

# Sunrise

# Annual General Meeting 2019

**Invitation for the Shareholders of  
Sunrise Communications Group AG**

Wednesday, April 10, 2019, 10:30 a.m. (Admission from 10:00 a.m.)  
Lake Side, Bellerivestrasse 170, 8008 Zurich



# Overview

## Agenda and Proposals

- 1 Approval of the Operational and Financial Review, the Consolidated Financial Statements and the Statutory Financial Statements for 2018**
- 2 Resolution on the Appropriation of Results and Distribution from Capital Contribution Reserves**
  - 2.1 Appropriation of Results
  - 2.2 Distribution from Capital Contribution Reserves
- 3 Discharge of the Members of the Board of Directors and the Executive Leadership Team**
- 4 Election and Re-elections to the Board of Directors, Re-election of the Chairman of the Board of Directors, Re-elections to the Compensation Committee and Re-election of the Chairman of the Compensation Committee**
  - 4.1 Election and Re-elections to the Board of Directors and Re-election of the Chairman of the Board of Directors
  - 4.2 Re-elections to the Compensation Committee and Re-election of the Chairman of the Compensation Committee
- 5 Election of the Independent Proxy**
- 6 Re-election of the Auditor**
- 7 Compensation**
  - 7.1 Consultative Vote on the Compensation Report for the 2018 Financial Year
  - 7.2 Approval of the Maximum Aggregate Compensation for the Members of the Board of Directors for the Period until the following Annual General Meeting

7.3 Approval of the Maximum Aggregate Compensation for the Members of the Executive Leadership Team for the 2020 Financial Year

7.4 Approval of the Increased Maximum Aggregate Compensation for the Members of the Executive Leadership Team for the 2019 Financial Year

## **8 Amendments to the Articles of Incorporation**

8.1 Reduction and Renewal of Authorized Share Capital Pursuant to Article 3a

8.2 Renewal of Authorized Share Capital for Employee Participation Pursuant to Article 3b

8.3 Amendment to the General Compensation Principles

8.4 Change of the Registered Office

The Invitation to the Annual General Meeting is published in English and German. The German version shall prevail.

# Message to Shareholders



**Peter Kurer**

Chairman of the Board (right)

**Olaf Swantee**

Chief Executive Officer (left)

**Dear Shareholders,**

Fiscal year 2018 was a very successful year for Sunrise. We were able to achieve a gross profit and adjusted EBITDA growth, supported by improved B2B financials and our appealing offers for mobile and landline customers. The total shareholder return on Sunrise stock amounted to +2% in 2018, which surpassed the performance of its peer index. Thanks to a number of initiatives Sunrise implemented, our customers continue to enjoy better and better service quality. As an example, only Sunrise customers can rely on support in the area of fiber connections from a personal advisor on a dedicated onboarding team. In addition, our customers have the best service experience industry-wide at our shops in regard to short wait times and highly professional and proficient advice – according to the connect Shop Test 2018. Such achievements have helped Sunrise expand its position as the leading competitor in the Swiss telecommunications market during the past year, thus also strengthening its position as an agile, refreshing, customer-focused, and innovative alternative to Swisscom, the government-controlled market leader.

### **Solid results thanks to superior quality and competitive rates**

Mounting competition did not keep Sunrise from gaining market share by growing its net customer base to a total of 3.5 million subscriptions. This growth was supported by an increase of 134,800 new subscriptions in the mobile postpaid sector (+8.5%). Compared to the previous year, the Internet sector also grew by a total of 35,100 new subscriptions (+8.3%). And as in the previous year, once again Sunrise Smart TV turned out to be a strong growth driver with an increase of 30,200 subscriptions (+14.1%). Overall, strong customer growth compensated for the ongoing price pressure in the market. Revenue increased by 1.2% year over year with an immaterial impact of the initial application of IFRS 15 as of January 1, 2018. The revenue growth was mainly based on customer growth in mobile postpaid, landline Internet and TV as well as on higher hardware revenue. Adjusted EBITDA 2018 represents a flat year-over-year development. The higher network service fees, following the disposal of Swiss Towers AG, the subsidiary, in August 2017, had a negative impact on adjusted EBITDA. Excluding those higher network service fees, adjusted EBITDA rose by 3.4% year over year.

