out financial statements present fairly, in all material respects, the combined carve-out financial position of the Reporting Entity as of 31 December 2018, 2017 and 2016, and the combined carve-out results of its operations and its combined carve-out cash flows for each of the three years then ended in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

*Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined Carve-out Financial Statements section of our report. We are independent of the Reporting Entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants, and the requirements of the Swiss audit profession that are relevant to our audit of the combined carve-out financial statements, 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.

*Emphasis of Matter – Basis of Preparation*

We draw attention to note 1 to the combined carve-out financial statements, which describes their basis of preparation, including the approach to and the purpose for preparing them and that the preparation involves complex allocations of assets, liabilities and costs. Consequently, the Reporting Entity's combined carve-out financial statements may not necessarily be indicative of the financial performance that would have been achieved if the Reporting Entity had operated as an independent entity, nor may they be indicative of the results of operations of the Reporting Entity for any future period. The combined carve-out financial statements were prepared in the context of the planned sale of the Reporting Entity to Sunrise Communications Group AG. As a result, the combined carve-out financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

*Responsibilities of Management and Those Charged with Governance for the Combined Carve-out Financial Statements*

Management of UPC Schweiz GmbH is responsible for the preparation and fair presentation of these combined carve-out financial statements in accordance with U.S. GAAP and for such internal control as management determines is necessary to enable the preparation of combined carve-out financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined carve-out financial statements, management is responsible for assessing the Reporting Entity'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 management either intends to liquidate the Reporting Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Reporting Entity's financial reporting process.

*Auditors' Responsibilities for the Audit of the Combined Carve-out Financial Statements*

Our objectives are to obtain reasonable assurance about whether the combined carve-out financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined carve-out financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the combined carve-out financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

– Obtain an understanding of internal control relevant to the audit 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 Reporting Entity's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

– Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Reporting Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the combined carve-out financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Reporting Entity to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the combined carve-out financial statements, including the disclosures, and whether the combined carve-out financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Reporting Entity to express an opinion on the combined carve-out financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG AG

Radim Chalupa
Licensed Audit Expert

Farrukh Masud

Zurich, 26 July 2019

KPMG AG, Räffelstrasse 28, PO Box, CH-8045 Zurich

## UPC Switzerland

## COMBINED CARVE-OUT BALANCE SHEETS

| | December 31, 2018 | December 31, 2017 | December 31, 2016 |
|---|---|---|---|
| | | in millions | |
| **ASSETS** | | | |
| Current assets: | | | |
| Cash and cash equivalents | CHF 0.4 | CHF 0.4 | CHF 1.5 |
| Trade receivables, net | 235.4 | 254.5 | 290.9 |
| Related-party receivables (note 9) | 14.6 | 24.8 | 10.4 |
| Other current assets (note 4) | 46.9 | 9.5 | 10.8 |
| Total current assets | 297.3 | 289.2 | 313.6 |
| Property and equipment, net (note 6) | 1,210.5 | 1,215.3 | 1,237.4 |
| Goodwill | 2,853.9 | 2,853.9 | 2,853.9 |
| Other assets, net (notes 6 and 8) | 70.6 | 73.8 | 79.2 |
| Total assets | CHF 4,432.3 | CHF 4,432.2 | CHF 4,484.1 |
| **LIABILITIES AND EQUITY** | | | |
| Current liabilities: | | | |
| Accounts payable | CHF 52.3 | CHF 55.2 | CHF 65.2 |
| Related-party payables (note 9) | 67.3 | 90.4 | 92.3 |
| Deferred revenue (note 4) | 234.3 | 288.9 | 335.5 |
| Current portion of debt and capital lease obligations (note 7) | 112.0 | 93.6 | 91.0 |
| Other accrued and current liabilities | 164.3 | 118.6 | 217.8 |
| Total current liabilities | 630.2 | 646.7 | 801.8 |
| Long-term debt and capital lease obligations (note 7) | 15.2 | 17.8 | 19.6 |
| Other long-term liabilities (notes 4, 8 and 10) | 46.6 | 65.0 | 89.5 |
| Total liabilities | 692.0 | 729.5 | 910.9 |
| Commitments and contingencies (notes 8, 10 and 12) | | | |
| Equity: | | | |
| Net parent investment | 3,741.5 | 3,686.1 | 3,563.8 |
| Accumulated other comprehensive loss, net of taxes (note 11) | (20.9) | (4.4) | (11.2) |
| Total parent equity | 3,720.6 | 3,681.7 | 3,552.6 |
| Noncontrolling interests | 19.7 | 21.0 | 20.6 |
| Total equity | 3,740.3 | 3,702.7 | 3,573.2 |
| Total liabilities and equity | CHF 4,432.3 | CHF 4,432.2 | CHF 4,484.1 |

The accompanying notes are an integral part of these combined carve-out financial statements.

## UPC Switzerland

## COMBINED CARVE-OUT STATEMENTS OF OPERATIONS

| | Year ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | | in millions | |
| Revenue (notes 4 and 9) | CHF 1,296.1 | CHF 1,348.7 | CHF 1,356.7 |
| Operating costs and expenses: | | | |
| Programming and other direct costs of services (note 9) | 247.1 | 207.7 | 182.7 |
| Other operating (note 9) | 155.1 | 160.5 | 161.8 |
| Selling, general and administrative (**SG&A**) (note 9) | 174.2 | 171.2 | 171.0 |
| Related-party fees and allocations, net (note 9) | 75.8 | 244.0 | 218.2 |
| Depreciation and amortization | 257.4 | 273.6 | 272.6 |
| Impairment, restructuring and other operating items, net | 2.4 | 5.1 | (0.3) |
| | 912.0 | 1,062.1 | 1,006.0 |
| Operating income | 384.1 | 286.6 | 350.7 |
| Non-operating income (expense): | | | |
| Interest expense | (3.7) | (3.7) | (4.1) |
| Foreign currency transaction gains (losses), net | 3.3 | (7.2) | 1.2 |
| Other income, net | 8.0 | 12.7 | 22.5 |
| | 7.6 | 1.8 | 19.6 |
| Earnings before income taxes | 391.7 | 288.4 | 370.3 |
| Income tax expense (note 8) | (70.3) | (56.0) | (62.3) |
| Net earnings | 321.4 | 232.4 | 308.0 |
| Net earnings attributable to noncontrolling interests | (4.3) | (5.2) | (5.5) |
| Net earnings attributable to parent entity | CHF 317.1 | CHF 227.2 | CHF 302.5 |

The accompanying notes are an integral part of these combined carve-out financial statements.

**UPC Switzerland**

**COMBINED CARVE-OUT STATEMENTS OF COMPREHENSIVE EARNINGS**

| | Year ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | | in millions | |
| Net earnings | CHF 321.4 | CHF 232.4 | CHF 308.0 |
| Other comprehensive earnings (loss), net of taxes (note 11): | | | |
| Pension-related adjustments | (16.5) | 6.8 | 12.3 |
| Comprehensive earnings | 304.9 | 239.2 | 320.3 |
| Comprehensive earnings attributable to noncontrolling interests, net of taxes | (4.2) | (6.1) | (4.2) |
| Comprehensive earnings attributable to parent entity, net of taxes | CHF 300.7 | CHF 233.1 | CHF 316.1 |

The accompanying notes are an integral part of these combined carve-out financial statements.

## UPC Switzerland

## COMBINED CARVE-OUT STATEMENTS OF CHANGES IN EQUITY

| | Net parent investment | Accumulated other comprehensive loss, net of taxes | Non-controlling interests | Total equity |
|---|---|---|---|---|
| | | in millions | | |
| Balance at January 1, 2016 | CHF 3,507.5 | CHF (23.5) | CHF 22.3 | CHF 3,506.3 |
| Net earnings | 302.5 | — | 5.5 | 308.0 |
| Other comprehensive earnings (loss), net of taxes (note 11) | — | 12.3 | (1.3) | 11.0 |
| Distributions to parent, net (note 1) | (244.5) | — | — | (244.5) |
| Distributions to noncontrolling interest owners | — | — | (6.4) | (6.4) |
| Other, net | (1.7) | — | 0.5 | (1.2) |
| Balance at December 31, 2016 | CHF 3,563.8 | CHF (11.2) | CHF 20.6 | CHF 3,573.2 |

The accompanying notes are an integral part of these combined carve-out financial statements.

## UPC Switzerland

## COMBINED CARVE-OUT STATEMENTS OF CHANGES IN EQUITY—(Continued)

| | Net parent investment | Accumulated other comprehensive loss, net of taxes | Non-controlling interests | Total equity |
|---|---|---|---|---|
| | | in millions | | |
| Balance at January 1, 2017 | CHF 3,563.8 | CHF (11.2) | CHF 20.6 | CHF 3,573.2 |
| Net earnings | 227.2 | — | 5.2 | 232.4 |
| Other comprehensive earnings, net of taxes (note 11) | — | 6.8 | 0.9 | 7.7 |
| Distributions to parent, net (note 1) | (104.1) | — | — | (104.1) |
| Distributions to noncontrolling interest owners | — | — | (5.7) | (5.7) |
| Other, net | (0.8) | — | — | (0.8) |
| Balance at December 31, 2017 | CHF 3,686.1 | CHF (4.4) | CHF 21.0 | CHF 3,702.7 |

The accompanying notes are an integral part of these combined carve-out financial statements.

## UPC Switzerland

## COMBINED CARVE-OUT STATEMENTS OF CHANGES IN EQUITY—(Continued)

| | Net parent investment | Accumulated other comprehensive loss, net of taxes | Non-controlling interests | Total equity |
|---|---|---|---|---|
| | | in millions | | |
| Balance at January 1, 2018, before effect of accounting change | CHF 3,686.1 | CHF (4.4) | CHF 21.0 | CHF 3,702.7 |
| Accounting change (note 2) | 8.8 | — | — | 8.8 |
| Balance at January 1, 2018, as adjusted for accounting change | 3,694.9 | (4.4) | 21.0 | 3,711.5 |
| Net earnings | 317.1 | — | 4.3 | 321.4 |
| Other comprehensive loss, net of taxes (note 11) | — | (16.5) | (0.1) | (16.6) |
| Distributions to parent, net (note 1) | (274.3) | — | — | (274.3) |
| Distributions to noncontrolling interest owners | — | — | (5.5) | (5.5) |
| Other, net | 3.8 | — | — | 3.8 |
| Balance at December 31, 2018 | CHF 3,741.5 | CHF (20.9) | CHF 19.7 | CHF 3,740.3 |

The accompanying notes are an integral part of these combined carve-out financial statements.

## UPC Switzerland

## COMBINED CARVE-OUT STATEMENTS OF CASH FLOWS

| | Year ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | | in millions | |
| Cash flows from operating activities: | | | |
| Net earnings | CHF 321.4 | CHF 232.4 | CHF 308.0 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | | |
| Share-based compensation expense | 12.6 | 8.5 | 8.3 |
| Related-party fees and allocations, net | 75.8 | 244.0 | 218.2 |
| Depreciation and amortization | 257.4 | 273.6 | 272.6 |
| Impairment, restructuring and other operating items, net | 2.4 | 5.1 | (0.3) |
| Foreign currency transaction losses (gains), net | (3.3) | 7.2 | (1.2) |
| Deferred income tax benefit | (17.3) | (2.3) | (7.1) |
| Current tax expense attributable to carve-out adjustments | 71.5 | 56.4 | 21.7 |
| Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions: | | | |
| Receivables and other operating assets | 43.2 | 39.8 | (34.9) |
| Payables and accruals | (75.8) | (186.9) | (41.7) |
| Net cash provided by operating activities | 687.9 | 677.8 | 743.6 |
| Cash flows from investing activities: | | | |
| Capital expenditures | (171.9) | (163.3) | (178.2) |
| Cash paid in connection with other asset acquisitions | (5.8) | (4.0) | (13.2) |
| Proceeds from sale of investments | 1.0 | 1.7 | 2.0 |
| Net cash used by investing activities | CHF (176.7) | CHF (165.6) | CHF (189.4) |

The accompanying notes are an integral part of these combined carve-out financial statements.

## UPC Switzerland

## COMBINED CARVE-OUT STATEMENTS OF CASH FLOWS—(Continued)

| | Year ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | | in millions | |
| Cash flows from financing activities: | | | |
| Repayments of debt and capital lease obligations | CHF (109.1) | CHF (105.4) | CHF (99.1) |
| Borrowings of debt | 53.7 | 36.5 | 35.2 |
| Distributions to parent, net | (450.9) | (437.7) | (482.0) |
| Distributions by subsidiaries to noncontrolling interest owners | (5.5) | (5.7) | (6.4) |
| Other financing activities | — | (0.3) | (0.8) |
| Net cash used by financing activities | (511.8) | (512.6) | (553.1) |
| Effect of exchange rate changes on cash and cash equivalents and restricted cash | 0.2 | (0.7) | (0.2) |
| Net increase (decrease) in cash and cash equivalents and restricted cash | (0.4) | (1.1) | 0.9 |
| Cash and cash equivalents and restricted cash: | | | |
| Beginning of year | 1.4 | 2.5 | 1.6 |
| End of year | CHF 1.0 | CHF 1.4 | CHF 2.5 |
| Cash paid for interest | CHF 3.9 | CHF 4.5 | CHF 4.5 |
| Net cash paid for taxes | CHF 15.9 | CHF 99.1 | CHF 78.6 |
| Details of end of period cash and cash equivalents and restricted cash: | | | |
| Cash and cash equivalents | CHF 0.4 | CHF 0.4 | CHF 1.5 |
| Restricted cash included in other assets, net | 0.6 | 1.0 | 1.0 |
| Total cash and cash equivalents and restricted cash | CHF 1.0 | CHF 1.4 | CHF 2.5 |

The accompanying notes are an integral part of these combined carve-out financial statements.

## (1) Basis of Preparation

The accompanying combined carve-out financial statements include the historical financial information of certain subsidiaries of Liberty Global plc (**Liberty Global**) (collectively, **UPC Switzerland**) that are to be sold to Sunrise Communications Group AG (**Sunrise**) pursuant to an agreement dated February 27, 2019 (the **Transaction**). UPC Switzerland provides residential and business-to-business (**B2B**) communications services throughout Switzerland. In these notes, the terms "we," "our," "our company" and "us" refer to UPC Switzerland. The entities and related direct and indirect ownership interests that are included within these UPC Switzerland combined carve-out financial statements are listed in the table below.

| Entities | Ownership interest |
|---|---|
| UPC Schweiz GmbH (**UPC Schweiz**)[a] | 100.0% |
| Sitel SA (**Sitel**) | 66.7% |
| Teledistal SA (**Teledistal**)[b] | 58.3% |
| Video 2000 SA | 60.0% |
| Telelavaux SA | 80.0% |

(a) Liberty Global holds a 100% direct ownership interest in UPC Schweiz. UPC Schweiz holds a direct ownership interest in the remaining entities included in these combined carve-out financial statements, with the exception of Teledistal.

(b) Teledistal is owned directly by Sitel and indirectly by UPC Schweiz through UPC Schweiz's ownership in Sitel. The percentage indicated reflects Sitel's ownership interest in Teledistal.

As these combined carve-out financial statements are intended to represent the financial position, results of operations and cash flows of UPC Switzerland's Swiss operations only, all non-Swiss entities currently or historically owned by UPC Schweiz have been excluded. Accordingly, these combined carve-out financial statements do not include any investments in, financing thereof, or interest and tax impacts related to these non-Swiss entities or the financial position, results of operations and cash flows of any non-Swiss entities currently or historically owned by UPC Schweiz. In addition, interest-bearing related-party loans payable and receivable between UPC Schweiz and its parent that have been or are expected to be settled prior to completion of the Transaction are included within net parent investment on our combined carve-out balance sheets and statements of changes in equity and any related interest income, interest expense and tax impacts of these adjustments have been excluded from these combined carve-out financial statements. All significant intercompany accounts and transactions between the businesses comprising UPC Switzerland have been eliminated in the accompanying combined carve-out financial statements. Costs incurred on behalf of the combined carve-out entities by other subsidiaries of Liberty Global have been allocated based on the methods described in note 9. Although we believe that the presentation described above is reasonable, the accompanying combined carve-out financial statements are not necessarily indicative of what UPC Switzerland's historical financial position, results of operations or cash flows would have been if UPC Switzerland had been operating as a separate standalone entity.

As these financial statements have been prepared on a combined carve-out basis, it is not meaningful to show share capital or provide an analysis of additional paid-in capital or retained earnings. Therefore, amounts that reflect the carrying value of investments of Liberty Global in the combined entities are disclosed as net parent investment and accumulated other comprehensive loss, while the carrying value of net assets attributable to shareholders other than Liberty Global are presented as non-controlling interests.

These combined carve-out financial statements have been prepared in accordance with accounting principles generally accepted in the United States (**U.S. GAAP**). Unless otherwise indicated, ownership percentages are calculated as of December 31, 2018.

These combined carve-out financial statements reflect our consideration of the accounting and disclosure implications of subsequent events through July 26, 2019, the date of issuance.

## (2) Accounting Changes

*ASU 2014-09*

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (**ASU 2014-09**), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of goods or services to customers. We adopted ASU 2014-09 effective January 1, 2018 by recording the cumulative effect of the adoption to our net parent investment. We applied the new standard to contracts that were not complete at January 1, 2018. The comparative information for the years ended December 31, 2017 and 2016 contained within these combined carve-out financial statements and notes has not been restated and continues to be reported under the accounting standards in effect for such periods. The implementation of ASU 2014-09 did not have a material impact on our combined carve-out financial statements.

The principal impacts of ASU 2014-09 on our revenue recognition policies relate to our accounting for (i) time-limited discounts and free service periods provided to our customers and (ii) certain upfront fees charged to our customers, as follows:

- When we enter into contracts to provide services to our customers, we often provide time-limited discounts or free service periods. Under previous accounting rules, we recognized revenue net of discounts during the promotional periods and did not recognize any revenue during free service periods. Under ASU 2014-09, revenue recognition for those contracts that contain substantive termination penalties is recognized uniformly over the contractual period. For contracts that do not have substantive termination penalties, we continue to record the impacts of partial or full discounts during the applicable promotional periods.

- When we enter into contracts to provide services to our customers, we often charge installation or other upfront fees. Under previous accounting rules, installation fees related to services provided over our cable networks were recognized as revenue during the period in which the installation occurred to the extent these fees were equal to or less than direct selling costs. Under ASU 2014-09, these fees are generally deferred and recognized as revenue over the contractual period or longer if the upfront fee results in a material renewal right.

ASU 2014-09 also impacted our accounting for certain upfront costs directly associated with obtaining customer contracts. Under our previous policy, these costs were expensed as incurred unless the costs were in the scope of another accounting topic that allowed for capitalization. Under ASU 2014-09, certain upfront costs associated with contracts that have substantive termination penalties and a term of one year or more are recognized as assets and amortized to operating costs and expenses over the applicable period benefited.

For additional information regarding the impact of our adoption of ASU 2014-09, see note 4.