### **Sunrise share performance in 2018**

The Sunrise stock price decreased by –3% in 2018 and increased by +27% since the IPO in February 2015. By comparison, in 2018 the Swiss Performance Index (SPI) reported a decrease of 9%, and the STOXX Europe 600 Telecommunications Index (€) decreased by 8%. Combined with the dividend paid in April, our shareholders earned a total return (share price change and dividend) of 2%.

### **2018 dividend**

At the Annual General Meeting, the distribution of a higher ordinary dividend of CHF 4.20 per share (compared to last year) will be proposed. This corresponds to a total dividend of approximately CHF 189 million and an attractive dividend growth of 5% over the previous year.

### **First-class infrastructure and a high level of security**

As in previous years, Sunrise won several awards in 2018: The Swiss business magazine BILANZ confirmed once again in its independent survey, the largest annual customer survey in the Swiss telecom market, that Sunrise remains the best universal provider for residential customers and small and medium-sized enterprises. Furthermore, the BILANZ Telekom Rating 2018 confirmed that Sunrise is far ahead of its main competitors in terms of quality, innovation, and support in the areas of mobile telephony, Internet, landline voice, and TV.

**5G will let us bring broadband connections to customers with no access to fiber connections.**

**Olaf Swantee**

Chief Executive Officer



**Sunrise has achieved organic growth in both EBIDTA and profit and is proposing a 5% dividend increase for 2018.**

**Peter Kurer**  
Chairman of the Board

In the mobile network test conducted by connect, Europe's largest trade journal, the Sunrise network was rated "outstanding" for the third consecutive time. It is the most reliable network for data and, thanks to its excellent coverage, indisputably offers the best voice services. A minute score difference of 0.1% (1 point on a 1,000-point scale) prevented Sunrise from winning the third consecutive test and thus scoring a hat trick. Nevertheless, as "The Unlimited Company" and leading challenger, Sunrise is demonstrating what intense competition can make possible: Its award-winning network is one of the best in the world.

Having attained an excellent geographic coverage of more than 96% of Switzerland, Sunrise currently offers the highest 4G area coverage in Switzerland and supplies the Swiss population with top-quality mobile broadband services. This also means that Sunrise offers mobile broadband Internet connections in areas where satisfactory Internet access is not available over the landline network. At up to 900 Mbit/s (4G+), the Sunrise mobile network already offers near fiber-optic network speeds "over the air" for 80% of the Swiss population.

Early in 2018, Sunrise entered into a new fiber optics access agreement with SFN (Swiss Fibre Net AG) and IWB (Basel Industrial Works) and also renewed its partnership with SIG (Geneva Industrial Services). In doing so, Sunrise continues to secure future-oriented and long-term autonomy regarding important digital infrastructures in all three regions of Switzerland. With the fiber optics partnerships, Sunrise is gaining long-term independence in the largest cities and

metropolitan areas and is seizing the best opportunity available to deliver its services over fiber-optic cables all the way to homes and businesses. Later in the year, Swisscom and Sunrise agreed to renew the existing commercial agreement for landline access. Based on roughly similar economic terms, the agreement will be valid from January 1, 2019 to June 30, 2022. It will allow Sunrise to continue using Swisscom broadband access, including FTTH and xDSL, to deliver connectivity, Internet, voice and TV services. The contract extension is in line with the Sunrise strategy of underpinning Internet growth with FTTH partnerships in urban areas, with mobile broadband and with the Swisscom agreement.

An external audit again confirmed the certification of the Sunrise information security management system (ISMS). This makes Sunrise the first and only telecom provider in Switzerland to satisfy the technical infrastructure and operational process requirements of the stringent ISO 27001 certification standard on a company-wide basis. Business customers, in particular, consider this an essential indicator of quality.

### **5G - the fifth generation of mobile communications**

In June, only six months after setting a world record under laboratory test conditions, Sunrise put the first end-to-end standardized Swiss 5G network into operation. 5G is the technology that will 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, just to name a few examples. Until these visions become reality, however, Sunrise believes that "5G for People" offers the greatest potential. With "5G for People", residential 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 residential customers, especially those outside of densely populated areas, since these locations usually do not have fiber optic connections. Consequently, Sunrise, as the Swiss 5G pioneer, launched its second 5G network and the world's first standardized 5G network at a ski resort - at Laax on Crap Sogn Gion mountain (2252 m above sea level).