The cumulative effect of the adoption of ASU 2014-09 on our summary balance sheet information as of January 1, 2018 is as follows:

| | Balance at December 31, 2017 | ASU 2014-09 Adjustments | Balance at January 1, 2018 |
|---|---|---|---|
| | | in millions | |
| Assets: | | | |
| Other current assets | CHF 9.5 | 6.4 | CHF 15.9 |
| Liabilities: | | | |
| Deferred revenue | CHF 288.9 | 1.9 | CHF 290.8 |
| Other long-term liabilities | CHF 7.3 | (4.3) | CHF 3.0 |
| Equity: | | | |
| Net parent investment | CHF 3,686.1 | 8.8 | CHF 3,694.9 |

The impact of our adoption of ASU 2014-09 on our combined carve-out balance sheet as of December 31, 2018 was not materially different from the impacts set forth in the above January 1, 2018 summary balance sheet information. Similarly, the adoption of ASU 2014-09 did not have a material impact on our combined carve-out statement of operations for the year ended December 31, 2018.

*ASU 2017-07*

In March 2017, the FASB issued ASU No. 2017-07, *Improving the Presentation of the Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* (**ASU 2017-07**), which changes the presentation of periodic benefit cost components. Under ASU 2017-07, we continue to present the service component of our net periodic pension cost as a component of operating income but present the other components of our net periodic pension cost, which can include credits, within non-operating income (expense) in our combined carve-out statements of operations. We adopted ASU 2017-07 on January 1, 2018 on a retrospective basis, which resulted in the reclassification of credits from SG&A expense to other non-operating income, net, of CHF 8.2 million and CHF 6.0 million for the years ended December 31, 2017 and 2016, respectively. For information regarding our defined benefit plans, see note 10.

*ASU 2016-18*

In November 2016, the FASB issued ASU No. 2016-18, *Restricted Cash* (**ASU 2016-18**), which requires the change in restricted cash to be included together with the change in cash and cash equivalents in our combined carve-out statement of cash flows. We adopted ASU 2016-18 on January 1, 2018 on a retrospective basis.

## (3) Summary of Significant Accounting Policies

***Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates and assumptions are used in accounting for, among other things, the valuation of acquisition-related assets and liabilities, allowances for uncollectible accounts, certain components of revenue, programming and copyright costs, deferred income taxes and related valuation allowances, loss contingencies, fair value measurements, impairment assessments, capitalization of internal costs associated with construction and installation activities, useful lives of long-lived assets, share-based compensation and actuarial liabilities associated with certain benefit plans. Actual results could differ from those estimates.

***Cash and Cash Equivalents and Restricted Cash***

Cash equivalents consist of money market funds and other investments that are readily convertible into cash and have maturities of three months or less at the time of acquisition. We record money market funds at the net asset value as there are no restrictions on our ability, contractual or otherwise, to redeem our investments at the stated net asset value.

Restricted cash consists of cash held in restricted accounts, including any cash held as collateral for debt and other compensating balances. Restricted cash amounts that are required to be used to purchase long-term assets or repay long-term debt are classified as long-term assets. All other cash that is restricted to a specific use is classified as current or long-term based on the expected timing of the disbursement.

Our significant non-cash investing activities are included within note 6.

***Cash Flow Statement***

For the purpose of our combined carve-out statements of cash flows, expenses financed by an intermediary are treated as hypothetical operating cash outflows and hypothetical financing cash inflows when the expenses are incurred. When we pay the financing intermediary, we record financing cash outflows in our combined carve-out statements of cash flows.

The capital expenditures that we report in our combined carve-out statements of cash flows do not include amounts that are financed under capital-related vendor financing or capital lease arrangements. Instead, these amounts are reflected as non-cash additions to our property and equipment when the underlying assets are delivered and as repayments of debt when the principal is repaid.

Certain charges from our parent company, including charges for share-based compensation expense and related-party fees and allocations, are initially reflected as an adjustment to reconcile net earnings to net cash provided by operating activities within our combined carve-out statements of cash flows. Any subsequent cash payments related to these charges are reflected as cash flows from financing activities within distributions to parent, net on our combined carve-out statements of cash flows in connection with a cash pooling arrangement UPC Switzerland has with Liberty Global whereby excess cash generated by UPC Switzerland is transferred to Liberty Global on a daily basis. For additional information on our related-party transactions, see note 9.

***Trade Receivables***

Our trade receivables are reported net of an allowance for doubtful accounts. Such allowance aggregated CHF 3.5 million, CHF 4.1 million and CHF 2.9 million at December 31, 2018, 2017 and 2016, respectively. The allowance for doubtful accounts is based upon our assessment of probable loss related to uncollectible accounts receivable. We use a number of factors in determining the allowance, including, among other things, collection trends, prevailing and anticipated economic conditions and specific customer credit risk. The allowance is maintained until either payment is received or the likelihood of collection is considered to be remote.

Concentration of credit risk with respect to trade receivables is limited due to the large number of residential and business customers. We also manage this risk by disconnecting services to customers whose accounts are delinquent.

***Financial Instruments***

Due to the short maturities of cash and cash equivalents, restricted cash, short-term liquid investments, trade and other receivables, other current assets, accounts payable, accrued liabilities and other accrued and current liabilities, their respective carrying values approximate their respective fair values. For information regarding how we arrive at certain of our fair value measurements, see note 5.

***Property and Equipment***

Property and equipment are stated at cost less accumulated depreciation. We capitalize costs associated with the construction of new cable and mobile transmission and distribution facilities and the installation of new cable services. Capitalized construction and installation costs include materials, labor and other directly attributable costs. Installation activities that are capitalized include (i) the initial connection (or drop) from our cable system to a customer location, (ii) the replacement of a drop and (iii) the installation of equipment for additional services, such as digital cable, telephone or broadband internet service. The costs of other customer-facing activities, such as reconnecting and disconnecting customer locations and repairing or maintaining drops, are expensed as incurred. Interest capitalized with respect to construction activities was not material during any of the periods presented.

Capitalized internal-use software is included as a component of property and equipment. We capitalize internal and external costs directly associated with the development of internal-use software. We also capitalize costs associated with the purchase of software licenses. Maintenance and training costs, as well as costs incurred during the preliminary stage of an internal-use software development project, are expensed as incurred.

Depreciation is computed using the straight-line method over the estimated useful life of the underlying asset. Equipment under capital leases is amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset. Useful lives used to depreciate our property and equipment are assessed periodically and are adjusted when warranted. The useful lives of cable and mobile distribution systems that are undergoing a rebuild are adjusted such that property and equipment to be retired will be fully depreciated by the time the rebuild is completed. For additional information regarding the useful lives of our property and equipment, see note 6.

Additions, replacements and improvements that extend the asset life are capitalized. Repairs and maintenance are charged to operating costs and expenses.

We recognize a liability for asset retirement obligations in the period in which it is incurred if sufficient information is available to make a reasonable estimate of fair values. Asset retirement obligations may arise from the loss of rights of way that we obtain from local municipalities or other relevant authorities, as well as our obligations under certain lease arrangements to restore the property to its original condition at the end of the lease term. Given the nature of our operations, most of our rights of way and certain leased premises are considered integral to our business. Accordingly, for most of our rights of way and certain lease agreements, the possibility is remote that we will incur significant removal costs in the foreseeable future and, as such, we do not have sufficient information to make a reasonable estimate of fair value for these asset retirement obligations.

As of December 31, 2018, 2017 and 2016, the recorded value of our asset retirement obligations was CHF 0.5 million, CHF 0.6 million and CHF 0.6 million, respectively.

***Intangible Assets***

Our primary intangible assets relate to goodwill and customer relationships. Customer relationships are initially recorded at their fair value in connection with business combinations. Goodwill represents the excess purchase price over the fair value of the identifiable net assets acquired in a business combination. Substantially all of the goodwill reflected on our December 31, 2018 combined carve-out balance sheet was established in connection with pushdown accounting related to the 2005 acquisition of our Swiss operations by Liberty Global. In addition, as a result of the pushdown accounting recorded in 2005, we recorded certain fair value adjustments to our property and equipment.

Goodwill is not amortized, but instead is tested for impairment at least annually. Intangible assets with finite lives are amortized on a straight-line basis over their respective estimated useful lives to their estimated residual values and reviewed for impairment.

For additional information regarding the useful lives of our intangible assets, see note 6.

***Impairment of Property and Equipment and Intangible Assets***

When circumstances warrant, we review the carrying amounts of our property and equipment and our intangible assets (other than goodwill) to determine whether such carrying amounts continue to be recoverable. Such changes in circumstance may include (i) an expectation of a sale or disposal of a long-lived asset or asset group, (ii) adverse changes in market or competitive conditions, (iii) an adverse change in legal factors or business climate in the markets in which we operate and (iv) operating or cash flow losses. For purposes of impairment testing, long-lived assets are grouped at the lowest level for which cash flows are largely independent of other assets and liabilities, generally at or below the reporting unit level (see below). If the carrying amount of the asset or asset group is greater than the expected undiscounted cash flows to be generated by such asset or asset group, an impairment adjustment is recognized. Such adjustment is measured by the amount that the carrying value of such asset or asset group exceeds its fair value. We generally measure fair value by considering (a) sale prices for similar assets, (b) discounted estimated future cash flows using an appropriate discount rate and/or (c) estimated replacement cost. Assets to be disposed of are recorded at the lower of their carrying amount or fair value less costs to sell.

We evaluate goodwill for impairment at least annually on October 1 and whenever facts and circumstances indicate that the carrying amount may not be recoverable. For impairment evaluations, we first make a qualitative assessment to determine if the goodwill may be impaired. If it is more-likely-than-not that a reporting unit's fair value is less than its carrying value, we then compare the fair value of the reporting unit to its respective carrying amount. Any excess of the carrying amount over the fair value would be charged to operations as an impairment loss. A reporting unit is an operating segment or one level below an operating segment (referred to as a "component").

***Income Taxes***

Income taxes are accounted for under the asset and liability method. We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts and income tax basis of assets and liabilities and the expected benefits of utilizing net operating loss and tax credit carryforwards, using enacted tax rates in effect for each taxing jurisdiction in which we operate for the year in which those temporary differences are expected to be recovered or settled. We recognize the financial statement effects of a tax position when it is more-likely-than-not, based on technical merits, that the position will be sustained upon examination. Net deferred tax assets are then reduced by a valuation allowance if we believe it is more-likely-than-not such net deferred tax assets will not be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date. Interest and penalties related to income tax liabilities are included in income tax benefit or expense in our combined carve-out statements of operations.

The income taxes of UPC Switzerland are presented in our combined carve-out statements of operations on a separate return basis for each tax paying entity. For additional information regarding our income taxes, see note 8.

***Foreign Currency Transactions***

Our functional currency is the Swiss franc. Transactions denominated in currencies other than the Swiss franc are recorded based on exchange rates at the time such transactions arise. Changes in exchange rates with respect to amounts recorded on our combined carve-out balance sheets related to these non-functional currency transactions result in transaction gains and losses that are reflected in our combined carve-out statements of operations as unrealized (based on the applicable period end exchange rates) or realized upon settlement of the transactions.

***Revenue Recognition***

Effective January 1, 2018, in connection with our adoption of ASU 2014-09, our current revenue recognition policies are described below.

*Service Revenue – Cable Networks.* We recognize revenue from the provision of video, broadband internet and fixed-line telephony services over our cable network to customers in the period the related services are provided, with the exception of revenue recognized pursuant to certain contracts that contain promotional discounts, as described below. Installation fees related to services provided over our cable network are generally deferred and recognized as revenue over the contractual period or longer if the upfront fee results in a material renewal right.

*Sale of Multiple Products and Services.* We sell video, broadband internet, fixed-line telephony and, in some of our markets, mobile services to our customers in bundled packages at a rate lower than if the customer purchased each product on a standalone basis. Revenue from bundled packages generally is allocated proportionally to the individual products or services based on the relative standalone selling price for each respective product or service.

*Mobile Revenue – General.* Consideration from mobile contracts is allocated to the airtime service component and the handset component based on the relative standalone selling prices of each component. In markets where we offer handsets and airtime services in separate contracts entered into at the same time, we account for these contracts as a single contract.

*Mobile Revenue – Airtime Services.* We recognize revenue from mobile services in the period in which the related services are provided. Revenue from pre-pay customers is deferred prior to the commencement of services and recognized as the services are rendered or usage rights expire.

*Mobile Revenue – Handset Revenue.* Revenue from the sale of handsets is recognized at the point in which the goods have been transferred to the customer.

*B2B Revenue.* We defer upfront installation and certain nonrecurring fees received on B2B contracts where we maintain ownership of the installed equipment. The deferred fees are amortized into revenue on a straight-line basis, generally over the longer of the term of the arrangement or the expected period of performance.

*Contract Costs.* Incremental costs to obtain a contract with a customer, such as incremental sales commissions, are generally recognized as assets and amortized to SG&A expenses over the applicable period benefited, which generally is the contract life. If, however, the amortization period is less than one year, we expense such costs in the period incurred.

*Promotional Discounts.* For subscriber promotions, such as discounted or free services during an introductory period, revenue is recognized uniformly over the contractual period if the contract has substantive termination penalties. If a contract does not have substantive termination penalties, revenue is recognized only to the extent of the discounted monthly fees charged to the subscriber, if any.

*Subscriber Advance Payments.* Payments received in advance for the services we provide are deferred and recognized as revenue when the associated services are provided.

*Sales, Use and Other Value-Added Taxes*. Revenue is recorded net of applicable sales, use and other value-added taxes.

Prior to January 1, 2018, our revenue recognition policies under the accounting standards previously in effect are described below.

*Service Revenue – Cable Networks.* We recognize revenue from the provision of video, broadband internet and fixed-line telephony services over our cable network to customers in the period the related services are provided. Installation revenue (including reconnect fees) related to services provided over our cable network is recognized as revenue in the period during which the installation occurs to the extent these fees are equal to or less than direct selling costs, which costs are expensed as incurred. To the extent installation revenue exceeds direct selling costs, the excess revenue is deferred and amortized over the average expected life of the subscriber relationship.

*Sale of Multiple Products and Services.* We sell video, broadband internet, fixed-line telephony and, in most of our markets, mobile services to our customers in bundled packages at a rate lower than if the customer purchased each product on a standalone basis. Revenue from bundled packages generally is allocated proportionally to the individual services based on the relative standalone price for each respective service.

*Mobile Revenue – General.* Consideration from mobile contracts is allocated to the airtime service element and the handset service element based on the relative standalone prices of each element. Mobile customers enter into two distinct contractual relationships: (i) a mobile handset contract and (ii) a mobile airtime services contract (a **Split-contract Program**). Under the mobile handset contract, the customer takes full title to the handset upon delivery. A portion of the handset cost is paid upfront and the remainder is paid in installments over a contractual period. Under these arrangements, the handset installment payments are not contingent upon delivering future airtime services and the consideration allocated to the handset is not limited to the upfront cash collected.

*Mobile Revenue – Airtime Services.* We recognize revenue from mobile services in the period the related services are provided. Revenue from pre-pay customers is recorded as deferred revenue prior to the commencement of services and revenue is recognized as the services are rendered or usage rights expire.

*Mobile Revenue – Handset Revenue.* Arrangement consideration allocated to handsets is recognized as revenue when the goods have been delivered and title has passed. For customers under a mobile handset installment contract that is independent of a mobile airtime services contract, revenue is recognized upon delivery only if collectibility is reasonably assured. Our assessment of collectibility is based principally on internal and external credit assessments as well as historical collection information for similar customers. To the extent that collectibility of installment payments from the customer is not reasonably assured upon delivery of the handset, handset revenue is recognized on a cash basis as customer payments are received. Imputed interest attributable to installment payments for delivered goods is included in revenue.

*B2B Revenue.* We defer upfront installation and certain nonrecurring fees received on B2B contracts where we maintain ownership of the installed equipment. The deferred fees are amortized into revenue on a straight-line basis over the term of the arrangement or the expected period of performance.

*Promotional Discounts.* For subscriber promotions, such as discounted or free services during an introductory period, revenue is recognized only to the extent of the discounted monthly fees charged to the subscriber, if any.

*Subscriber Advance Payments and Deposits.* Payments received in advance for the services we provide are deferred and recognized as revenue when the associated services are provided.

*Sales, Use and Other Value-Added Taxes*. Revenue is recorded net of applicable sales, use and other value-added taxes.

For additional information regarding our current revenue recognition and related costs and a disaggregation of revenue by major category, see note 4.

***Share-based Compensation***

We recognize all share-based payments from Liberty Global to employees of our combined carve-out entities, including grants of employee share-based incentive awards, based on their grant date fair values and estimates of forfeitures. We recognize the grant date fair value of outstanding awards as a charge to operations over the vesting period.

We use the straight-line method to recognize share-based compensation expense for Liberty Global's outstanding share awards to employees of our combined carve-out entities that do not contain a performance condition and the accelerated expense attribution method for our outstanding share awards that contain a performance condition and vest on a graded basis.

The grant date fair values for options, share appreciation rights (**SARs**) and performance-based share appreciation rights are estimated using the Black-Scholes option pricing model, and the grant date fair values for restricted share units and performance-based restricted share units are based upon the closing share price of Liberty Global ordinary shares on the date of grant. Our calculation of the expected life of options and SARs granted by Liberty Global to employees takes into consideration historical exercise trends. The expected volatility for options and SARs related to Liberty Global ordinary shares is generally based on a combination of (i) historical volatilities for a period equal to the expected average life of the awards and (ii) volatilities implied from publicly-traded options for Liberty Global ordinary shares.

***Litigation Costs***

Legal fees and related litigation costs are expensed as incurred.

## (4) Revenue Recognition and Related Costs

Substantially all of our revenue is recognized over time. A large portion of our revenue is derived from customers who are subject to month-to-month contracts. Revenue from customers who are subject to other contracts is generally recognized over the term of such contracts, which is typically 12 months for our residential service contracts, one to three years for our mobile service contracts and one to five years for our B2B service contracts.

***Contract Balances***

If we transfer goods or services to a customer but do not have an unconditional right to payment, we record a contract asset. Contract assets typically arise from the uniform recognition of introductory promotional discounts over the contract period and accrued revenue for handset sales. Our contract assets were CHF 2.9 million and CHF 1.3 million as of December 31, 2018 and January 1, 2018, respectively. Our contract asset balance at December 31, 2018 is included within other current assets on our combined carve-out balance sheet.

We record a contract liability when we receive payment prior to transferring goods or services to a customer. Such amounts are included as deferred revenue on our combined carve-out balance sheets. We primarily defer revenue for (i) installation and other upfront services and (ii) other services that are invoiced prior to when services are provided. Our deferred revenue balances were CHF 235.5 million and CHF 290.7 million as of December 31, 2018 and January 1, 2018, respectively. The decrease in deferred revenue during 2018 is primarily due to CHF 283.4 million of revenue recognized that was included in our deferred revenue balance at January 1, 2018, partially offset by advanced billings recorded in the period. The current and long-term portions of our deferred revenue balance at December 31, 2018 are included within deferred revenue and other long-term liabilities, respectively, on our combined carve-out balance sheet.