### **Increased focus on the under-30 segment**

Along with our attention to network quality, innovative converged offers for residential customers and the business customer segment, we have also been directing more attention to younger customer groups. The youth segment is an important growth segment. Our well-suited response to the digital lifestyle of today's young people was the addition of dedicated services in the relaunched subscriptions area. With these new offers for people under 30, we also launched a new Sunrise Young advertisement campaign. Young people and trainees at Sunrise were heavily involved in the campaign development. While this was an initial step to strengthen the Sunrise position in the young segment, we will go further based on the insight we have gained from our "smartphone youth study." A key element of it will be the new "Sunrise Young Voices" program. With this program, Sunrise will learn how to better meet the needs of young people in order to offer a unique service that meets their digital lifestyles. The program will include regular exchange meetings of young customer groups and Sunrise managers involving the highest management level.

### **Expansion of the business customer sector**

Sunrise continues to expand its services for business customers as well. Few companies will be capable of managing the radical changes the digital revolution has brought about without any outside help. Strategic partnerships with global leaders were a crucial contributor to customer growth as well. Together with its partners Cisco, Microsoft, Alcatel-Lucent Enterprise, ngena, Huawei, Apple and Samsung, Sunrise introduced cloud-based apps and the most technologically advanced cloud-based Internet, VPN, as well as WLAN services to its customers. Thanks to having the best network in Switzerland, Sunrise provides the best combination of mobile and connectivity services with its "Unlimited Mobile Workspace," which includes landline calling in cloud-based apps with chat, e-mail, video, and file and desktop sharing features. This service allows the Company's business customers to work securely and conveniently from their mobile offices and reduces their costs by up to 65%.

The Company's partnership with the FreeMove Alliance, where leading providers unite to offer their customers coordinated services throughout the world, has become an important competitive advantage. In cooperation with FreeMove, Sunrise has been able to win several international companies like Swiss International Airlines and Honeywell as customers with its topnotch network quality and exemplary service management.



## Looking ahead

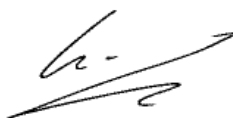
2018 was a very successful year for us. Our goal, however, remains unchanged: We aim to become the most recommended telecommunications provider in Switzerland. There are tremendous challenges ahead of us. We will not be deterred, however, and plan to impress our customers with innovative products and an even higher level of service quality. On behalf of both our shareholders and customers, we will continue to go the extra mile.

## A sincere “thank you”

Despite the challenging market environment, we had many successes in 2018. This shows that we are on the right path with our customer-oriented quality strategy. We will leverage our success to promote the targeted development of Sunrise as a company. Our achievements are due in no small part to our employees and partners - they are the factors that make our Company's success happen. At this point, we would like to thank all of them very much for their tremendous commitment. We would also like to say “thank you” to our customers for their trust in us, and to our shareholders for their loyalty.



Peter Kurer  
Chairman of the Board



Olaf Swantee  
Chief Executive Officer

# Financial KPIs

CHF million  
January 1 - December 31

## Revenue

	<b>2018 as reported</b>	2018 without IFRS 15	2017 <sup>1</sup>	Change reported figures (%)
Mobile services	1,271	1,271	1,231	3.2
– Thereof mobile postpaid	802	805	768	4.5
– Thereof mobile prepaid	96	96	122	(21.3)
– Thereof mobile hardware	279	277	256	9.3
– Thereof other	93	93	85	9.1
Landline services (incl. voice)	325	325	378	(14.0)
– Thereof landline voice	126	126	137	(8.3)
– Thereof hubbing	96	96	128	(25.6)
– Thereof other	104	104	113	(7.9)
Landline Internet and TV	280	279	245	14.5
<b>Total revenue</b>	<b>1,876</b>	<b>1,876</b>	<b>1,854</b>	<b>1.2</b>
Service revenue excl. hubbing & mobile hardware	1,501	1,503	1,470	2.1
<b>Gross profit</b>	<b>1,219</b>	<b>1,223</b>	<b>1,193</b>	<b>2.2</b>
% margin	65.0%	65.2%	64.3%	
% margin (excl. hubbing & hardware revenue)	81.2%	81.3%	81.1%	
<b>EBITDA</b>	<b>602</b>	<b>596</b>	<b>592</b>	<b>1.7</b>
<b>EBITDA adjusted</b>	<b>601</b>	<b>595</b>	<b>601</b>	<b>(0.1)</b>
% margin	32.0%	31.7%	32.4%	
% margin (excl. hubbing & hardware revenue)	40.0%	39.5%	40.9%	
<b>Net income</b>	<b>107</b>	<b>102</b>	<b>505</b>	<b>(78.8)</b>
<b>Cash flow</b>				
Reported EBITDA	602	596	592	1.7
Change in NWC	(49)	(42)	32	(251.4)
Net interest	(30)	(30)	(39)	(23.2)
Tax	(50)	(50)	(31)	60.5
CAPEX	(303)	(303)	(315)	(3.8)
Other financing activities	(21)	(21)	(20)	7.3
<b>Equity free cash flow</b>	<b>149</b>	<b>149</b>	<b>219</b>	<b>(32.2)</b>
Other <sup>2</sup>	(2)	(2)	(159)	(98.7)
<b>Total cash flow</b>	<b>147</b>	<b>147</b>	<b>60</b>	<b>143.1</b>
<b>Net debt</b>	<b>1,194</b>		<b>1,147</b>	<b>4.1</b>
Net debt/adj. EBITDA (LTM)	2.0×		1.9×	
Net debt/pro forma adj. EBITDA (LTM) <sup>3</sup>	2.0×		2.0×	

<sup>1</sup> The Company has initially applied IFRS 15 and IFRS 9 using the partial retrospective method. Under this method, the comparative information is not restated.

<sup>2</sup> 2018 consisted mainly of dividend payment of CHF –180 million, cash inflow due to the refinancing of CHF 185 million, sale of property, plant and equipment of CHF 10 million, movement in pension and provisions of CHF –9 million as well as repayment of capital leases of CHF –7 million.

<sup>3</sup> Based on pro forma adjusted EBITDA taking into account annualized network service fees related to Tower disposal.

January 1 – December 31	2018 as reported	2018 without IFRS 15	2017 <sup>1</sup>	Change reported figures (%)
<b>ARPU (CHF)</b>				
<b>Mobile blended</b>	<b>31.8</b>	<b>31.9</b>	<b>31.7</b>	<b>0.4</b>
Postpaid	40.3	40.5	41.6	(3.1)
– <i>Thereof origination</i>	37.5	37.6	38.3	(2.2)
– <i>Thereof termination</i>	2.8	2.8	3.3	(13.7)
Prepaid	11.5	11.5	12.7	(9.2)
<b>Landline blended</b>	<b>69.0</b>	<b>68.9</b>	<b>68.1</b>	<b>1.3</b>
Landline voice	22.9	22.9	26.4	(13.1)
Internet	36.1	36.0	35.3	2.1
TV	26.1	26.0	26.1	(0.1)
Internet and TV	49.7	49.5	47.7	4.1
<b>Subscription base (in thousand)</b>				
<b>Mobile</b>				
Postpaid	1,728.8		1,594.0	8.5
– Primary	1,406.5		1,313.3	7.1
– Secondary	322.3		280.6	14.9
Prepaid (3-month rule)	627.5		755.6	(17.0)
Prepaid (12-month rule)	1,067.6		1,281.5	(16.7)
<b>Landline</b>				
Landline voice	468.2		440.9	6.2
Internet	457.3		422.2	8.3
TV	243.7		213.5	14.1
<b>LTM Churn (%)</b>				
Postpaid	13.8		13.3	3.7
Landline	13.8		15.6	(11.7)
<b>Employees</b>				
FTEs	1,611		1,645	(2.1)
Apprentices	140		122	14.8

<sup>1</sup> The Company has initially applied IFRS 15 and IFRS 9 using the partial retrospective method. Under this method, the comparative information is not restated.

# Agenda and Proposals

## 1 Approval of the Operational and Financial Review, the Consolidated Financial Statements and the Statutory Financial Statements for 2018

**Proposal:** The Board of Directors proposes to approve the Operational and Financial Review, the Consolidated Financial Statements and the Statutory Financial Statements for the 2018 financial year.