***Contract Costs***

Our aggregate assets associated with incremental costs to obtain our contracts were CHF 3.8 million and CHF 5.0 million at December 31, 2018 and January 1, 2018, respectively. Our asset balance related to contract costs at December 31, 2018 is included within other current assets on our combined carve-out balance sheet. We amortized CHF 9.4 million to operating costs and expenses during 2018 related to these assets.

***Revenue by Major Category***

Our revenue by major category is set forth below:

| | Year ended December 31, | | |
|---|---|---|---|
| | **2018** | **2017** | **2016** |
| | | **in millions** | |
| Residential revenue: | | | |
| Residential cable revenue[(a)]: | | | |
| Subscription revenue[(b)]: | | | |
| Video | CHF 515.5 | CHF 561.2 | CHF 588.0 |
| Broadband internet | 344.5 | 358.9 | 368.9 |
| Fixed-line telephony | 112.9 | 123.9 | 136.8 |
| Total subscription revenue | 972.9 | 1,044.0 | 1,093.7 |
| Non-subscription revenue | 82.9 | 97.5 | 77.8 |
| Total residential cable revenue | 1,055.8 | 1,141.5 | 1,171.5 |
| Residential mobile revenue[(c)]: | | | |
| Subscription revenue[(b)] | 50.8 | 36.1 | 23.2 |
| Non-subscription revenue | 16.5 | 15.8 | 17.4 |
| Total residential mobile revenue | 67.3 | 51.9 | 40.6 |
| Total residential revenue | 1,123.1 | 1,193.4 | 1,212.1 |
| B2B revenue[(d)]: | | | |
| Subscription revenue | 19.8 | 18.2 | 15.8 |
| Non-subscription revenue | 149.5 | 137.1 | 128.8 |
| Total B2B revenue | 169.3 | 155.3 | 144.6 |
| Other revenue | 3.7 | — | — |
| Total | CHF 1,296.1 | CHF 1,348.7 | CHF 1,356.7 |

(a) Residential cable subscription revenue includes amounts received from subscribers for ongoing services. Residential cable non-subscription revenue includes, among other items, channel carriage fees, late fees and revenue from the sale of equipment. As described in note 2, we adopted ASU 2014-09 on January 1, 2018 using the cumulative effect transition method. For periods subsequent to our adoption of ASU 2014-09, installation revenue is generally deferred and recognized over the contractual period as residential cable subscription revenue. For periods prior to the adoption of ASU 2014-09, installation revenue is included in residential cable non-subscription revenue.

(b) Residential subscription revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the standalone price for each individual service. As a result, changes in the standalone pricing of our cable and mobile products or the composition of bundles can contribute to changes in our product revenue categories from period to period.

(c) Residential mobile subscription revenue includes amounts received from subscribers for ongoing services. Residential mobile non-subscription revenue includes, among other items, interconnect revenue and revenue from sales of mobile handsets and other devices.

(d) B2B subscription revenue represents revenue from services to certain small or home office (**SOHO**) subscribers. SOHO subscribers pay a premium price to receive expanded service levels along with video, broadband internet, fixed-line telephony or mobile services that are the same or similar to the mass marketed products offered to our residential subscribers. B2B non-subscription revenue includes business broadband internet, video, fixed-line telephony, mobile and data services offered to medium to large enterprises and, on a wholesale basis, to other operators.

## (5) Fair Value Measurements

U.S. GAAP provides for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. We record transfers of assets or liabilities into or out of Levels 1, 2 or 3 at the beginning of the quarter during which the transfer occurred. During 2018, 2017 and 2016 no such transfers were made.

Fair value measurements are used in connection with nonrecurring valuations performed in connection with impairment assessments and acquisition accounting. The nonrecurring valuations associated with acquisition accounting primarily include the valuation of reporting units, customer relationship and other intangible assets and property and equipment. Unless a reporting unit has a readily determinable fair value, the valuation of reporting units is based at least in part on discounted cash flow analyses. With the exception of certain inputs for our weighted average cost of capital and discount rate calculations that are derived from pricing services, the inputs used in our discounted cash flow analyses, such as forecasts of future cash flows, are based on our assumptions. The valuation of customer relationships is primarily based on an excess earnings methodology, which is a form of a discounted cash flow analysis. The excess earnings methodology requires us to estimate the specific cash flows expected from the customer relationship, considering such factors as estimated customer life, the revenue expected to be generated over the life of the customer relationship, contributory asset charges and other factors. Tangible assets are typically valued using a replacement or reproduction cost approach, considering factors such as current prices of the same or similar equipment, the age of the equipment and economic obsolescence. All of our nonrecurring valuations use significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy. We did not perform significant nonrecurring fair value measurements during 2018 or 2017.

## (6) Long-lived Assets

### *Property and Equipment, Net*

The details of our property and equipment and the related accumulated depreciation are set forth below:

| | Estimated useful life at December 31, 2018 | December 31, | | |
|---|---|---|---|---|
| | | 2018 | 2017 | 2016 |
| | | | in millions | |
| Distribution systems | 3 to 30 years | CHF 2,647.6 | CHF 2,477.7 | CHF 2,319.1 |
| Customer premises equipment | 5 years | 265.0 | 296.5 | 326.9 |
| Support equipment, buildings and land | 3 to 33 years | 245.9 | 217.7 | 187.3 |
| Total property and equipment, gross | | 3,158.5 | 2,991.9 | 2,833.3 |
| Accumulated depreciation | | (1,948.0) | (1,776.6) | (1,595.9) |
| Total property and equipment, net | | CHF 1,210.5 | CHF 1,215.3 | CHF 1,237.4 |

Depreciation expense related to our property and equipment was CHF 250.8 million, CHF 267.1 million and CHF 268.0 million during 2018, 2017 and 2016, respectively.

At December 31, 2018, 2017 and 2016, the amount of property and equipment, net, recorded under capital leases was CHF 17.3 million, CHF 15.0 million and CHF 14.5 million, respectively. Most of these amounts relate to assets included in our distribution systems category. Depreciation of assets under capital leases is included in depreciation and amortization in our combined carve-out statements of operations.

During 2018, 2017 and 2016, we recorded non-cash increases to our property and equipment related to (i) certain vendor financing arrangements of CHF 66.0 million, CHF 63.8 million and CHF 62.9 million, respectively, which exclude related value-added taxes (**VAT**) of CHF 4.6 million, CHF 4.8 million and CHF 5.0 million, respectively, that were also financed by our vendors under these arrangements and (ii) assets acquired under capital leases of CHF 0.5 million, CHF 1.0 million and CHF 4.4 million, respectively.

### *Intangible Assets, Net*

The details of our intangible assets, which are included in other assets, net, on our combined carve-out balance sheets, are set forth below:

| | December 31, 2018 | December 31, 2017 | December 31, 2016 |
|---|---|---|---|
| | | in millions | |
| Customer relationships[(a)] | CHF 54.7 | CHF 50.9 | CHF 48.0 |
| Total intangible assets, gross | 54.7 | 50.9 | 48.0 |
| Accumulated amortization | (25.4) | (18.8) | (12.2) |
| Total intangible assets, net | CHF 29.3 | CHF 32.1 | CHF 35.8 |

(a) The estimated remaining useful life of our customer relationships at December 31, 2018 was 5 to 9 years.

Amortization expense related to intangible assets with finite useful lives was CHF 6.6 million, CHF 6.5 million and CHF 4.6 million during 2018, 2017 and 2016, respectively. Based on our amortizable intangible asset balance at December 31, 2018, we expect that amortization expense will be as follows for the next five years and thereafter. Such amortization expense amounts as of December 31, 2018 are presented below (in millions):

| | |
|---|---|
| 2019 | CHF 6.5 |
| 2020 | 6.3 |
| 2021 | 5.4 |
| 2022 | 3.2 |
| 2023 | 3.1 |
| Thereafter | 4.8 |
| Total | CHF 29.3 |

## (7) Debt and Capital Lease Obligations

### *Maturities of Debt and Capital Lease Obligations*

Maturities of our debt and capital lease obligations as of December 31, 2018 are presented below and represent Swiss franc equivalents based on December 31, 2018 exchange rates:

| | Third-party debt[(a)] | Capital lease obligations | Total |
|---|---|---|---|
| | | in millions | |
| Year ending December 31: | | | |
| 2019 | CHF 110.7 | CHF 2.7 | CHF 113.4 |
| 2020 | — | 3.0 | 3.0 |
| 2021 | — | 2.4 | 2.4 |
| 2022 | — | 2.3 | 2.3 |
| 2023 | — | 2.2 | 2.2 |
| Thereafter | — | 9.6 | 9.6 |
| Total maturities | 110.7 | 22.2 | 132.9 |
| Amounts representing interest | — | (5.7) | (5.7) |
| Total | CHF 110.7 | CHF 16.5 | CHF 127.2 |
| Current portion | CHF 110.7 | CHF 1.3 | CHF 112.0 |
| Noncurrent portion | CHF — | CHF 15.2 | CHF 15.2 |

(a) Represents amounts owed pursuant to interest-bearing vendor financing arrangements that are used to finance certain of our property and equipment additions and operating expenses. These obligations are generally due within one year and include VAT that was paid on our behalf by the vendor. At December 31, 2018, 2017 and 2016, the amounts owed pursuant to these arrangements include CHF 82.1 million, CHF 81.8 million and CHF 88.7 million, respectively, related to third-party capital-related vendor financing obligations for which we and another subsidiary of Liberty Global are co-obligors. As we have a legal obligation to the third-party vendor under these financing arrangements, we have included these obligations within third-party debt on our combined carve-out balance sheets.

## (8) Income Taxes

Each of our combined carve-out entities file separate income tax returns in accordance with applicable Swiss tax law. The income taxes of these entities are included in our combined carve-out financial statements on a separate return basis for each tax-paying entity as adjusted for the tax related impacts of the carve-out activity described in note 1.

All components of our earnings before income taxes are related to UPC Switzerland.

Income tax (expense) benefit consists of:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | | in millions | |
| Current tax expense | CHF (87.6) | CHF (58.3) | CHF (69.4) |
| Deferred tax benefit | 17.3 | 2.3 | 7.1 |
| Total | CHF (70.3) | CHF (56.0) | CHF (62.3) |

Income tax expense attributable to our earnings before income taxes differ from the amounts computed using the Swiss income tax rate of 19.6%, 19.6% and 19.9% for 2018, 2017 and 2016, respectively, as a result of the following factors:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | | in millions | |
| Computed "expected" tax expense | CHF (76.8) | CHF (56.5) | CHF (73.7) |
| Basis and other differences in the treatment of items associated with investments in our combined carve-out entities | 7.4 | 0.1 | 6.5 |
| Non-deductible or non-taxable interest and other expenses | (1.1) | (0.9) | (0.4) |
| Recognition of previously unrecognized tax benefits | 1.1 | — | 2.8 |
| Other, net | (0.9) | 1.3 | 2.5 |
| Total income tax expense | CHF (70.3) | CHF (56.0) | CHF (62.3) |

Our net deferred tax liabilities were CHF 18.4 million, CHF 37.2 million and CHF 36.7 million at December 31, 2018, 2017 and 2016, respectively. These amounts are included in other long-term liabilities on our combined carve-out balance sheets.

The tax effects of temporary differences that give rise to a significant portion of our deferred tax assets and deferred tax liabilities are presented below:

| | December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | | in millions | |
| Deferred tax assets: | | | |
| Debt | CHF 2.5 | CHF 2.7 | CHF 3.0 |
| Other future deductible amounts | 2.9 | 3.2 | 8.1 |
| Deferred tax assets | 5.4 | 5.9 | 11.1 |
| Deferred tax liabilities: | | | |
| Property and equipment, net | (14.8) | (18.3) | (23.6) |
| Intangible assets | (4.5) | (5.7) | (6.6) |
| Other future taxable amounts | (4.5) | (19.1) | (17.6) |
| Deferred tax liabilities | (23.8) | (43.1) | (47.8) |
| Net deferred tax liability | CHF (18.4) | CHF (37.2) | CHF (36.7) |

Our combined carve-out entities file separate income tax returns in all cantonal jurisdictions in Switzerland. In the normal course of business, our income tax filings are subject to review by these various taxing authorities. In connection with such reviews, disputes could arise with the taxing authorities over the interpretation or application of certain income tax rules related to our business in that tax jurisdiction. Such disputes may result in future tax and interest and penalty assessments by these taxing authorities. The ultimate resolution of tax contingencies will take place upon the earlier of (i) the settlement date with the applicable taxing authorities in either cash or agreement of income tax positions or (ii) the date when the tax authorities are statutorily prohibited from adjusting the company's tax computations.

Tax returns filed by our combined carve-out entities for years prior to 2013 are no longer subject to examination by tax authorities. Certain of our combined carve-out entities are currently involved in income tax examinations. Any adjustments that might arise from these examinations are not expected to have a material impact on our combined carve-out financial position or results of operations.

The changes in our unrecognized tax benefits are summarized below:

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| | | in millions | |
| Balance at January 1 | CHF 2.0 | CHF 1.8 | CHF 4.2 |
| Reductions for tax positions of prior years | (1.1) | — | (2.7) |
| Additions based on tax positions related to the current year | 0.3 | 0.2 | 0.3 |
| Balance at December 31 | CHF 1.2 | CHF 2.0 | CHF 1.8 |

No assurance can be given that any of these tax benefits will be recognized or realized.

As of December 31, 2018, 2017 and 2016, our unrecognized tax benefits included CHF 1.2 million, CHF 2.0 million and CHF 1.8 million, respectively, of tax benefits that would have a favorable impact on our effective income tax rate if ultimately recognized, after considering amounts that we would expect to be offset by valuation allowances and other factors.

No assurance can be given as to the nature or impact of any changes in our unrecognized tax positions during 2019.

## (9) Related-party Transactions

Our related-party transactions are as follows:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | | in millions | |
| Credits (charges) included in: | | | |
| Revenue | CHF 2.1 | CHF 1.8 | CHF 2.0 |
| Programming and other direct costs of services | (7.8) | (8.1) | (8.1) |
| Other operating | (4.7) | (1.6) | (1.7) |
| SG&A | (0.6) | 2.7 | 3.8 |
| Allocated share-based compensation expense | (12.6) | (8.5) | (8.3) |
| Fees and allocations, net: | | | |
| Operating and SG&A (exclusive of depreciation and share-based compensation) | (36.0) | (48.7) | (54.8) |
| Depreciation | (62.3) | (53.5) | (48.9) |
| Share-based compensation | (14.3) | (9.3) | (12.1) |
| Management fee | 36.8 | (132.5) | (102.4) |
| Total fees and allocations, net | (75.8) | (244.0) | (218.2) |
| Included in net earnings | CHF (99.4) | CHF (257.7) | CHF (230.5) |
| Property and equipment transfers, net | CHF 20.9 | CHF 34.6 | CHF 56.8 |

*General.* Certain Liberty Global subsidiaries charge fees and allocate costs and expenses to UPC Switzerland, and UPC Switzerland charges fees and allocates costs and expenses to certain Liberty Global subsidiaries. Depending on the nature of these related-party transactions, the amount of the charges or allocations may be based on (i) our estimated share of the underlying costs, (ii) our estimated share of the underlying costs plus a mark-up or (iii) commercially-negotiated rates. The components of related-party fees and allocations are based on (a) the amount and nature of costs incurred by the allocating Liberty Global subsidiaries during the period, (b) the allocation methodologies in effect during the period and (c) the size of the overall pool of entities that are charged fees and allocated costs, such that changes in any of these factors would likely result in changes to the amount of related-party fees and allocations in future periods. For example, to the extent that a Liberty Global subsidiary borrowing group was to acquire (sell) an operating entity, and assuming no change in the total costs incurred by the allocating entities, the fees charged and the costs allocated to our company would decrease (increase). Although we believe that the related-party charges and allocations described below are reasonable, the related-party costs and expenses reflected in our combined carve-out statements of operations are not necessarily indicative of the costs that we would have incurred had we operated as an independent, stand-alone entity for all the periods presented.

*Revenue.* Amounts primarily relate to certain programming, broadcasting and mobile services provided to certain affiliates outside of UPC Switzerland.

*Programming and other direct costs of services.* Amounts represent certain charges from other Liberty Global subsidiaries and affiliates to UPC Switzerland for certain broadcasting, broadband and interconnect services provided to our company.

*Other operating expenses.* Amounts represent certain charges between Liberty Global subsidiaries and UPC Switzerland, primarily for call center costs and other customer related services.

*SG&A expenses*. Amounts represent certain charges between Liberty Global subsidiaries and UPC Switzerland, primarily for certain support and management functions.

*Allocated share-based compensation expense*. Amounts are allocated to our company by Liberty Global subsidiaries and represent share-based compensation expense associated with the Liberty Global share-based incentive awards held by certain employees of our combined carve-out entities. Share-based compensation expense is included in SG&A expenses in our combined carve-out statements of operations.

*Fees and allocations, net.* These amounts, which are allocated using Liberty Global's transfer-pricing methodology and are based on our company's estimated share of the applicable costs (including personnel-related and other costs associated with the services provided) incurred by Liberty Global subsidiaries, represent the aggregate net effect of charges between our company and various Liberty Global subsidiaries that are outside of our company. These charges generally relate to management, finance, legal, technology and other services that support our company's operations. The categories of our fees and allocations, net, are as follows:

- *Operating and SG&A (exclusive of depreciation and share-based compensation).* The amounts included in this category represent our estimated share of certain centralized technology, management, marketing, finance and other operating and SG&A expenses of Liberty Global subsidiaries, whose activities benefit multiple operations, including operations within and outside of our company. The amounts allocated represent our estimated share of the actual costs incurred by Liberty Global subsidiaries, without a mark-up.

- *Depreciation.* The amounts included in this category represent our estimated share of depreciation of assets not owned by our company. The amounts allocated represent our estimated share of the actual costs incurred by Liberty Global subsidiaries, without a mark-up.

- *Share-based compensation.* The amounts included in this category represent our estimated share of share-based compensation associated with Liberty Global employees who are not employees of our company. The amounts allocated represent our estimated share of the actual costs incurred by Liberty Global subsidiaries, without a mark-up.

- *Management fee.* The amounts included in this category represent our estimated allocable share of (i) operating and SG&A expenses related to stewardship services provided by certain Liberty Global subsidiaries and (ii) the mark-up, if any, applicable to each category of the related-party fees and allocations charged to our company.

Liberty Global charges technology-based fees to our company using a royalty-based method. The technology fee charged to our company during 2018 includes a CHF 97.3 million net credit that arose from the acceptance of a Bilateral Advance Pricing Arrangement (**BAPA**) with the Swiss authorities by a subsidiary of Liberty Global, which is reflected as a reduction to the management fee category of fees and allocations. The BAPA resulted in additional credits related to prior year technology fees charged to our company, including CHF 48.8 million and CHF 49.7 million related to the years ended December 31, 2017 and 2016, respectively, and accordingly resulted in the issuance of a net credit note from a subsidiary of Liberty Global to our company.

*Property and equipment transfers, net*. These amounts represent the net carrying values related to (i) customer premises equipment acquired from other Liberty Global subsidiaries, which centrally procure equipment on behalf of our company and various other Liberty Global subsidiaries, and (ii) used customer premises and network-related equipment acquired from or transferred to other Liberty Global subsidiaries.