## 2 Resolution on the Appropriation of Results and Distribution from Capital Contribution Reserves

### 2.1 Appropriation of Results

**Proposal:** The Board of Directors proposes to appropriate the accumulated earnings for the 2018 financial year as follows:

Balance brought forward from previous year	CHF	158,765,882
Income of the year 2018	CHF	180,381,829
<b>Total available earnings</b>	<b>CHF</b>	<b>339,147,711</b>
Allocation to general reserves	CHF	-13,806
<b>Accumulated earnings to be carried forward</b>	<b>CHF</b>	<b>339,133,905</b>

If this proposal is approved, the accumulated earnings for the 2018 financial year in the amount of CHF 339,133,905 will be carried forward.

### 2.2 Distribution from Capital Contribution Reserves

**Proposal:** The Board of Directors proposes the allocation of reserves from capital contribution to dividend reserves and distribution as follows:

Reserves from capital contributions	CHF	2,199,925,344
Allocation to dividend reserves	CHF	-189,289,918
<b>Balance of reserves from capital contributions to be carried forward</b>	<b>CHF</b>	<b>2,010,635,426</b>
Dividend reserves at the end of the financial year	CHF	0
Allocation of reserves from capital contributions	CHF	189,289,918
Distribution proposed by the Board of Directors (i. e., a distribution of CHF 4.20 per each share entitled to a dividend)	CHF	-189,289,918
<b>Balance of dividend reserves to be carried forward</b>	<b>CHF</b>	<b>0</b>

If this proposal is approved, the distribution from reserves from capital contributions will be made, without deduction of Swiss withholding tax, on April 16, 2019. The last trading day with entitlement to receive a distribution is April 11, 2019. The shares will be traded ex-dividend as of April 12, 2019.

### **3 Discharge of the Members of the Board of Directors and the Executive Leadership Team**

**Proposal:** The Board of Directors proposes to discharge the members of the Board of Directors and the Executive Leadership Team for their activities in the 2018 financial year.

### **4 Election and Re-elections to the Board of Directors, Re-election of the Chairman of the Board of Directors, Re-elections to the Compensation Committee and Re-election of the Chairman of the Compensation Committee**

#### **4.1 Election and Re-elections to the Board of Directors and Re-election of the Chairman of the Board of Directors**

##### **4.1.1 Re-election of Mr. Peter Schöpfer as a Member of the Board of Directors**

**Proposal:** The Board of Directors proposes that Mr. Peter Schöpfer be re-elected as a member of the Board of Directors until the closing of the following Annual General Meeting.

##### **4.1.2 Re-election of Mr. Jesper Ovesen as a Member of the Board of Directors**

**Proposal:** The Board of Directors proposes that Mr. Jesper Ovesen be re-elected as a member of the Board of Directors until the closing of the following Annual General Meeting.

##### **4.1.3 Re-election of Ms. Robin Bienenstock as a Member of the Board of Directors**

**Proposal:** The Board of Directors proposes that Ms. Robin Bienenstock be re-elected as a member of the Board of Directors until the closing of the following Annual General Meeting.

##### **4.1.4 Re-election of Ms. Ingrid Deltenre as a Member of the Board of Directors**

**Proposal:** The Board of Directors proposes that Ms. Ingrid Deltenre be re-elected as a member of the Board of Directors until the closing of the following Annual General Meeting.

#### **4.1.5 Re-election of Mr. Michael Krammer as a Member of the Board of Directors**

**Proposal:** The Board of Directors proposes that Mr. Michael Krammer be re-elected as a member of the Board of Directors until the closing of the following Annual General Meeting.

#### **4.1.6 Re-election of Mr. Christoph Vilanek as a Member of the Board of Directors**

**Proposal:** The Board of Directors proposes that Mr. Christoph Vilanek be re-elected as a member of the Board of Directors until the closing of the following Annual General Meeting.

#### **4.1.7 Re-election of Mr. Peter Kurer as a Member of the Board of Directors**

**Proposal:** The Board of Directors proposes that Mr. Peter Kurer be re-elected as a member of the Board of Directors until the closing of the following Annual General Meeting.

#### **4.1.8 Election of Mr. Ingo Arnold as a Member of the Board of Directors**

**Proposal:** The Board of Directors proposes that Mr. Ingo Arnold be elected as a member of the Board of Directors until the closing of the following Annual General Meeting.

#### **4.1.9 Re-election of Mr. Peter Kurer as Chairman of the Board of Directors**

**Proposal:** The Board of Directors proposes that Mr. Peter Kurer be re-elected as Chairman of the Board of Directors until the closing of the following Annual General Meeting.

Short CVs of the persons proposed to be re-elected as members of the Board of Directors are available on [www.sunrise.ch](http://www.sunrise.ch). A short CV of Mr. Ingo Arnold is available in the appendix of this invitation.

### **4.2 Re-elections to the Compensation Committee and Re-election of the Chairman of the Compensation Committee**

#### **4.2.1 Re-election of Mr. Peter Schöpfer as a Member of the Compensation Committee**

**Proposal:** The Board of Directors proposes that Mr. Peter Schöpfer be re-elected as a member of the Compensation Committee until the closing of the following Annual General Meeting.

#### **4.2.2 Re-election of Mr. Peter Kurer as a Member of the Compensation Committee**

**Proposal:** The Board of Directors proposes that Mr. Peter Kurer be re-elected as a member of the Compensation Committee until the closing of the following Annual General Meeting.

#### **4.2.3 Re-election of Mr. Christoph Vilanek as a Member of the Compensation Committee**

**Proposal:** The Board of Directors proposes that Mr. Christoph Vilanek be re-elected as a member of the Compensation Committee until the closing of the following Annual General Meeting.

#### **4.2.4 Re-election of Mr. Michael Krammer as a Member of the Compensation Committee**

**Proposal:** The Board of Directors proposes that Mr. Michael Krammer be re-elected as a member of the Compensation Committee until the closing of the following Annual General Meeting.

#### **4.2.5 Re-election of Ms. Ingrid Deltenre as a Member of the Compensation Committee**

**Proposal:** The Board of Directors proposes that Ms. Ingrid Deltenre be re-elected as a member of the Compensation Committee until the closing of the following Annual General Meeting.

#### **4.2.6 Re-election of Mr. Peter Schöpfer as Chairman of the Compensation Committee**

**Proposal:** The Board of Directors proposes that Mr. Peter Schöpfer be re-elected as Chairman of the Compensation Committee until the closing of the following Annual General Meeting.

Sunrise Communications Group AG has a combined Nomination and Compensation Committee. When electing and/or re-electing the members of the Compensation Committee, you will elect and/or re-elect the members of the combined Nomination and Compensation Committee.

## 5 Election of the Independent Proxy

**Proposal:** The Board of Directors proposes that Anwaltskanzlei Keller KLG, Zurich, be elected as the Independent Proxy until the closing of the following Annual General Meeting.

Explanation: Mr. Andreas G. Keller, Attorney at Law, Zurich will not be available for re-election for another term of office as the Independent Proxy. The Board of Directors therefore proposes to elect as the Independent Proxy Anwaltskanzlei Keller KLG, a General Partnership of Mr. Andreas G. Keller, Attorney at Law, Zurich, and Raphael Keller, Attorney at Law, Zurich, incorporated in Zurich.

## 6 Re-election of the Auditor

**Proposal:** The Board of Directors proposes that Ernst&Young AG, Zurich, be re-elected as Auditor for the 2019 financial year.

## 7 Compensation

### 7.1 Consultative Vote on the Compensation Report for the 2018 Financial Year

**Proposal:** The Board of Directors proposes that the Annual General Meeting accept the Compensation Report for the 2018 financial year in a consultative vote.

Explanation: In line with the recommendations of the Swiss Code of Best Practice for Corporate Governance, the Board of Directors has decided to submit the 2018 Compensation Report to the shareholders for a consultative vote. The 2018 Compensation Report provides information on the decision-making process as well as the compensation principles and details of the Board of Directors' and the Executive Leadership Team's compensation for the 2018 financial year.

The vote on the 2018 Compensation Report is non-binding. The 2018 Compensation Report can be found as a separate chapter in the 2018 Annual Report at [www.sunrise.ch/annualreport2018](http://www.sunrise.ch/annualreport2018).