*Related-party balances.* Amounts included within related-party receivables and payables on our combined carve-out balance sheets are generally settled in the month following the end of each applicable quarter. Balances associated with charges from Liberty Global for the above described fees and allocations are settled through the cash pooling arrangement as described in note 3.

## (10) Defined Benefit Plans

We maintain various defined benefit plans for our employees. Annual service cost for these employee benefit plans is determined using the projected unit credit actuarial method. In addition, certain investment policies have been established for plan assets and include investment strategies that are long-term in nature and designed to meet the following objectives:

- Ensure that funds are available to pay benefits as they become due;
- Maximize the total returns on plan assets subject to prudent risk taking; and
- Preserve or improve the funded status of the trusts over time.

We review the asset allocation within our respective portfolios on a regular basis. Generally, the portfolios will be rebalanced to a target allocation when an individual asset class approaches its minimum or maximum targeted level. Allocations to real estate occur over multiple time periods. Assets targeted to real estate, but not yet allocated, are invested in fixed income securities with corresponding adjustments to fixed income rebalancing guidelines.

The following is a summary of the funded status of our defined benefit plans:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | | in millions | |
| Projected benefit obligation at beginning of period | CHF 338.8 | CHF 320.5 | CHF 317.9 |
| Service cost | 12.1 | 12.1 | 13.9 |
| Interest cost | 2.0 | 2.0 | 1.9 |
| Actuarial loss (gain) | (9.3) | 3.7 | (0.6) |
| Participants' contributions | 10.7 | 10.4 | 8.8 |
| Benefits paid | (4.4) | (9.9) | (9.2) |
| Plan amendments | — | — | (13.9) |
| Other | (3.7) | — | 1.7 |
| Projected benefit obligation at end of period | CHF 346.2 | CHF 338.8 | CHF 320.5 |
| Accumulated benefit obligation at end of period | CHF 327.7 | CHF 322.5 | CHF 303.8 |
| Fair value of plan assets at beginning of period | CHF 331.7 | CHF 294.1 | CHF 273.0 |
| Actual earnings (loss) of plan assets | (18.5) | 23.4 | 7.0 |
| Employer contributions | 14.1 | 13.7 | 13.3 |
| Participants' contributions | 10.7 | 10.4 | 8.8 |
| Benefits paid | (4.4) | (9.9) | (9.2) |
| Other | (2.7) | — | 1.1 |
| Fair value of plan assets at end of period | CHF 330.9 | CHF 331.7 | CHF 294.0 |
| Net liability[(a)] | CHF 15.3 | CHF 7.1 | CHF 26.5 |

(a) The net liability related to our defined benefit plans is included in other long-term liabilities on our combined carve-out balance sheets.

The change in the amount of net actuarial gain (loss) and net prior service credit (cost) not yet recognized as a component of net periodic pension costs in our combined carve-out statements of operations is as follows:

| | Pre-tax amount | | | |
|---|---|---|---|---|
| | Net actuarial gain (loss) | Net prior service credit (cost) | Tax benefit (expense) | Net-of-tax amount |
| | | in millions | | |
| Balance of net actuarial loss at January 1, 2016 | CHF (36.8) | CHF 3.5 | CHF 8.1 | CHF (25.2) |
| Activity during the period | 0.6 | 13.9 | (3.0) | 11.5 |
| Amount recognized as a component of net earnings | 0.8 | (1.6) | 0.2 | (0.6) |
| Balance of net actuarial loss at December 31, 2016 | (35.4) | 15.8 | 5.3 | (14.3) |
| Activity during the period | 12.5 | — | (2.6) | 9.9 |
| Amount recognized as a component of net earnings | 0.5 | (3.5) | 0.6 | (2.4) |
| Balance of net actuarial loss at December 31, 2017 | (22.4) | 12.3 | 3.3 | (6.8) |
| Activity during the period | (17.3) | — | 3.4 | (13.9) |
| Amount recognized as a component of net earnings | — | (3.5) | 0.7 | (2.8) |
| Balance of net actuarial loss at December 31, 2018 | CHF (39.7) | CHF 8.8 | CHF 7.4 | CHF (23.5) |

We expect that the amount of net actuarial gain or loss to be recognized in our 2019 combined carve-out statement of operations will not be significant.

The measurement dates used to determine our defined benefit plan assumptions were December 31, 2018, 2017 and 2016. The actuarial assumptions used to compute the net periodic pension cost are based on information available as of the beginning of the period, specifically market interest rates, past experience and management's best estimate of future economic conditions. Changes in these assumptions may impact future benefit costs and obligations. In computing future costs and obligations, we must make assumptions about such items as employee mortality and turnover, expected salary and wage increases, discount rate, expected long-term rate of return on plan assets and expected future cost increases.

The expected rates of return on the assets of the funded plans are the long-term rates of return we expect to earn on our trust assets. The rates of return are determined by the investment composition of the plan assets and the long-term risk and return forecast for each asset category. The forecasts for each asset class are generated using historical information as well as an analysis of current and expected market conditions. The expected risk and return characteristics for each asset class are reviewed annually and revised, as necessary, to reflect changes in the financial markets. To compute the expected return on plan assets, we apply an expected rate of return to the fair value of the plan assets.

The weighted average assumptions used in determining benefit obligations and net periodic pension cost are as follows:

| | December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Expected rate of salary increase | 1.0% | 0.8% | 0.8% |
| Discount rate | 0.8% | 0.6% | 0.7% |
| Expected rate of return on plan assets | 2.5% | 2.5% | 2.6% |

The components of net periodic pension cost recorded in our combined carve-out statements of operations are as follows:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | | in millions | |
| Service cost | CHF 12.1 | CHF 12.1 | CHF 13.9 |
| Interest cost | 2.0 | 2.0 | 1.9 |
| Expected return on plan assets | (8.1) | (7.2) | (7.0) |
| Other | (3.5) | (2.9) | (0.8) |
| Net periodic pension cost[(a)] | CHF 2.5 | CHF 4.0 | CHF 8.0 |

(a) The 2018 amount excludes aggregate curtailment gains of CHF 1.1 million, which are included in impairment, restructuring and other operating items, net in our combined carve-out statement of operations.

The asset allocation by asset category of our plan assets, all of which fall under Level 1 of the fair value hierarchy, is presented below. For additional information regarding fair value measurements, see note 5.

| | December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | | in millions | |
| Equity securities | CHF 102.1 | CHF 122.2 | CHF 108.1 |
| Mutual funds | 133.0 | 120.2 | 120.2 |
| Real estate securities | 62.2 | 49.2 | 45.5 |
| Other | 33.6 | 40.1 | 20.2 |
| Total | CHF 330.9 | CHF 331.7 | CHF 294.0 |

The trustees of the defined benefit pension plans have in place weighted average target asset allocations of 30% equity securities, 40% mutual funds, 20% real estate securities and 10% to all other types of investments at December 31, 2018. As markets move relative to each other, the asset allocation may move away from the target investment strategy. Rebalancing of the assets may be carried out from time to time by the trustees.

Based on December 31, 2018 exchange rates and information available as of that date, we expect contributions to our defined benefit plans to be CHF 13.8 million in 2019.

As of December 31, 2018, the benefits that we currently expect to pay during the next ten years with respect to our defined benefit plans are as follows (in millions):

| | |
|---|---|
| 2019 | CHF 21.2 |
| 2020 | 21.3 |
| 2021 | 20.7 |
| 2022 | 19.8 |
| 2023 | 19.7 |
| Thereafter | 91.3 |
| Total | CHF 194.0 |

## (11) Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss on our combined carve-out balance sheets and statements of changes in equity reflect the aggregate impact of pension-related adjustments. The changes in accumulated other comprehensive loss, net of taxes, are summarized below.

| | Accumulated other comprehensive loss[(a)] | Non-controlling interests | Total accumulated other comprehensive loss |
|---|---|---|---|
| | | in millions | |
| Balance at January 1, 2016 | CHF (23.5) | CHF (1.6) | CHF (25.1) |
| Other comprehensive earnings (loss) | 12.3 | (1.3) | 11.0 |
| Balance at December 31, 2016 | (11.2) | (2.9) | (14.1) |
| Other comprehensive earnings | 6.8 | 0.9 | 7.7 |
| Balance at December 31, 2017 | (4.4) | (2.0) | (6.4) |
| Other comprehensive loss | (16.5) | (0.1) | (16.6) |
| Balance at December 31, 2018 | CHF (20.9) | CHF (2.1) | CHF (23.0) |

(a) Other comprehensive earnings (loss) for the years ended December 31, 2018, 2017 and 2016 includes pension related adjustments that are net of income tax benefit (expense) of CHF 4.2 million, (CHF 1.8 million) and (CHF 2.8 million), respectively.

## (12) Commitments and Contingencies

### *Commitments*

In the normal course of business, we have entered into agreements that commit our company to make cash payments in future periods with respect to purchases of customer premises and other equipment and services, programming contracts, non-cancellable operating leases, network and connectivity commitments and other items. These commitments are set forth below and do not reflect any liabilities that are included on our December 31, 2018 combined carve-out balance sheet.

| | Payments due during: | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 | Thereafter | Total |
| | | | | in millions | | | |
| Programming commitments | CHF 50.7 | CHF 59.4 | CHF 46.8 | CHF 20.3 | CHF — | CHF — | CHF 177.2 |
| Operating leases | 17.8 | 15.3 | 14.3 | 13.7 | 11.8 | 55.9 | 128.8 |
| Network and connectivity commitments | 14.6 | 6.1 | 3.4 | 2.5 | 2.1 | 15.4 | 44.1 |
| Purchase commitments | 15.6 | 2.3 | 1.2 | — | — | — | 19.1 |
| Total | CHF 98.7 | CHF 83.1 | CHF 65.7 | CHF 36.5 | CHF 13.9 | CHF 71.3 | CHF 369.2 |

Programming commitments consist of obligations associated with certain of our programming and sports rights contracts that are enforceable and legally binding on us as we have agreed to pay minimum fees without regard to (i) the actual number of subscribers to the programming services, (ii) whether we terminate service to a portion of our subscribers or dispose of a portion of our distribution systems or (iii) whether we discontinue our premium sports services. Programming commitments do not include increases in future periods associated with contractual inflation or other price adjustments that are not fixed. Accordingly, the amounts reflected in the above table with respect to these contracts are significantly less than the amounts we expect to pay in these periods under these contracts. Historically, payments to programming vendors have represented a significant portion of our operating costs, and we expect that this will continue to be the case in future periods. In this regard, our total programming and copyright costs aggregated CHF 64.0 million, CHF 95.4 million and CHF 70.8 million during 2018, 2017 and 2016, respectively.

Network and connectivity commitments include commitments associated with (i) network maintenance commitments and (ii) fiber leasing agreements.

Purchase commitments include unconditional and legally binding obligations related to (i) the purchase of customer premises and other equipment and (ii) certain service-related commitments, including information technology and maintenance services.

In addition to the commitments set forth in the table above, we have significant commitments under defined benefit plans and similar agreements, pursuant to which we expect to make payments in future periods. For information regarding our defined benefit plans, see note 10.

We also have commitments pursuant to agreements with, and obligations imposed by, franchise authorities and municipalities, which may include obligations in certain markets to move aerial cable to underground ducts or to upgrade, rebuild or extend portions of our broadband communication systems. Such amounts are not included in the above table because they are not fixed or determinable.

Rental expense under non-cancellable operating lease arrangements amounted to CHF 41.6 million, CHF 40.4 million and CHF 37.6 million during 2018, 2017 and 2016, respectively. It is expected that in the normal course of business, operating leases that expire generally will be renewed or replaced by similar leases.

***Guarantees and Other Credit Enhancements***

In the ordinary course of business, we may provide (i) indemnifications to our lenders, our vendors and certain other parties and (ii) performance and/or financial guarantees to local municipalities, our customers and vendors. Historically, these arrangements have not resulted in our company making any material payments and we do not believe that they will result in material payments in the future.

*Other Regulatory Issues.* Video distribution, broadband internet, fixed-line telephony, mobile and content businesses are regulated in Switzerland. Adverse regulatory developments could subject our businesses to a number of risks. Regulation, including conditions imposed on us by competition or other authorities as a requirement to close acquisitions or dispositions, could limit growth, revenue and the number and types of services offered and could lead to increased operating costs and property and equipment additions. In addition, regulation may restrict our operations and subject them to further competitive pressure, including pricing restrictions, interconnect and other access obligations, and restrictions or controls on content, including content provided by third parties. Failure to comply with current or future regulation could expose our businesses to various penalties.

In addition to the foregoing items, we have contingent liabilities related to matters arising in the ordinary course of business including (i) legal proceedings, (ii) issues involving VAT and wage, property, withholding and other tax issues and (iii) disputes over interconnection, programming, copyright and channel carriage fees. While we generally expect that the amounts required to satisfy these contingencies will not materially differ from any estimated amounts we have accrued, no assurance can be given that the resolution of one or more of these contingencies will not result in a material impact on our results of operations, cash flows or financial position in any given period. Due, in general, to the complexity of the issues involved and, in certain cases, the lack of a clear basis for predicting outcomes, we cannot provide a meaningful range of potential losses or cash outflows that might result from any unfavorable outcomes.

# Unaudited Pro Forma Combined Financial Information

## 1.1 Unaudited Pro Forma Combined Financial Information

## 1.2 Basis of Preparation of the Unaudited Pro Forma Combined Financial Information

The following Unaudited Pro Forma Combined Financial Information was prepared solely for the purpose of this Offering Memorandum and in line with the requirements of the SIX Swiss Exchange "Directive on the Presentation of a Complex Financial History in the Listing Prospectus".

The Unaudited Pro Forma Combined Financial Information was prepared on the basis of a number of assumptions as outlined in the Notes to the Unaudited Pro Forma Combined Financial Information. The Unaudited Pro Forma Combined Financial Information does not reflect the operating results or financial position which Sunrise would have had if Sunrise had actually acquired 100% of UPC Group.

The Unaudited Pro Forma Combined Financial Information has been prepared in thousands of Swiss Francs ("CHF") and reflects the acquisition of UPC Group under the acquisition method in accordance with IFRS 3 Business Combinations. For accounting purposes, Sunrise is deemed the acquirer. The Unaudited Pro Forma Combined Financial Information consists of the following information:

- a Pro Forma Statement of Income for the six-month period ended June 30, 2019;
- a Pro Forma Statement of Income for the year ended December 31, 2018;
- a Pro Forma Statement of Financial Position as at June 30, 2019;
- a Pro Forma Statement of Financial Position as at December 31, 2018; and
- explanatory notes.

Due to rounding, numbers presented throughout this Unaudited Pro Forma Combined Financial Information may not add up precisely to the totals provided.

The Unaudited Pro Forma Combined Financial Information has been compiled and should be read in conjunction with the respective following documents:

- the unaudited condensed consolidated interim financial statements as at and for the six-month period ended June 30, 2019, of Sunrise Communications Group AG and its subsidiaries prepared in compliance with IAS 34 Interim Financial Reporting as issued by the IASB;
- the audited consolidated financial statements as at and for the year ended December 31, 2018, of Sunrise Communications Group AG and its subsidiaries prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB);
- the unaudited condensed combined carve-out interim financial statements as at and for the six-month period ended June 30, 2019, of UPC Switzerland prepared in conformity with U.S. Generally Accepted Accounting Principles (US GAAP); and
- the audited combined carve-out financial statements as at and for the year ended December 31, 2018, of UPC Switzerland prepared in accordance with US GAAP;
- "Important Information about the Offering", "Presentation of Financial and other Information", "Risk Factors", "Acquisition", "Management's Discussion and Analysis of Financial Condition and Results of Operations of Sunrise", "Management's Discussion and Analysis of Financial Condition and Results of Operations of UPC Switzerland" and all of the historical financial statements and the notes thereto included elsewhere in this Offering Memorandum.

The pro forma adjustments are based upon available information and certain preliminary estimates and assumptions which Sunrise management believes to be reasonable.

The Unaudited Pro Forma Combined Financial Information is for illustrative purposes only. It should not be taken as indicative for future consolidated results of operations or financial position of the Combined Group. The actual results may differ significantly from those reflected in the Unaudited Pro Forma Combined Financial Information for a number of reasons, including but not limited to, differences between the assumptions and estimates used to prepare the Unaudited Pro Forma Combined Financial Information and actual amounts.

All of the Unaudited Pro Forma Combined Financial Information has been prepared assuming the acquisition of UPC Group and related financing had been completed on January 1, 2018. The acquisition method of accounting requires the purchase consideration to be allocated to the underlying acquired tangible, intangible assets and liabilities based on their respective fair values at the acquisition date. The excess of the consideration transferred over the preliminary fair value of the acquired UPC Group identifiable net assets is recorded as goodwill on a preliminary basis. Definitive valuations will be performed and the purchase accounting will be finalized based upon valuations and other studies that will be performed with the services of outside valuation specialists after the effective date of the Acquisition. Accordingly, the purchase accounting pro forma adjustments are preliminary and have been made solely for the purpose of preparing the Unaudited Pro Forma Combined Financial Information. As such, these adjustments are hypothetical and are subject to revision based on the final determination of the fair value of the assets acquired and liabilities assumed on the date of the Acquisition.

Only pro forma adjustments that are factually supportable and can be reliably estimated at the date the Unaudited Pro Forma Combined Financial Information is prepared have been taken into account. For instance, the Unaudited Pro Forma Combined Financial Information does not reflect any restructuring, integration expenses, or non-forecastable expenses that may be incurred in connection with the Acquisition.

The Unaudited Pro Forma Combined Financial Information also does not reflect any cost savings potentially realizable from synergies that may be achieved from the Acquisition. Additionally, the Unaudited Pro Forma Combined Financial Information does not reflect any change in tax effect or saving that would result from the integration of UPC Group into the new tax consolidation structure of the Combined Group.

Certain reclassifications, detailed in Note 1, have been made by Sunrise management to reclassify UPC Switzerland's unaudited and audited statements of income for the six-month period ended June 30, 2019 and the year ended December 31, 2018 and to the statements of financial position as at June 30, 2019 and December 31, 2018 in order to align the presentation of the UPC Switzerland's historical financial statements to the proposed presentation of the Combined Group.

Subsequent to the effective date of the Acquisition, any transactions occurring between UPC Group and Sunrise will be considered as intercompany transactions and be eliminated. Balances and transactions between UPC Group and Sunrise as at and for the periods presented are not significant and therefore no eliminations have been made in this Unaudited Pro Forma Combined Financial Information.

Due to Sunrise's limited access to information relating to the components of UPC Switzerland's non-controlling interests, the Unaudited Pro Forma Combined Financial Information does not reflect any adjustments related to the UPC Switzerland's non-controlling interests.

## 1.3 Unaudited Pro Forma Statement of Income for the six-month period ended June 30, 2019

| (CHFk) | Sunrise historical information under pro forma presentation | UPC Switzerland historical information under pro forma presentation (Note 1a) | UPC Switzerland historical information US GAAP to IFRS conversion adjustments (Note 1) | Notes | Transaction related pro forma adjustments (Table A) | Pro Forma Combined Group |
|---|---|---|---|---|---|---|
| **Revenue** | **901'397** | **630'800** | **-** | | **-** | **1'532'197** |
| Transmission costs, programming costs and costs of goods sold ** | (284'796) | (128'000) | 3'320 | (d) | - | (409'476) |
| Other operating expenses | (207'648) | (191'300) | 7'847 | (d) | 9'769 | (381'332) |
| Wages, salaries and pension costs | (109'013) | (73'500) | - | | - | (182'513) |
| Other income | 32'735 | - | - | | - | 32'735 |
| Other expenses | (1'301) | (8'800) | - | | - | (10'101) |
| **Income before depreciation and amortization, net financial items and income taxes** | **331'374** | **229'200** | **11'167** | | **9'769** | **581'510** |
| Amortization | (131'696) | (3'400) | - | | (67'025) | (202'121) |
| Depreciation and impairment losses | (101'106) | (126'000) | (9'948) | (d) | - | (237'054) |
| **Operating income** | **98'572** | **99'800** | **1'219** | | **(57'256)** | **142'335** |
| Foreign currency gains, net | 1'103 | 1'000 | - | | - | 2'103 |
| Financial income | 53 | 3'100 | - | | - | 3'153 |
| Financial expenses | (25'311) | (1'900) | (5'469) | (a) (d) | (55'856) | (88'536) |
| **Net financial items** | **(24'155)** | **2'200** | **(5'469)** | | **(55'856)** | **(83'280)** |
| Share of (loss) profit of associates * | - | 1'400 | (465) | (b) | - | 935 |
| **Income before income taxes** | **74'417** | **103'400** | **(4'715)** | | **(113'112)** | **59'990** |
| Income taxes | (13'541) | (20'600) | 945 | (c) | 22'679 | (10'517) |
| **Net income** | **60'876** | **82'800** | **(3'770)** | | **(90'433)** | **49'473** |
| **Net income attributable to equity holders of the parent company** | **60'876** | **80'800** | | | | **47'473** |
| **Net income attributable to non-controlling interests *** | **-** | **2'000** | | | | **2'000** |
| Basic earnings per share (in CHF) | 1.35 | | | | | 0.57 |
| Diluted earnings per share (in CHF) | 1.35 | | | | | 0.57 |

Notes

* Additional financial statement lines items have been added to conform with the preliminary presentation of the Combined Group.

** In the Statement of Income, "Transmission costs and costs of goods sold" as historically reported by Sunrise has been renamed to "Transmission costs, programming costs and costs of goods sold" to conform with the preliminary presentation of the Combined Group.

(a) In the Statement of Income, "Financial expenses" has been adjusted to account for Employee benefit obligations in accordance with IAS 19 to conform with the preliminary presentation of the Combined Group.

(b) In the Statement of Income, "Share of (loss) profit of associates" has been adjusted for equity method of accounting for investments in associates in accordance with IFRS to conform with the preliminary presentation of the Combined Group.

(c) In the Statement of Income, "Income taxes" has been adjusted to capture the tax impacts of adopting IFRS to conform with the preliminary presentation of the Combined Group.

(d) In the Statement of Income, "Transmission costs, programming costs and costs of goods sold", "Other operating expenses", "Depreciation and impairment losses" and "Financial expenses" have been adjusted to capture the impacts of adopting IFRS 16 to conform with the preliminary presentation of the Combined Group.

## 1.4 Unaudited Pro Forma Statement of Income for the year ended December 31, 2018

| (CHFk) | Sunrise historical information under pro forma presentation | UPC Switzerland historical information under pro forma presentation (Note 1a) | UPC Switzerland historical information US GAAP to IFRS conversion adjustments (Note 1) | Notes | Transaction related pro forma adjustments (Table A) | Pro Forma Combined Group |
|---|---|---|---|---|---|---|
| **Revenue** | **1’876’464** | **1’296’100** | - | | - | **3’172’564** |
| Transmission costs, programming costs and costs of goods sold ** | (657’345) | (247’100) | - | | - | (904’445) |
| Other operating expenses | (425’471) | (351’400) | - | | - | (776’871) |
| Wages, salaries and pension costs | (213’880) | (149’900) | - | | - | (363’780) |
| Other income | 25’493 | 97’300 | - | | - | 122’793 |
| Other expenses | (2’957) | (3’500) | - | | - | (6’457) |
| **Income before depreciation and amortization, net financial items and income taxes** | **602’304** | **641’500** | **-** | | **-** | **1’243’804** |
| Amortization | (256’184) | (6’600) | - | | (134’250) | (397’034) |
| Depreciation and impairment losses | (169’508) | (250’800) | - | | - | (420’308) |
| **Operating income** | **176’612** | **384’100** | **-** | | **(134’250)** | **426’462** |
| Foreign currency gains, net | 2’265 | 3’300 | - | | - | 5’565 |
| Financial income | 15’071 | 1’600 | - | | - | 16’671 |
| Financial expenses | (50’757) | 5’900 | (9’928) | (a) | (113’411) | (168’196) |
| **Net financial items** | **(33’421)** | **10’800** | **(9’928)** | | **(113’411)** | **(145’960)** |
| Share of (loss) profit of associates * | - | (3’200) | 5’479 | (b) | - | 2’279 |
| **Income before income taxes** | **143’191** | **391’700** | **(4’449)** | | **(247’661)** | **282’781** |
| Income taxes | (36’273) | (70’300) | 892 | (c) | 49’656 | (56’025) |
| **Net income** | **106’918** | **321’400** | **(3’557)** | | **(198’005)** | **226’756** |
| **Net income attributable to equity holders of the parent company** | **106’918** | **317’100** | | | | **222’456** |
| **Net income attributable to non-controlling interests *** | **-** | **4’300** | | | | **4’300** |
| Basic earnings per share (in CHF) | 2.37 | | | | | 2.66 |
| Diluted earnings per share (in CHF) | 2.37 | | | | | 2.66 |

Notes

* Additional financial statement lines items have been added to conform with the preliminary presentation of the Combined Group.

** In the Statement of Income, “Transmission costs and costs of goods sold” as historically reported by Sunrise has been renamed to “Transmission costs, programming costs and costs of goods sold” to conform with the preliminary presentation of the Combined Group.

(a) In the Statement of Income, “Financial expenses” has been adjusted to account for Employee benefit obligations in accordance with IAS 19 to conform with the preliminary presentation of the Combined Group.

(b) In the Statement of Income, “Share of (loss) profit of associates” has been adjusted for equity method of accounting for investments in associates in accordance with IFRS to conform with the preliminary presentation of the Combined Group.

(c) In the Statement of Income, “Income taxes” has been adjusted to capture the tax impacts of adopting IFRS to conform with the preliminary presentation of the Combined Group.

### 1.5 Unaudited Pro Forma Statement of Financial Position as at June 30, 2019

| (CHFk) | Sunrise historical information under pro forma presentation | UPC Switzerland historical information under pro forma presentation (Note 1a) | UPC Switzerland historical information US GAAP to IFRS conversion adjustments (Note 1) | Notes | Transaction related pro forma adjustments (Table B) | Pro Forma Combined Group |
|---|---|---|---|---|---|---|
| **Non-current assets** | | | | | | |
| Goodwill ** | 1’147’769 | 2’853’900 | - | | 1’363’415 | 5’365’084 |
| Intangible assets | 1’033’480 | 42’700 | - | | 1’518’725 | 2’594’905 |
| Property, plant and equipment | 792’320 | 1’191’800 | - | | - | 1’984’120 |
| Right-of-use assets | 290’024 | 127’800 | (698) | (b) | - | 417’126 |
| Non-current derivative assets * | - | - | - | | 277’600 | 277’600 |
| Non-current portion of trade and other receivables | 57’069 | 4’100 | - | | - | 61’169 |
| Non-current portion of contract assets | 2’993 | - | - | | - | 2’993 |
| Non-current portion of prepaid expenses | - | 4’200 | - | | - | 4’200 |
| Non-current portion of contract costs *** | 48’555 | - | - | | - | 48’555 |
| Investments * | - | 31’000 | (7’176) | (a) | - | 23’824 |
| **Total non-current assets** | **3’372’210** | **4’255’500** | **(7’873)** | | **3’159’740** | **10’779’577** |
| **Current assets** | | | | | | |
| Inventories | 45’731 | 5’400 | - | | - | 51’131 |
| Current portion of trade and other receivables | 305’365 | 168’700 | - | | - | 474’065 |
| Current portion of contract assets | 81’690 | 5’000 | - | | - | 86’690 |
| Current portion of derivative assets * | - | - | - | | 84’000 | 84’000 |
| Current portion of contract cost * | - | 6’900 | - | | - | 6’900 |
| Current portion of prepaid expenses | 18’554 | 3’600 | - | | - | 22’154 |
| Cash and cash equivalents | 239’827 | 700 | - | | 207’648 | 448’175 |
| **Total current assets** | **691’167** | **190’300** | **-** | | **291’648** | **1’173’115** |
| **Total assets** | **4’063’377** | **4’445’800** | **(7’873)** | | **3’451’388** | **11’952’692** |

Notes

* Additional financial statement lines items have been added to conform with the preliminary presentation of the Combined Group.

** In the Statement of Financial Position, “Goodwill” was not separately reported by Sunrise but has been broken out to conform with the preliminary presentation of the Combined Group.

*** In the Statement of Financial Position, “Contract costs” as historically reported by Sunrise has been renamed to “Non-current portion of contract costs” to conform with the preliminary presentation of the Combined Group.

(a) Within the non-current assets section, “Investments” has been adjusted to the equity method of accounting for investments in associates in accordance with IFRS to conform with the preliminary presentation of the Combined Group.

(b) Within the non-current assets section, “Right-of-use assets” has been adjusted to capture the impacts of adopting IFRS 16 to conform with the preliminary presentation of the Combined Group.

## 1.5 Unaudited Pro Forma Statement of Financial Position as at June 30, 2019—(Continued)

| (CHFk) | Sunrise historical information under pro forma presentation | UPC Switzerland historical information under pro forma presentation (Note 1a) | UPC Switzerland historical information US GAAP to IFRS conversion adjustments (Note 1) | Notes | Transaction related pro forma adjustments (Table B) | Pro Forma Combined Group |
|---|---|---|---|---|---|---|
| **Equity** | | | | | | |
| Common shares | 45'069 | - | - | | 38'435 | 83'504 |
| Share premium | 1'974'484 | 3'713'900 | - | | 2'638'413 | 8'326'797 |
| Other reserves | (776'143) | - | - | | - | (776'143) |
| Accumulated profit / (deficit) | 99'615 | (21'800) | (7'043) | (c) | (4'063'278) | (3'992'506) |
| **Capital and reserves attributable to owners **** | **1'343'025** | **3'692'100** | **(7'043)** | | **(1'386'430)** | **3'641'652** |
| Non-controlling interests * | - | 18'800 | - | | - | 18'800 |
| **Total equity** | **1'343'025** | **3'710'900** | **(7'043)** | | **(1'386'430)** | **3'660'452** |
| **Non-current liabilities** | | | | | | |
| Non-current portion of loans and notes | 1'572'909 | - | - | | 3'814'600 | 5'387'509 |
| Non-current derivative liabilities * | - | - | - | | 378'200 | 378'200 |
| Non-current portion of lease liabilities | 233'099 | 116'700 | 115 | (d) | - | 349'914 |
| Non-current portion of trade and other payables | 40'688 | - | - | | 242'638 | 283'326 |
| Deferred tax liabilities | 134'572 | 20'500 | - | | 259'759 | 414'831 |
| Non-current portion of provisions | 54'440 | - | - | | - | 54'440 |
| Employee benefit obligations | 99'922 | 11'800 | - | | - | 111'722 |
| Non-current portion of contract liabilities | 7'994 | 3'400 | - | | - | 11'394 |
| **Total non-current liabilities** | **2'143'624** | **152'400** | **115** | | **4'695'197** | **6'991'336** |
| **Current liabilities** | | | | | | |
| Current portion of lease liabilities | 32'666 | 18'700 | - | | - | 51'366 |
| Current portion of loans and notes * | - | 129'300 | - | | - | 129'300 |
| Current portion of trade and other payables | 471'933 | 111'800 | - | | - | 583'733 |
| Current portion of derivative liabilities * | - | - | - | | 101'900 | 101'900 |
| Income tax payable | 36'395 | - | (945) | (e) | (31'979) | 3'471 |
| Current portion of provisions | 4'820 | 10'500 | - | | - | 15'320 |
| Current portion of contract liabilities | 30'216 | 164'600 | - | | - | 194'816 |
| Other current liabilities | 698 | 147'600 | - | | 72'700 | 220'998 |
| **Total current liabilities** | **576'728** | **582'500** | **(945)** | | **142'621** | **1'300'904** |
| **Total liabilities** | **2'720'352** | **734'900** | **(830)** | | **4'837'818** | **8'292'240** |
| **Total equity and liabilities** | **4'063'377** | **4'445'800** | **(7'873)** | | **3'451'388** | **11'952'692** |

Notes

* Additional financial statement lines items have been added to conform with the preliminary presentation of the Combined Group.

** In the Statement of Financial Position, the "Capital and reserves attributable to owners" subtotal was not previously reported by Sunrise but has been broken out to conform with the preliminary presentation of the Combined Group.

(c) Within the Equity section, "Accumulated profit / (deficit)" has been adjusted to the equity method of accounting for investments in associates in accordance with IFRS to conform with the preliminary presentation of the Combined Group.

(d) Within the non-current liabilities section, "Non-current portion of lease liabilities" has been adjusted to capture the impacts of adopting IFRS 16 to conform with the preliminary presentation of the Combined Group.

(e) Within the non-current liabilities section, "Income tax payable" has been adjusted to capture the tax impacts of adopting IFRS to conform with the preliminary presentation of the Combined Group.

## 1.6 Unaudited Pro Forma Statement of Financial Position as at December 31, 2018

| (CHFk) | Sunrise historical information under pro forma presentation | UPC Switzerland historical information under pro forma presentation (Note 1a) | UPC Switzerland historical information US GAAP to IFRS conversion adjustments (Note 1) | Notes | Transaction related pro forma adjustments (Table B) | Pro Forma Combined Group |
|---|---|---|---|---|---|---|
| **Non-current assets** | | | | | | |
| Goodwill ** | 1’147’769 | 2’853’900 | - | | 1’363’415 | 5’365’084 |
| Intangible assets | 940’469 | 76’600 | - | | 1’585’750 | 2’602’819 |
| Property, plant and equipment | 823’763 | 1’164’900 | - | | - | 1’988’663 |
| Non-current derivative assets * | - | - | - | | 277’600 | 277’600 |
| Non-current portion of trade and other receivables | 56’813 | 3’800 | - | | - | 60’613 |
| Non-current portion of contract assets | 4’067 | - | - | | - | 4’067 |
| Non-current portion of prepaid expenses | 631 | 8’000 | - | | - | 8’631 |
| Non-current portion of contract costs *** | 45’933 | - | - | | - | 45’933 |
| Investments * | - | 29’500 | (6’710) | (a) | - | 22’790 |
| **Total non-current assets** | **3’019’445** | **4’136’700** | **(6’710)** | | **3’226’765** | **10’376’200** |
| **Current assets** | | | | | | |
| Inventories | 46’329 | 3’300 | - | | - | 49’629 |
| Current portion of trade and other receivables | 325’960 | 285’200 | - | | - | 611’160 |
| Current portion of contract assets | 99’682 | 2’900 | - | | - | 102’582 |
| Current portion of derivative assets * | - | - | - | | 84’000 | 84’000 |
| Current portion of contract cost * | - | 3’800 | - | | - | 3’800 |
| Current portion of prepaid expenses | 8’886 | - | - | | - | 8’886 |
| Cash and cash equivalents | 420’919 | 400 | - | | 207’648 | 628’967 |
| **Total current assets** | **901’776** | **295’600** | **-** | | **291’648** | **1’489’024** |
| **Total assets** | **3’921’221** | **4’432’300** | **(6’710)** | | **3’518’413** | **11’865’224** |

Notes

* Additional financial statement lines items have been added to conform with the preliminary presentation of the Combined Group.

** In the Statement of Financial Position, “Goodwill” was not separately reported by Sunrise but has been broken out to conform with the preliminary presentation of the Combined Group.

*** In the Statement of Financial Position, “Contract costs” as historically reported by Sunrise has been renamed to “Non-current portion of contract costs” to conform with the preliminary presentation of the Combined Group.

(a) Within the non-current assets section, “Investments” has been adjusted to the equity method of accounting for investments in associates in accordance with IFRS to conform with the preliminary presentation of the Combined Group.

### 1.6 Unaudited Pro Forma Statement of Financial Position as at December 31, 2018—(Continued)

| (CHFk) | Sunrise historical information under pro forma presentation | UPC Switzerland historical information under pro forma presentation (Note 1a) | UPC Switzerland historical information US GAAP to IFRS conversion adjustments (Note 1) | Notes | Transaction related pro forma adjustments (Table B) | Pro Forma Combined Group |
|---|---|---|---|---|---|---|
| **Equity** | | | | | | |
| Common shares | 45’069 | - | - | | 38’435 | 83’504 |
| Share premium | 2’162’727 | 3’741’500 | - | | 2’638’413 | 8’542’640 |
| Other reserves | (776’143) | - | - | | - | (776’143) |
| Accumulated profit / (deficit) | 49’524 | (20’900) | (5’818) | (b) | (3’972’845) | (3’950’039) |
| **Capital and reserves attributable to owners **** | **1’481’177** | **3’720’600** | **(5’818)** | | **(1’295’997)** | **3’899’962** |
| Non-controlling interests * | - | 19’700 | - | | - | 19’700 |
| **Total equity** | **1’481’177** | **3’740’300** | **(5’818)** | | **(1’295’997)** | **3’919’662** |
| **Non-current liabilities** | | | | | | |
| Non-current portion of loans and notes | 1’568’262 | - | - | | 3’814’600 | 5’382’862 |
| Non-current derivative liabilities * | - | - | - | | 378’200 | 378’200 |
| Non-current portion of lease liabilities | 2’774 | 15’200 | - | | - | 17’974 |
| Non-current portion of trade and other payables | 368 | 10’300 | - | | 196’551 | 207’219 |
| Deferred tax liabilities | 155’744 | 18’400 | - | | 273’198 | 447’342 |
| Non-current portion of provisions | 54’372 | 1’400 | - | | - | 55’772 |
| Employee benefit obligations | 84’881 | 15’300 | - | | - | 100’181 |
| Non-current portion of contract liabilities | 5’958 | 1’200 | - | | - | 7’158 |
| **Total non-current liabilities** | **1’872’359** | **61’800** | **-** | | **4’662’549** | **6’596’708** |
| **Current liabilities** | | | | | | |
| Current portion of lease liabilities | 1’973 | 1’300 | - | | - | 3’273 |
| Current portion of loans and notes * | - | 110’700 | - | | - | 110’700 |
| Current portion of trade and other payables | 501’016 | 119’600 | - | | - | 620’616 |
| Current portion of derivative liabilities * | - | - | - | | 101’900 | 101’900 |
| Income tax payable | 26’735 | - | (892) | (c) | (22’739) | 3’104 |
| Current portion of provisions | 6’005 | 3’900 | - | | - | 9’905 |
| Current portion of contract liabilities | 31’510 | 234’300 | - | | - | 265’810 |
| Other current liabilities | 446 | 160’400 | - | | 72’700 | 233’546 |
| **Total current liabilities** | **567’685** | **630’200** | **(892)** | | **151’861** | **1’348’854** |
| **Total liabilities** | **2’440’044** | **692’000** | **(892)** | | **4’814’410** | **7’945’562** |
| **Total equity and liabilities** | **3’921’221** | **4’432’300** | **(6’710)** | | **3’518’413** | **11’865’224** |

Notes

* Additional financial statement lines items have been added to conform with the preliminary presentation of the Combined Group.

** In the Statement of Financial Position, the “Capital and reserves attributable to owners” subtotal was not previously reported by Sunrise but has been broken out to conform with the preliminary presentation of the Combined Group.

(b) Within the Equity section, “Accumulated profit / (deficit)” has been adjusted to the equity method of accounting for investments in associates in accordance with IFRS to conform with the preliminary presentation of the Combined Group.

(c) Within the non-current liabilities section, “Income tax payable” has been adjusted to capture the tax impacts of adopting IFRS to conform with the preliminary presentation of the Combined Group.

### 1.7 Table A: Transaction related pro forma adjustments – Unaudited Pro Forma Statement of Income for the six-month period ended June 30, 2019

| (CHFk) | Purchase accounting (Note 2) | UPC debt and derivatives (Note 2) | Financing (Note 2) | Transaction costs (Note 2) | Transaction related pro forma adjustments |
|---|---|---|---|---|---|
| **Revenue** | - | - | - | - | - |
| Transmission costs, programming costs and costs of goods sold ** | - | - | - | - | - |
| Other operating expenses | - | - | - | 9’769 | 9’769 |
| Wages, salaries and pension costs | - | - | - | - | - |
| Other income | - | - | - | - | - |
| Other expenses | - | - | - | | - |
| **Income before depreciation and amortization, net financial items and income taxes** | **-** | **-** | **-** | **9’769** | **9’769** |
| Amortization | (67’025) | - | - | - | (67’025) |
| Depreciation and impairment losses | - | - | - | - | - |
| **Operating income** | **(67’025)** | **-** | **-** | **9’769** | **(57’256)** |
| Foreign currency gains, net | - | - | - | - | - |
| Financial income | - | - | - | - | - |
| Financial expenses | - | (55’356) | (500) | - | (55’856) |
| **Net financial items** | **-** | **(55’356)** | **(500)** | **-** | **(55’856)** |
| Share of (loss) profit of associates * | - | - | - | - | - |
| **Income before income taxes** | **(67’025)** | **(55’356)** | **(500)** | **9’769** | **(113’112)** |
| Income taxes | 13’439 | 11’099 | 100 | (1’959) | 22’679 |
| **Net income** | **(53’586)** | **(44’257)** | **(400)** | **7’810** | **(90’433)** |

Notes

* Additional financial statement lines items have been added to conform with the preliminary presentation of the Combined Group.

** “Transmission costs and costs of goods sold” as historically reported by Sunrise has been renamed to “Transmission costs, programming costs and costs of goods sold” to conform with the preliminary presentation of the Combined Group.

## 1.8 Table A: Transaction related pro forma adjustments – Unaudited Pro Forma Statement of Income for the year ended December 31, 2018

| (CHFk) | Purchase accounting (Note 2) | UPC debt and derivatives (Note 2) | Financing (Note 2) | Transaction costs (Note 2) | Transaction related pro forma adjustments |
|---|---|---|---|---|---|
| **Revenue** | - | - | - | - | - |
| Transmission costs, programming costs and costs of goods sold ** | - | - | - | - | - |
| Other operating expenses | - | - | - | - | - |
| Wages, salaries and pension costs | - | - | - | - | - |
| Other income | - | - | - | - | - |
| Other expenses | - | - | - | - | - |
| **Income before depreciation and amortization, net financial items and income taxes** | **-** | **-** | **-** | **-** | **-** |
| Amortization | (134’250) | - | - | - | (134’250) |
| Depreciation and impairment losses | - | - | - | - | - |
| **Operating income** | **(134’250)** | **-** | **-** | **-** | **(134’250)** |
| Foreign currency gains, net | - | - | - | - | - |
| Financial income | - | - | - | - | - |
| Financial expenses | - | (112’286) | (1’125) | - | (113’411) |
| **Net financial items** | **-** | **(112’286)** | **(1’125)** | **-** | **(113’411)** |
| Share of (loss) profit of associates * | - | - | - | - | - |
| **Income before income taxes** | **(134’250)** | **(112’286)** | **(1’125)** | **-** | **(247’661)** |
| Income taxes | 26’917 | 22’513 | 226 | - | 49’656 |
| **Net income** | **(107’333)** | **(89’773)** | **(899)** | **-** | **(198’005)** |

Notes

* Additional financial statement lines items have been added to conform with the preliminary presentation of the Combined Group.

** “Transmission costs and costs of goods sold” as historically reported by Sunrise has been renamed to “Transmission costs, programming costs and costs of goods sold” to conform with the preliminary presentation of the Combined Group.

## 1.9 Table B: Transaction related pro forma adjustments – Unaudited Pro Forma Statement of Financial Position as at June 30, 2019

| (CHFk) | Purchase accounting (Note 2) | UPC debt and derivatives (Note 2) | Financing (Note 2) | Transaction costs (Note 2) | Transaction related pro forma adjustments |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Goodwill ** | (2'508'610) | 3'872'025 | - | - | 1'363'415 |
| Intangible assets | 1'518'725 | - | - | - | 1'518'725 |
| Property, plant and equipment | - | - | - | - | - |
| Right-of-use assets | - | - | - | - | - |
| Non-current derivative assets * | - | 277'600 | - | - | 277'600 |
| Non-current portion of trade and other receivables | - | - | - | - | - |
| Non-current portion of contract assets | - | - | - | - | - |
| Non-current portion of prepaid expenses | - | - | - | - | - |
| Non-current portion of contract costs *** | - | - | - | - | - |
| Investments * | - | - | - | - | - |
| **Total non-current assets** | **(989'885)** | **4'149'625** | **-** | **-** | **3'159'740** |
| **Current assets** | | | | | |
| Inventories | - | - | - | - | - |
| Current portion of trade and other receivables | - | - | - | - | - |
| Current portion of contract assets | - | - | - | - | - |
| Current portion of derivative assets * | - | 84'000 | - | - | 84'000 |
| Current portion of contract cost * | - | - | - | - | - |
| Current portion of prepaid expenses | - | - | - | - | - |
| Cash and cash equivalents | (2'569'200) | - | 2'776'848 | - | 207'648 |
| **Total current assets** | **(2'569'200)** | **84'000** | **2'776'848** | **-** | **291'648** |
| **Total assets** | **(3'559'085)** | **4'233'625** | **2'776'848** | **-** | **3'451'388** |

Notes

* Additional financial statement lines items have been added to conform with the preliminary presentation of the Combined Group.

** In the Statement of Financial Position, "Goodwill" was not separately reported by Sunrise but has been broken out to conform with the preliminary presentation of the Combined Group.

*** In the Statement of Financial Position, "Contract costs" as historically reported by Sunrise has been renamed to "Non-current portion of contract costs" to conform with the preliminary presentation of the Combined Group.

## 1.9 Table B: Transaction related pro forma adjustments – Unaudited Pro Forma Statement of Financial Position as at June 30, 2019—(Continued)

| (CHFk) | Purchase accounting (Note 2) | UPC debt and derivatives (Note 2) | Financing (Note 2) | Transaction costs (Note 2) | Transaction related pro forma adjustments |
|---|---|---|---|---|---|
| **Equity** | | | | | |
| Common shares | - | - | 38’435 | - | 38’435 |
| Share premium | - | - | 2’638’413 | - | 2’638’413 |
| Other reserves | - | - | - | - | - |
| Accumulated profit / (deficit) | (3’852’619) | (134’030) | (1’299) | (75’330) | (4’063’278) |
| **Capital and reserves attributable to owners **** | **(3’852’619)** | **(134’030)** | **2’675’549** | **(75’330)** | **(1’386’430)** |
| Non-controlling interests * | - | - | - | - | - |
| **Total equity** | **(3’852’619)** | **(134’030)** | **2’675’549** | **(75’330)** | **(1’386’430)** |
| **Non-current liabilities** | | | | | |
| Non-current portion of loans and notes | - | 3’714’600 | 100’000 | - | 3’814’600 |
| Non-current derivative liabilities * | - | 378’200 | - | - | 378’200 |
| Non-current portion of lease liabilities | - | - | - | - | - |
| Non-current portion of trade and other payables | - | 167’642 | 1’625 | 73’371 | 242’638 |
| Deferred tax liabilities | 293’534 | (33’775) | - | - | 259’759 |
| Non-current portion of provisions | - | - | - | - | - |
| Employee benefit obligations | - | - | - | - | - |
| Non-current portion of contract liabilities | - | - | - | - | - |
| **Total non-current liabilities** | **293’534** | **4’226’667** | **101’625** | **73’371** | **4’695’197** |
| **Current liabilities** | | | | | |
| Current portion of lease liabilities | - | - | - | - | - |
| Current portion of loans and notes * | - | - | - | - | - |
| Current portion of trade and other payables | - | - | - | - | - |
| Current portion of derivative liabilities * | - | 101’900 | - | - | 101’900 |
| Income tax payable | - | (33’612) | (326) | 1’959 | (31’979) |
| Current portion of provisions | - | - | - | - | - |
| Current portion of contract liabilities | - | - | - | - | - |
| Other current liabilities | - | 72’700 | - | - | 72’700 |
| **Total current liabilities** | **-** | **140’988** | **(326)** | **1’959** | **142’621** |
| **Total liabilities** | **293’534** | **4’367’655** | **101’299** | **75’330** | **4’837’818** |
| **Total equity and liabilities** | **(3’559’085)** | **4’233’625** | **2’776’848** | **-** | **3’451’388** |

Notes

* Additional financial statement lines items have been added to conform with the preliminary presentation of the Combined Group.

** In the Statement of Financial Position, the “Capital and reserves attributable to owners” subtotal was not previously reported by Sunrise but has been broken out to conform with the preliminary presentation of the Combined Group.

### 1.10 Table B: Transaction related pro forma adjustments – Unaudited Pro Forma Statement of Financial Position as at December 31, 2018

| (CHFk) | Purchase accounting (Note 2) | UPC debt and derivatives (Note 2) | Financing (Note 2) | Transaction costs (Note 2) | Transaction related pro forma adjustments |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Goodwill ** | (2'508'610) | 3'872'025 | - | - | 1'363'415 |
| Intangible assets | 1'585'750 | - | - | - | 1'585'750 |
| Property, plant and equipment | - | - | - | - | - |
| Non-current derivative assets * | - | 277'600 | - | - | 277'600 |
| Non-current portion of trade and other receivables | - | - | - | - | - |
| Non-current portion of contract assets | - | - | - | - | - |
| Non-current portion of prepaid expenses | - | - | - | - | - |
| Non-current portion of contract costs *** | - | - | - | - | - |
| Investments * | - | - | - | - | - |
| **Total non-current assets** | **(922'860)** | **4'149'625** | **-** | **-** | **3'226'765** |
| **Current assets** | | | | | |
| Inventories | - | - | - | - | - |
| Current portion of trade and other receivables | - | - | - | - | - |
| Current portion of contract assets | - | - | - | - | - |
| Current portion of derivative assets * | - | 84'000 | - | - | 84'000 |
| Current portion of contract cost * | - | - | - | - | - |
| Current portion of prepaid expenses | - | - | - | - | - |
| Cash and cash equivalents | (2'569'200) | - | 2'776'848 | - | 207'648 |
| **Total current assets** | **(2'569'200)** | **84'000** | **2'776'848** | **-** | **291'648** |
| **Total assets** | **(3'492'060)** | **4'233'625** | **2'776'848** | **-** | **3'518'413** |

Notes

* Additional financial statement lines items have been added to conform with the preliminary presentation of the Combined Group.

** In the Statement of Financial Position, "Goodwill" was not separately reported by Sunrise but has been broken out to conform with the preliminary presentation of the Combined Group.

*** In the Statement of Financial Position, "Contract costs" as historically reported by Sunrise has been renamed to "Non-current portion of contract costs" to conform with the preliminary presentation of the Combined Group.

## 1.10 Table B: Transaction related pro forma adjustments – Unaudited Pro Forma Statement of Financial Position as at December 31, 2018—(Continued)

| (CHFk) | Purchase accounting (Note 2) | UPC debt and derivatives (Note 2) | Financing (Note 2) | Transaction costs (Note 2) | Transaction related pro forma adjustments |
|---|---|---|---|---|---|
| **Equity** | | | | | |
| Common shares | - | - | 38’435 | - | 38’435 |
| Share premium | - | - | 2’638’413 | - | 2’638’413 |
| Other reserves | - | - | - | - | - |
| Accumulated profit / (deficit) | (3’799’033) | (89’773) | (899) | (83’140) | (3’972’845) |
| **Capital and reserves attributable to owners **** | **(3’799’033)** | **(89’773)** | **2’675’949** | **(83’140)** | **(1’295’997)** |
| Non-controlling interests * | - | - | - | - | - |
| **Total equity** | **(3’799’033)** | **(89’773)** | **2’675’949** | **(83’140)** | **(1’295’997)** |
| **Non-current liabilities** | | | | | |
| Non-current portion of loans and notes | - | 3’714’600 | 100’000 | - | 3’814’600 |
| Non-current derivative liabilities * | - | 378’200 | - | - | 378’200 |
| Non-current portion of lease liabilities | - | - | - | - | - |
| Non-current portion of trade and other payables | - | 112’286 | 1’125 | 83’140 | 196’551 |
| Deferred tax liabilities | 306’973 | (33’775) | - | - | 273’198 |
| Non-current portion of provisions | - | - | - | - | - |
| Employee benefit obligations | - | - | - | - | - |
| Non-current portion of contract liabilities | - | - | - | - | - |
| **Total non-current liabilities** | **306’973** | **4’171’311** | **101’125** | **83’140** | **4’662’549** |
| **Current liabilities** | | | | | |
| Current portion of lease liabilities | - | - | - | - | - |
| Current portion of loans and notes * | - | - | - | - | - |
| Current portion of trade and other payables | - | - | - | - | - |
| Current portion of derivative liabilities * | - | 101’900 | - | - | 101’900 |
| Income tax payable | - | (22’513) | (226) | - | (22’739) |
| Current portion of provisions | - | - | - | - | - |
| Current portion of contract liabilities | - | - | - | - | - |
| Other current liabilities | - | 72’700 | - | - | 72’700 |
| **Total current liabilities** | **-** | **152’087** | **(226)** | **-** | **151’861** |
| **Total liabilities** | **306’973** | **4’323’398** | **100’899** | **83’140** | **4’814’410** |
| **Total equity and liabilities** | **(3’492’060)** | **4’233’625** | **2’776’848** | **-** | **3’518’413** |

Notes

* Additional financial statement lines items have been added to conform with the preliminary presentation of the Combined Group.

** In the Statement of Financial Position, the “Capital and reserves attributable to owners” subtotal was not previously reported by Sunrise but has been broken out to conform with the preliminary presentation of the Combined Group.

## Notes to the Unaudited Pro Forma Combined Financial Information

***Sunrise historical financial information under pro forma presentation***

The historical financial information of Sunrise, presented under pro forma presentation, is derived from the Sunrise unaudited condensed consolidated interim financial statements as at and for the six-month period ended June 30, 2019 prepared in compliance with IAS 34 Interim Financial Reporting as issued by the IASB included elsewhere in this document.

The unaudited condensed consolidated interim financial statements of Sunrise as of and for the six-month period ended June 30, 2019 prepared in compliance with IAS 34 Interim Financial Reporting as issued by the IASB, have been reviewed by Ernst & Young AG.

The historical financial information of Sunrise, presented under pro forma presentation, is derived from the Sunrise audited consolidated financial statements as at and for the year ended December 31, 2018 prepared in accordance with IFRS as issued by the IASB included elsewhere in this document.

The consolidated financial statements of Sunrise as at and for the year ended December 31, 2018 prepared in accordance with IFRS as issued by the IASB, have been audited by Ernst & Young AG.

***UPC Switzerland historical financial information under pro forma presentation***

The historical financial information of UPC Switzerland, presented under pro forma presentation is derived from the UPC Switzerland unaudited condensed combined interim financial statements as at and for the six-month period ended June 30, 2019 prepared in conformity with US GAAP included elsewhere in this document.

The unaudited condensed combined carve-out interim financial statements of UPC Switzerland as of and for the six-month period ended June 30, 2019 prepared in conformity with US GAAP, have been reviewed by KPMG AG.

The historical financial information of UPC Switzerland, presented under pro forma presentation is derived from the UPC Switzerland audited combined financial statements as at and for the year ended December 31, 2018 prepared in conformity with US GAAP included elsewhere in this document.

The combined carve-out financial statements of UPC Switzerland as of and for the year ended December 31, 2018 prepared in conformity with US GAAP have been audited by KPMG AG.

### Note 1: US GAAP to IFRS conversion adjustments and reclassifications made to UPC Switzerland historical statements of income and statements of financial position.

The historical financial information of UPC Switzerland is presented in accordance with US GAAP whereas Sunrise presents the historical financial information in accordance with IFRS. As a result, certain differences have been identified that resulted in adjustments to the historical UPC Switzerland financial statements in order to align with IFRS and to conform to the preliminary presentation of the Combined Group. These adjustments are based on the information available that could be reasonably shared between Sunrise and UPC Switzerland prior to the completion of the Acquisition.

There are also certain differences in the way in which Sunrise and UPC Switzerland present items on their respective historical statements of income and statements of financial position. As a result, certain items have been reclassified in the UPC Switzerland Unaudited Pro Forma Statements of Income and Statements of Financial Position to align the preliminary presentation of the Combined Group. Those reclassifications, which have no effect on total net assets or net income, are detailed in the tables below.

Subsequent to the Acquisition, further adjustments or reclassifications may prove to be necessary when the Combined Group obtains full access to the information and finalizes the presentation of the financial statements as well as the alignment of accounting policies of the Combined Group.

### *a. Summary of reclassifications made to UPC Switzerland historical financial information*

*Statement of Income for the six-month ended June 30, 2019*

| (CHFk) | UPC Switzerland historical financial information | Reclassifications | Notes | UPC Switzerland historical information under pro forma presentation |
|---|---|---|---|---|
| **Revenue** | **630'800** | **-** | | **630'800** |
| Transmission costs, programming costs and costs of goods sold ** | - | (128'000) | (a) | (128'000) |
| Programming and other direct costs of services | (128'000) | 128'000 | (a) | - |
| Other operating expenses | (79'300) | (112'000) | (b) (e) | (191'300) |
| Selling, general and administrative (SG&A) | (101'500) | 101'500 | (e) | - |
| Related-party fees and allocations | (84'000) | 84'000 | (b) | - |
| Wages, salaries and pension costs | - | (73'500) | (e) | (73'500) |
| Other income | - | - | | - |
| Other expenses | - | (8'800) | (c) | (8'800) |
| **Income before depreciation and amortization, net financial items and income taxes** | | | | **229'200** |
| Amortization | - | (3'400) | (f) | (3'400) |
| Depreciation and impairment losses | - | (126'000) | (f) | (126'000) |
| Depreciation and amortization | (129'400) | 129'400 | (f) | - |
| Impairment, restructuring and other operating items | (8'800) | 8'800 | (c) | - |
| **Operating income** | **99'800** | | | **99'800** |
| Foreign currency gains, net | 1'000 | - | | 1'000 |
| Financial income | - | 3'100 | (d) | 3'100 |
| Financial expenses | - | (1'900) | (d) | (1'900) |
| Interest expense | (1'900) | 1'900 | (d) | - |
| Other income | 4'500 | (4'500) | (d) | - |
| **Net financial items** | **3'600** | | | **2'200** |
| Share of (loss) profit of associates * | - | 1'400 | (d) | 1'400 |
| **Income before income taxes** | **103'400** | | | **103'400** |
| Income taxes | (20'600) | - | | (20'600) |
| **Net income** | **82'800** | | | **82'800** |
| Net earnings attributable to parent entity | 80'800 | (80'800) | (g) | - |
| Net earnings attributable to non-controlling interests * | 2'000 | | | 2'000 |
| Net income attributable to equity holders of the parent company | **-** | 80'800 | (g) | 80'800 |

Notes

* Additional financial statement lines items have been added to conform with the preliminary presentation of the Combined Group.

** "Transmission costs and costs of goods sold" as historically reported by Sunrise has been renamed to "Transmission costs, programming costs and costs of goods sold" to conform with the preliminary presentation of the Combined Group.

(a) In the Statement of Income, "Programming and other direct costs of services" has been reclassified to "Transmission costs, programming costs and costs of goods sold" to conform with the preliminary presentation of the Combined Group.

(b) In the Statement of Income, "Related-party fees and allocations" have been reclassified to "Other operating expenses" to conform with the preliminary presentation of the Combined Group.

(c) In the Statement of Income, "Impairment, restructuring and other operating items" have been reclassified to "Other expenses" to conform with the preliminary presentation of the Combined Group.

(d) In the Statement of Income, "Interest expense" has been reclassified to "Financial expenses." Also "Other income" has been reclassified to "Financial income" and "Share of (loss) profit of associates" to conform with the preliminary presentation of the Combined Group.

(e) In the Statement of Income, "Selling, general and administrative (SG&A)" has been reclassified to "Wages, salaries and pension costs" and "Other operating expenses" to conform with the preliminary presentation of the Combined Group.

(f) In the Statement of Income, "Depreciation and amortization" has been reclassified to "Amortization" and "Depreciation and impairment losses" to conform with the preliminary presentation of the Combined Group.

(g) In the Statement of Income, "Net earnings attributable to parent entity" has been reclassified to "Net income attributable to equity holders of the parent company" to conform with the preliminary presentation of the Combined Group.

*Statement of Income for year ended December 31, 2018*

| (CHFk) | UPC Switzerland historical financial information | Reclassifications | Notes | UPC Switzerland historical information under pro forma presentation |
|---|---|---|---|---|
| **Revenue** | **1'296'100** | **-** | | **1'296'100** |
| Transmission costs, programming costs and costs of goods sold ** | - | (247'100) | (a) | (247'100) |
| Programming and other direct costs of services | (247'100) | 247'100 | (a) | - |
| Other operating expenses | (155'100) | (196'300) | (b) (e) | (351'400) |
| Selling, general and administrative (SG&A) | (174'200) | 174'200 | (e) | - |
| Related-party fees and allocations | (75'800) | 75'800 | (b) | - |
| Wages, salaries and pension costs | - | (149'900) | (c) (e) | (149'900) |
| Other income | - | 97'300 | (b) | 97'300 |
| Other expenses | - | (3'500) | (c) | (3'500) |
| **Income before depreciation and amortization, net financial items and income taxes** | | | | **641'500** |
| Amortization | - | (6'600) | (f) | (6'600) |
| Depreciation and impairment losses | - | (250'800) | (f) | (250'800) |
| Depreciation and amortization | (257'400) | 257'400 | (f) | - |
| Impairment, restructuring and other operating items | (2'400) | 2'400 | (c) | - |
| **Operating income** | **384'100** | | | **384'100** |
| Foreign currency gains, net | 3'300 | **-** | | 3'300 |
| Financial income | - | 1'600 | (d) | 1'600 |
| Financial expenses | - | 5'900 | (d) | 5'900 |
| Interest expense | (3'700) | 3'700 | (d) | - |
| Other income | 8'000 | (8'000) | (d) | - |
| **Net financial items** | **7'600** | **3'200** | | **10'800** |
| Share of (loss) profit of associates * | - | (3'200) | (d) | (3'200) |
| **Income before income taxes** | **391'700** | **-** | | **391'700** |
| Income taxes | (70'300) | - | | (70'300) |
| **Net income** | **321'400** | | | **321'400** |
| Net earnings attributable to parent entity | 317'100 | (317'100) | (g) | - |
| Net earnings attributable to non-controlling interests * | 4'300 | | | 4'300 |
| Net income attributable to equity holders of the parent company | - | 317'100 | (g) | 317'100 |

Notes

* Additional financial statement lines items have been added to conform with the preliminary presentation of the Combined Group.

** "Transmission costs and costs of goods sold" as historically reported by Sunrise has been renamed to "Transmission costs, programming costs and costs of goods sold" to conform with the preliminary presentation of the Combined Group.

(a) In the Statement of Income, "Programming and other direct costs of services" has been reclassified to "Transmission costs, programming costs and costs of goods sold" to conform with the preliminary presentation of the Combined Group.

(b) In the Statement of Income, "Related-party fees and allocations" have been reclassified out between "Other operating expenses" and "Other income" to conform with the preliminary presentation of the Combined Group.

(c) In the Statement of Income, "Impairment, restructuring and other operating items" have been reclassified out between "Wages, salaries and pension costs" and "Other expenses" to conform with the preliminary presentation of the Combined Group.

(d) In the Statement of Income, "Interest expense" has been reclassified to "Financial expenses". Also "Other income" has been reclassified to "Financial income" and "Share of (loss) profit of associates" to conform with the preliminary presentation of the Combined Group.

(e) In the Statement of Income, "Selling, general and administrative (SG&A)" has been reclassified to "Wages, salaries and pension costs" and "Other operating expenses" to conform with the preliminary presentation of the Combined Group.

(f) In the Statement of Income, "Depreciation and amortization" has been reclassified to "Amortization" and "Depreciation and impairment losses" to conform with the preliminary presentation of the Combined Group.

(g) In the Statement of Income, "Net earnings attributable to parent entity" has been reclassified to "Net income attributable to equity holders of the parent company" to conform with the preliminary presentation of the Combined Group.

*Statement of Financial Position as at June 30, 2019*

The presentation order of UPC Switzerland historical financial statements has been adjusted to conform with the preliminary Combined Group presentation which lists the assets in order of maturity from longest to shortest, and of liquidity, from least liquid to most liquid.

| (CHFk) | UPC Switzerland historical financial information | Reclassifications | Notes | UPC Switzerland historical information under pro forma presentation |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Goodwill ** | 2'853'900 | - | | 2'853'900 |
| Intangible assets | - | 42'700 | (a) (c) | 42'700 |
| Property, plant and equipment | 1'218'900 | (27'100) | (a) (d) | 1'191'800 |
| Right-of-use assets | - | 127'800 | (d) | 127'800 |
| Non-current derivative assets * | - | - | | - |
| Non-current portion of trade and other receivables | - | 4'100 | (b) | 4'100 |
| Non-current portion of contract assets | - | - | | - |
| Non-current portion of prepaid expenses | - | 4'200 | (b) | 4'200 |
| Non-current portion of contract costs *** | - | - | | - |
| Other assets | 180'700 | (180'700) | (a) (b) (d) | - |
| Investments * | - | 31'000 | (b) | 31'000 |
| **Total non-current assets** | **4'253'500** | | | **4'255'500** |
| **Current assets** | | | | |
| Inventories | - | 5'400 | (c) | 5'400 |
| Current portion of trade and other receivables | 142'900 | 25'800 | (c) | 168'700 |
| Related-party receivables | 15'900 | (15'900) | (c) | - |
| Current portion of contract assets | - | 5'000 | (c) | 5'000 |
| Current portion of derivative assets * | - | - | | - |
| Current portion of contract cost * | - | 6'900 | (c) | 6'900 |
| Current portion of prepaid expenses | - | 3'600 | (c) | 3'600 |
| Cash and cash equivalents | 700 | - | | 700 |
| Other current assets | 32'800 | (32'800) | (c) | - |
| **Total current assets** | **192'300** | | | 190'300 |
| **Total assets** | **4'445'800** | | | **4'445'800** |

Notes

* Additional financial statement lines items have been added to conform with the preliminary presentation of the Combined Group.

** In the Statement of Financial Position, "Goodwill" was not separately reported by Sunrise but has been broken out to conform with the preliminary presentation of the Combined Group.

*** In the Statement of Financial Position, "Contract costs" as historically reported by Sunrise has been renamed to "Non-current portion of contract costs" to conform with the preliminary presentation of the Combined Group.

(a) Within the non-current assets section a share of "Other assets" and "Property, plant and equipment" have been reclassified to "Intangible assets" to conform with the preliminary presentation of the Combined Group.

(b) Within the non-current assets section, a share of "Other assets" have been reclassified to "Non-current portion of trade and other receivables" and "Non-current portion of prepaid expenses".

(c) Within the current assets section, "Related-party receivables" have been reclassified to "Current portion of trade and other receivables". Also, "Other current assets" have been reclassified to "Current portion of contract cost", "Current portion of contract assets", "Current portion of trade and other receivables", "Inventories" and "Intangible assets" to conform with the preliminary presentation of the Combined Group.

(d) Within the non-current assets section, a share of "Other assets" and "Property, plant and equipment" has been reclassified to "Right-of-use assets" to conform with the preliminary presentation of the Combined Group.

| (CHFk) | UPC Switzerland historical financial information | Reclassifications | Notes | UPC Switzerland historical information under pro forma presentation |
|---|---|---|---|---|
| **Equity** | | | | |
| Common shares | - | - | | - |
| Share premium | - | 3’713’900 | (f) | 3’713’900 |
| Other reserves | - | - | | - |
| Accumulated profit / (deficit) | - | (21’800) | (g) | (21’800) |
| Accumulated other comprehensive loss, net of taxes | (21’800) | 21’800 | (g) | - |
| Net parent investment | 3’713’900 | (3’713’900) | (f) | - |
| **Capital and reserves attributable to owners **** | **3’692’100** | **-** | | **3’692’100** |
| Non-controlling interests * | 18’800 | - | | 18’800 |
| **Total equity** | **3’710’900** | **-** | | **3’710’900** |
| **Non-current liabilities** | | | | |
| Non-current portion of loans and notes | - | - | | - |
| Non-current derivative liabilities * | - | - | | - |
| Non-current portion of lease liabilities | - | 116’700 | (h) | 116’700 |
| Non-current portion of trade and other payables | - | - | | - |
| Deferred tax liabilities | - | 20’500 | (h) | 20’500 |
| Non-current portion of provisions | - | - | | - |
| Employee benefit obligations | - | 11’800 | (h) | 11’800 |
| Non-current portion of contract liabilities | - | 3’400 | (h) | 3’400 |
| Other long-term liabilities | 139’600 | (139’600) | (h) | - |
| Long-term debt and capital lease obligations | 12’800 | (12’800) | (h) | - |
| **Total non-current liabilities** | **152’400** | | | **152’400** |
| **Current liabilities** | | | | |
| Current portion of lease liabilities | - | 18’700 | (e) | 18’700 |
| Current portion of loans and notes * | - | 129’300 | (e) | 129’300 |
| Current portion of trade and other payables | 39’300 | 72’500 | (e) | 111’800 |
| Current portion of derivative liabilities * | - | - | | - |
| Related party payables | 72’500 | (72’500) | (e) | - |
| Income tax payable | - | - | | - |
| Current portion of provisions | - | 10’500 | (e) | 10’500 |
| Deferred revenue | 164’600 | (164’600) | (e) | - |
| Current portion of contract liabilities | - | 164’600 | (e) | 164’600 |
| Current portion of debt and finance lease obligations | 133’300 | (133’300) | (e) | - |
| Other current liabilities | 172’800 | (25’200) | (e) | 147’600 |
| **Total current liabilities** | **582’500** | | | **582’500** |
| **Total liabilities** | **734’900** | **-** | | **734’900** |
| **Total equity and liabilities** | **4’445’800** | **-** | | **4’445’800** |

Notes

* Additional financial statement lines items have been added to conform with the preliminary presentation of the Combined Group.

** In the Statement of Financial Position, the “Capital and reserves attributable to owners” subtotal was not previously reported by Sunrise but has been broken out to conform with the preliminary presentation of the Combined Group.

(e) Within the current liabilities section, “Related party payables” have been reclassified to “Current portion of trade and other payables”. Also, “Current portion of debt and lease obligations” have been reclassified to “Current portion of lease liabilities” and “Current portion of loans and notes” Additionally, “Deferred revenue”, has been reclassified to “Current portion of contract liabilities”. Further, “Other current liabilities” have been reclassified to “Current portion of lease liabilities” and “Current portion of provisions” to conform with the preliminary presentation of the Combined Group.

(f) Within the Equity section, “Net parent investment” has been reclassified to “Share premium” to conform with the preliminary presentation of the Combined Group.

(g) Within the Equity section, “Accumulated other comprehensive loss, net of taxes” has been reclassified to “Accumulated profit / (deficit)” to conform with the preliminary presentation of the Combined Group.

(h) Within the Non-current liabilities section, “Long-term debt and capital lease obligations” have been reclassified to “Non-current portion of lease liabilities”. Also, “Other long-term liabilities” have been reclassified to “Deferred tax liabilities”, “Non-current portion of lease liabilities”, “Employee benefit obligations” and “Non-current portion of contract liabilities” to conform with the preliminary presentation of the Combined Group.

*Statement of Financial Position as at December 31, 2018*

| (CHFk) | UPC Switzerland historical financial information | Reclassifications | Notes | UPC Switzerland historical information under pro forma presentation |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Goodwill ** | 2’853’900 | - | | 2’853’900 |
| Intangible assets | - | 76’600 | (a) (c) | 76’600 |
| Property, plant and equipment | 1’210’500 | (45’600) | (a) | 1’164’900 |
| Non-current derivative assets * | - | - | | - |
| Non-current portion of trade and other receivables | - | 3’800 | (b) | 3’800 |
| Non-current portion of contract assets | - | - | | - |
| Non-current portion of prepaid expenses | - | 8’000 | (b) | 8’000 |
| Non-current portion of contract costs *** | - | - | | - |
| Other assets | 70’600 | (70’600) | (a) (b) | - |
| Investments * | - | 29’500 | (b) | 29’500 |
| **Total non-current assets** | **4’135’000** | | | **4’136’700** |
| **Current assets** | | | | |
| Inventories | - | 3’300 | (c) | 3’300 |
| Current portion of trade and other receivables | 235’400 | 49’800 | (c) | 285’200 |
| Related-party receivables | 14’600 | (14’600) | (c) | - |
| Current portion of contract assets | - | 2’900 | (c) | 2’900 |
| Current portion of derivative assets * | - | - | | - |
| Current portion of contract cost * | - | 3’800 | (c) | 3’800 |
| Current portion of prepaid expenses | - | - | | - |
| Cash and cash equivalents | 400 | - | | 400 |
| Other current assets | 46’900 | (46’900) | (c) | - |
| **Total current assets** | **297’300** | | | **295’600** |
| **Total assets** | **4’432’300** | | | **4’432’300** |

Notes

* Additional financial statement lines items have been added to conform with the preliminary presentation of the Combined Group.

** In the Statement of Financial Position, “Goodwill” was not separately reported by Sunrise but has been broken out to conform with the preliminary presentation of the Combined Group.

*** In the Statement of Financial Position, “Contract costs” as historically reported by Sunrise has been renamed to “Non-current portion of contract costs” to conform with the preliminary presentation of the Combined Group.

(a) Within the non-current assets section a share of “Other assets” and ”Property, plant and equipment” have been reclassified to “Intangible assets” to conform with the preliminary presentation of the Combined Group.

(b) Within the non-current assets section, a share of “Other assets” have been reclassified to “Non-current portion of trade and other receivables” and “Non-current portion of prepaid expenses”. Also, a share of “Other assets” has been reclassified to “Investments” to conform with the preliminary presentation of the Combined Group.

(c) Within the current assets section, “Related-party receivables” have been reclassified to “Current portion of trade and other receivables“. Also, “Other current assets” have been reclassified to “Current portion of contract cost”, “Current portion of contract assets”, “Current portion of trade and other receivables”, “Inventories” and “Intangible assets” to conform with the preliminary presentation of the Combined Group.

| (CHFk) | UPC Switzerland historical financial information | Reclassifications | Notes | UPC Switzerland historical information under pro forma presentation |
|---|---|---|---|---|
| **Equity** | | | | |
| Common shares | - | - | | - |
| Share premium | - | 3'741'500 | (f) | 3'741'500 |
| Other reserves | - | - | | - |
| Accumulated profit / (deficit) | - | (20'900) | (g) | (20'900) |
| Accumulated other comprehensive loss, net of taxes | (20'900) | 20'900 | (g) | - |
| Net parent investment | 3'741'500 | (3'741'500) | (f) | - |
| **Capital and reserves attributable to owners **** | **3'720'600** | **-** | | **3'720'600** |
| Non-controlling interests * | 19'700 | | | 19'700 |
| **Total equity** | **3'740'300** | | | **3'740'300** |
| **Non-current liabilities** | | | | |
| Non-current portion of loans and notes | - | - | | - |
| Non-current derivative liabilities * | - | - | | - |
| Non-current portion of lease liabilities | - | 15'200 | (d) | 15'200 |
| Non-current portion of trade and other payables | - | 10'300 | (d) | 10'300 |
| Deferred tax liabilities | - | 18'400 | (d) | 18'400 |
| Non-current portion of provisions | - | 1'400 | (d) | 1'400 |
| Employee benefit obligations | - | 15'300 | (d) | 15'300 |
| Non-current portion of contract liabilities | - | 1'200 | (d) | 1'200 |
| Other long-term liabilities | 46'600 | (46'600) | (d) | - |
| Long-term debt and capital lease obligations | 15'200 | (15'200) | (d) | - |
| **Total non-current liabilities** | **61'800** | | | **61'800** |
| **Current liabilities** | | | | |
| Current portion of lease liabilities | - | 1'300 | (e) | 1'300 |
| Current portion of loans and notes * | - | 110'700 | (e) | 110'700 |
| Current portion of trade and other payables | 52'300 | 67'300 | (e) | 119'600 |
| Current portion of derivative liabilities * | - | - | | - |
| Related party payables | 67'300 | (67'300) | (e) | - |
| Income tax payable | - | - | | - |
| Current portion of provisions | - | 3'900 | (e) | 3'900 |
| Deferred revenue | 234'300 | (234'300) | (e) | - |
| Current portion of contract liabilities | - | 234'300 | (e) | 234'300 |
| Current portion of debt and capital lease obligations | 112'000 | (112'000) | (e) | - |
| Other current liabilities | 164'300 | (3'900) | (e) | 160'400 |
| **Total current liabilities** | **630'200** | | | **630'200** |
| **Total liabilities** | **692'000** | | | **692'000** |
| **Total equity and liabilities** | **4'432'300** | | | **4'432'300** |

Notes

* Additional financial statement lines items have been added to conform with the preliminary presentation of the Combined Group.

** In the Statement of Financial Position, the "Capital and reserves attributable to owners" subtotal was not previously reported by Sunrise but has been broken out to conform with the preliminary presentation of the Combined Group.

(d) Within the Non-current liabilities section, "Long-term debt and capital lease obligations" have been reclassified to "Non-current portion of financial leases". Also, "Other long-term liabilities" have been reclassified to "Deferred tax liabilities", "Non-current portion of provisions", "Employee benefit obligations", "Non-current portion of trade and other payables" and "Non-current portion contract liabilities" to conform with the preliminary presentation of the Combined Group.

(e) Within the current liabilities section, "Related party payables" have been reclassified to "Current portion of trade and other payables". Also, "Current portion of debt and lease obligations" have been reclassified to "Current portion of lease liabilities" and "Current portion of loans and notes" to conform with the preliminary presentation of the Combined Group. Additionally, a portion of "Other current liabilities" has been reclassified to "Current portion of provisions" to conform with the preliminary presentation of the Combined Group. Finally, "Deferred revenue", has been reclassified to "Current portion of contract liabilities".

(f) Within the Equity section, "Net parent investment" has been reclassified to "Share premium" to conform with the preliminary presentation of the Combined Group.

(g) Within the Equity section, "Accumulated other comprehensive loss, net of taxes" has been reclassified to "Accumulated profit / (deficit)" to conform with the preliminary presentation of the Combined Group.

**Note 2: The Acquisition and related pro forma adjustments**

***2-a. The Acquisition***

On February 27, 2019, the Company, as buyer, entered into a Share Purchase Agreement with Liberty Global CE Holding BV (the "Seller") and Liberty Global plc as guarantor regarding the sale and purchase of all shares in Liberty Global Europe Financing BV ("LGEF", and together with its subsidiaries, the "UPC Group"). Under the terms of the Share Purchase Agreement, the Company will acquire from the Seller all shares in LGEF for a total enterprise value of CHF 6.3 billion (such purchase of all shares in LGEF, the "Acquisition").

***2-b. Net proceeds from the Rights Offering and debt financing***

Sunrise is currently contemplating a capital increase and a rights offering with expected proceeds of CHF 2.8 billion (the "Rights Offering") to finance the cash component of the Acquisition. Sunrise currently expects the Rights Offering to take place during or after November 2019.

In addition to the Rights Offering, upon completion of the Acquisition, Sunrise intends to fully redeem its CHF 0.2 billion 1.5% senior secured notes due 2024 with the net proceeds received from an upsizing of its CHF 1.4 billion existing term loan facility by CHF 0.3 billion.

***2-c. Consideration transferred and purchase accounting***

The principles applied to account for the Acquisition of UPC Group are those defined in IFRS 3 Business Combinations. The difference between the estimated consideration transferred for the UPC Group shares and the preliminary fair value of identifiable net assets of UPC Group is recognized as preliminary goodwill. The date of the Acquisition is expected to be in or after November 2019, at which date the final fair value of the consideration transferred and the fair value of the acquired net assets of UPC Group will be determined.

Under the terms of the Share Purchase Agreement, the parties have agreed to an estimated purchase price of CHF 6.3 billion. The Company will finance the Acquisition through a combination of the proceeds from the Rights Offering and the assumption of outstanding senior notes and senior secured credit facilities (relating to the outstanding senior secured notes issued by UPCB Finance IV Limited and UPCB Finance VII Limited) for an aggregate principal amount of approximately CHF 3.7 billion including the hedging portfolio, resulting in a residual cash payment from the Company to the Seller of approximately CHF 2.6 billion.

The Unaudited Pro Forma Combined Financial Information reflects a preliminary purchase accounting of the identifiable assets acquired and liabilities assumed of UPC Group as of January 1, 2018 detailed below.

| | **CHF millions** |
|---|---|
| **Consideration transferred** | **6'300** |
| Non-controlling interests of UPC Switzerland | 21 |
| **Sub-total** | **6'321** |
| Net assets as reported by UPC Switzerland on January 1, 2018 | 3'703 |
| Elimination of UPC Switzerland Goodwill on January 1, 2018 | (2'854) |
| **Sub-total** | **849** |
| **Preliminary purchase accounting** | |
| Intangible assets step-up | 1'730 |
| Fair value of debt step-up | (175) |
| Deferred tax liability | (300) |
| **Preliminary fair value of net assets acquired** | 2'104 |
| **Preliminary goodwill** | **4'217** |

The preliminary purchase accounting, further described in Notes 2-d and 2-e, has been solely performed for illustrative purposes in the Unaudited Pro Forma Combined Financial Information.

The calculated preliminary goodwill represents the difference between the estimated purchase price and the preliminary fair value of identifiable net assets of UPC Group on 1 January 2018. It should be noted that this amount is provisional only. Upon the Acquisition, all assets and liabilities will be subject to the assessment of their fair value as part of the purchase price allocation. Therefore, the fair value for the acquired identifiable assets, liabilities assumed and the resulting goodwill ultimately recorded in Sunrise Group's financial statements may not correspond to the amounts presented here.

IFRS 3 requires that at the acquisition date the acquirer shall recognize separately from goodwill, the identifiable assets acquired and the liabilities assumed. Identifiable assets acquired and liabilities assumed should be measured at their acquisition-date fair values. This may also result in recognizing some assets and liabilities that the acquiree had not previously recognized as assets and liabilities in its financial statements.

Sunrise has at this stage only had limited access related to information with regards to the components of UPC Group's assets and liabilities, and those not reported in the financial statements but potentially to be recognized on acquisition.

For purpose of the Unaudited Pro Forma Statement of Income the preliminary step-ups to Intangible assets reflected in the Unaudited Pro Forma Combined Financial Information have been amortized over weighted average estimated remaining useful life of approximately 13.8 years.

The corresponding amortization adjustments are reflected in the Unaudited Pro Forma Statement of Income. As a result, the final purchase accounting and the related estimated remaining useful lives could differ materially from the preliminary allocation reflected in the Unaudited Pro Forma Combined Financial Information.

For purpose of the Pro Forma Statement of Income, interest expense related to the preliminary fair value of debt is reflected in the Unaudited Pro Forma Combined Financial Information using an effective interest rate of approximately 3.0%.

The Unaudited Pro Forma Combined Financial Information has been prepared based on the preliminary purchase accounting detailed above. Due to Sunrise's limited access to information relating to the components of UPC Switzerland's property, plant and equipment, the Unaudited Pro Forma Combined Financial Information does not reflect a fair value step up to "Property, plant and equipment" or the related depreciation impact.

For each CHF 1.0 billion increase in the value allocated to the "Property, plant and equipment" as part of the purchase accounting, "Goodwill" will be decreased by CHF 1.0 billion. Additionally, assuming an average useful life of 10 years, "Depreciation and impairment losses" expense would increase by approximately CHF 0.1 billion over a twelve month period for each CHF 1 billion increase in the value allocated to the "Property, plant and equipment".

***2-d. Acquisition related pro forma adjustments made to the Unaudited Pro Forma Statement of Financial Position as at June 30, 2019 and at December 31, 2018***

Unless otherwise indicated, pro forma adjustments are determined before tax effect.

***(1) Purchase accounting***

Some adjustments have been made to reflect the preliminary purchase accounting in the Unaudited Pro Forma Statement of Financial Position as at June 30, 2019 and at December 31, 2018.

Only certain assets and liabilities, which were deemed the most significant, have been considered as part of this preliminary purchase accounting. Following completion of the Acquisition, definitive and comprehensive valuations will be performed which will include additional assets and liabilities which were out of scope of the preliminary valuation. Those valuations and the related purchase accounting will be finalized based upon valuations and other studies that will be performed with the services of outside valuation specialists.

Definitive valuations may differ materially from the preliminary purchase accounting reflected in the Unaudited Pro Forma Combined Financial Information as a result of a number of risks, uncertainties or assumptions, many of which are difficult to predict and may fluctuate due to market conditions by the effective date of the Acquisition.

To account for the preliminary purchase accounting and the resulting differences between the book values of assets acquired and liabilities assumed and their preliminary fair values, adjustments have been made to the following items:

- Debt and Derivatives

Sunrise does not only acquire UPC Switzerland, but also certain existing debt and derivatives of Liberty Global. The debt and derivatives to be assumed by Sunrise are currently and principally held in a number of Dutch holding companies ("HoldCos"). For this reason, the transaction perimeter will include not only UPC Switzerland, but also the HoldCos that hold the debt and derivatives that Sunrise will assume as part of the overall financing of the Acquisition.

To include the derivative portfolio that Sunrise will assume as part of the acquisition, adjustments were made to the Unaudited Pro Forma Statement of Financial Position as at June 30, 2019 and at December 31, 2018. These adjustments include a CHF 277,600 thousand adjustment to "Non-current derivative assets", a CHF 84,000 thousand adjustment to "Current portion of derivative assets", a CHF 378,200 thousand adjustment to "Non-current derivative liabilities" and a CHF 101,900 thousand adjustment to "Current portion of derivative liabilities". All derivative adjustments reflect the fair value of the derivative portfolio as of June 30, 2019. No further adjustments were made to the value of the derivative portfolio in the Unaudited Pro Forma Combined Financial Information due to the fact that the future performance of the derivative portfolio could not be forecasted by Sunrise management. Additionally, following the Acquisition, Sunrise plans to restructure the assumed derivative portfolio.

For the purpose of the Unaudited Pro Forma Statement of Financial Position as at June 30, 2019 and at December 31, 2018 a CHF 3,539,600 thousand adjustment was made to the "Non-current portion of loans and notes" and a

CHF 72,700 thousand adjustment to "Other current liabilities" to include the debt portfolio that Sunrise will assume as part of the acquisition. An increase to the value of "Non-current portion of loans and notes" for an amount of CHF 175,000 thousand has been reflected in the Unaudited Pro Forma Statement of Financial Position as at June 30, 2019 and at December 31, 2018. This amount corresponds to the estimated difference between the fair value of UPC Switzerland Non-current portion of loans and notes and the carrying book value of those liabilities.

- Accrued Interest

An increase to the accrued interest related to the assumption of debt and the refinancing of historical Sunrise loans for an amount of CHF 169,267 thousand and CHF 113,411 thousand has been reflected in the "Non-current portion of trade and other payables" line in the unaudited Pro Forma Statement of Financial Position as at June 30, 2019 and at December 31, 2018, respectively.

- Intangible assets

An increase to the value of "Intangible assets" for an amount of CHF 1,518,725 thousand and CHF 1,585,750 thousand has been reflected in the Unaudited Pro Forma Statement of Financial Position as at June 30, 2019 and at December 31, 2018, respectively. This amount corresponds to the estimated difference between the fair value of UPC Switzerland Intangible assets and the carrying book value of those assets as of each period end.

The fair value of those assets has been determined using various valuation methods such as the market approach and cash flow projection methods. The valuations are based on preliminary assumptions which are affected by several external factors, such as market prices and foreign exchange rates. Those input parameters may fluctuate by the effective date of the Acquisition and then affect significantly the final fair value of those assets and the related step-ups.

- Goodwill

"Goodwill" relating to the Acquisition has been recorded for an amount of CHF 4,217,315 thousand, consisting of the remaining balance not allocated as part of the preliminary purchase accounting. To arrive at this preliminary "Goodwill" amount, an adjustment of CHF 1,363,415 thousand was recorded as at June 30, 2019 and at December 31, 2018.

The goodwill being ultimately determined by difference between the consideration transferred and the fair value of the acquired UPC Group identifiable net assets may significantly fluctuate by the effective date of the Acquisition. As a result, the final goodwill may consequently differ materially from the amount reflected in the Unaudited Pro Forma Combined Financial Information.

- Deferred taxes

An increase to the "Deferred tax liabilities" for an amount of CHF 259,759 thousand and CHF 273,198 thousand has been reflected in the Unaudited Pro Forma Statement of Financial Position as at June 30, 2019 and at December 31, 2018, respectively.

***(2) Net proceeds from the Offering and incremental borrowing of Sunrise debt***

For the purpose of the Unaudited Pro Forma Combined Financial Information it is assumed that the maximum number of Offered Shares will be issued and equity will thus be increased by CHF 2.8 billion (i.e, 38,435 thousand Offered Shares at a June 30, 2019 closing share price of CHF 72.85), resulting in an increase of Common stock and Share premium by CHF 38,435 thousand and CHF 2,638,413 thousand respectively. The assumed gross proceeds of CHF 2.8 billion are reduced by an estimated amount of issuance costs of CHF 123,152 thousand.

In conjunction with the Rights Offering, it is assumed that for the purpose of the Unaudited Pro Forma Combined Financial Information that CHF 0.2 billion of "Non-current portion of loans and notes" was repaid and that CHF 0.3 billion of "Non-current portion of loans and notes" was borrowed as at June 30, 2019 and at December 31, 2018. The incremental pro forma interest expense was recorded as an increase to "Non-current portion of trade and other payables" in the amount of CHF 1,625 thousand and CHF 1,125 thousand as at June 30, 2019 and at December 31, 2018, respectively.

***(3) Transaction costs***

The total estimated costs related to the Acquisition amount to CHF 83,140 thousand, before tax, and mainly consist of advisor fees and other one-off Acquisition costs. An increase to the "Non-current portion of trade and other payables" for an amount of CHF 73,371 thousand and CHF 83,140 thousand has been reflected in the Unaudited Pro Forma Statement of Financial Position as at June 30, 2019 and at December 31, 2018, respectively.

The estimated remaining Acquisition costs are not expected to have a recurring impact on the Combined Group's operating performance going forward, upon completion of the Acquisition.

*(4) Tax effect on adjustments*

For all purchase accounting related adjustments, UPC Switzerland's effective tax rate of 19.3% was used to derive tax related impacts. All other tax related adjustments were calculated using a blended UPC Switzerland and Sunrise tax rate of 20.1%.

***2-e. Acquisition related Pro Forma adjustments made to the Unaudited Pro Forma Statement of Income for the six-month period ended June 30, 2019 and the year ended December 31, 2018***

*(1) Amortization of Intangible assets*

An adjustment has been made to reflect the amortization expense related to the step-up in value of Intangible assets arising from the purchase accounting for CHF 67,025 thousand and CHF 134,250 thousand for the six-month period ended June 30, 2019 and the year ended December 31, 2018, respectively.

For the purposes of the Unaudited Pro Forma Statement of Income, this adjustment has been fully reflected under the "Amortization" line. The amount of the amortization expense may ultimately change based on the fair value allocated to the Intangible assets in the final purchase accounting upon completion of the Acquisition.

*(2) Interest expense*

Interest expense in the Unaudited Pro Forma Statement of Income for the six-month period ended June 30, 2019 and the year ended December 31, 2018 has been adjusted for CHF 55,856 thousand and CHF 113,411 thousand, respectively.

*(3) Tax effect on adjustments*

Tax related adjustments were calculated using a blended UPC Switzerland and Sunrise tax rate of 20.1%.

*(4) Earnings per share*

The pro forma weighted average number of Shares outstanding during the periods presented has been based on the total of the weighted average number of Shares outstanding for the six-month period ended June 30, 2019 and the year ended December 31, 2018 as disclosed in the unaudited condensed consolidated interim financial statements and the audited consolidated financial statements of Sunrise Communications Group AG included elsewhere in this Offering Circular, respectively. Additionally, the weighted average number of Shares outstanding for the periods are adjusted by the 38,435 thousand Offered Shares, expected to be issued for the purposes of the Acquisition.

**Independent practitioners's assurance report**

on the compilation of Pro Forma Financial Information included in a Prospectus

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To the Board of Directors of
**Sunrise Communications Group AG, Zurich**

Zurich, September 29, 2019

**Assurance report on the compilation of Pro Forma Financial Information included in a Prospectus**

We have completed our assurance engagement to report on the compilation of Pro Forma Financial Information of Sunrise Communications Group AG (the "Company") by the Board of Directors. The Pro Forma Financial Information consists of Pro Forma Statements of Income for the six-month period ended June 30, 2019 and for the twelve-month period ended December 31, 2018, Pro Forma Statements of Financial Position as at June 30, 2019 and as at December 31, 2018, and explanatory notes, as set out in the Offering Memorandum issued by the Company. The applicable criteria on the basis of which the Board of Directors has compiled the Pro Forma Financial Information are specified in the *SIX Swiss Exchange Directive on the Presentation of a Complex Financial History in the Listing Prospectus* and described in the notes (applicable criteria).

The Pro Forma Financial Information has been compiled by the Board of Directors to illustrate the impact of the transaction as set out in the explanatory notes and the related financing transactions (collectively "Transactions") on the Company's:

- financial position as at December 31, 2018 and June 30, 2019, as if the Transaction had taken place at January 1, 2018; and

- financial performance for the period ended December 31, 2018 and June 30, 2019, as if the Transaction had taken place at January 1, 2018.

As part of this process, information about the Company's financial position and financial performance has been extracted by the Board of Directors from the Company's Consolidated Financial Statements for the year ended December 31, 2018, on which an audit report has been published, and from the Condensed Consolidated Interim Financial Statements for the six-month period ended June 30, 2019, on which a review report has been published.

**The Board of Directors' responsibility for the Pro Forma Financial Information**

The Board of Directors is responsible for compiling the Pro Forma Financial Information on the basis of the applicable criteria.

**Independence and quality control**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies *International Standard on Quality Control 1* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Practitioner's responsibilities**

Our responsibility is to express an opinion, as required by the *SIX Swiss Exchange Directive on the Presentation of a Complex Financial History in the Listing Prospectus*, about whether the Pro Forma Financial Information has been compiled, in all material respects, by the Board of Directors on the basis of the applicable criteria.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus,* issued by the International Auditing and Assurance Standards Board. This standard requires that the practitioner plan and perform procedures to obtain reasonable assurance about whether the Board of Directors has compiled, in all material respects, the Pro Forma Financial Information on the basis of the applicable criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transactions at January 1, 2018 would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the practitioner's judgment, having regard to the practitioner's understanding of the nature of the Company, the event or transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

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

**Opinion**

In our opinion, the Pro Forma Financial Information has been compiled, in all material respects, on the basis of the applicable criteria and such basis is consistent with the accounting policies of Sunrise Communications Group AG.

Ernst & Young Ltd

Tobias Meyer
Licensed audit expert

Willy Hofstetter
Licensed audit expert