### 7.2 Approval of the Maximum Aggregate Compensation for the Members of the Board of Directors for the Period until the following Annual General Meeting

**Proposal:** The Board of Directors proposes that the Annual General Meeting approve the maximum aggregate compensation of CHF 1.49 million for the members of the Board of Directors for the period until the next Annual General Meeting.



Explanation: The proposed maximum aggregate amount of CHF 1.49 million is based on the compensation of eight members of the Board of Directors. The level of base compensation and committee membership compensation for the forthcoming term of office from the Annual General Meeting 2019 to the Annual General Meeting 2020 remain unchanged from the proposal to the Annual General Meeting 2018.

The proposed maximum aggregate amount is comprised of the following sub-amounts:

- Gross base compensation and committee membership compensation of CHF 1.32 million.

The Board of Directors Chairman's base compensation will be paid  $\frac{1}{3}$  in shares and  $\frac{2}{3}$  in cash and the members' base compensation will be paid  $\frac{1}{2}$  in shares and  $\frac{1}{2}$  in cash. Shares are subject to a blocking period of three years. The number of shares is calculated based on the 10-day average of the closing prices prior to the Annual General Meeting.

- Estimated mandatory employer contributions of CHF 0.05 million.
- A reserve of CHF 0.12 million for unforeseen events has been included in the proposed maximum aggregate amount. The Board of Directors will only make use of the reserve amount in case of exceptional circumstances (e.g., changes in social security contributions, currency exchange rates and any other unforeseen events).

The actual compensation paid to the members of the Board of Directors for the term of office from the Annual General Meeting 2019 to the Annual General Meeting 2020 will be disclosed in the 2019 and 2020 Compensation Reports.

### **7.3 Approval of the Maximum Aggregate Compensation for the Members of the Executive Leadership Team for the 2020 Financial Year**

**Proposal:** The Board of Directors proposes that the Annual General Meeting approve the maximum aggregate compensation of CHF 13.50 million for the members of the Executive Leadership Team for the 2020 financial year.

Explanation: The proposed maximum aggregate amount of CHF 13.50 million is based on the compensation of eight members of the Executive Leadership Team.

In 2018, the Board of Directors reviewed the compensation system for members of the Executive Leadership Team and decided to discontinue the MLTIPE as well as the MLTIPE Revised and introduce a new long-term incentive plan (LTI) in combination with Share Ownership Guidelines instead. Members of the Executive Leadership Team will receive an annual monetary grant which will be converted into Performance Share Units, with one Performance Share Unit conferring an entitlement to receive between zero and two Sunrise Shares (200% cap) depending on the target achievement of two performance metrics in year

three. 50% will be based on the achievement of an absolute EBITDA target and 50% on the achievement of an equity free cash flow target as these are key measures for the strategic development of Sunrise. These performance metrics will be reviewed regularly. During the blocking period, good and bad leaver provisions will apply in case of termination of employment. The introduction of the new LTI is accompanied by Share Ownership Guidelines (SOG) defining the obligations of members of the Executive Leadership Team to hold Sunrise shares. The shareholding requirements specify the minimum monetary value of shares that need to be held by the Executive Leadership Team of Sunrise. Shareholding requirements are defined in relation to the executives' Base Salaries. The CEO is obligated to hold shares worth 200% of his/her annual Base Salary, whereas other Executive Leadership Team members need to hold shares worth 100% of their annual Base Salary.

The proposed maximum aggregate amount is comprised of the following sub-amounts:

- Gross base salaries of CHF 3.59 million for the eight members of the Executive Leadership Team.
- Variable performance-related compensation of CHF 7.05 million is comprised of:
  - Short-term incentive of CHF 3.59 million should all members of the Executive Leadership Team in 2020 outperform their targets and achieve the maximum of 200% of the target incentive.
  - Long-term incentive - Performance Share Units - of CHF 3.46 million providing that the targets of the new LTI are achieved at the maximum level of 200%. The vesting of these Performance Share Units in 2023 is subject to service and performance conditions as well as good and bad leaver provision.
- Estimated grossed-up employer social security and pension contributions as well as other benefits (housing, car allowance, etc.) of CHF 2.21 million. This figure represents the legal and contractual obligation to pay employer contributions and to provide benefits according to the individual employment contracts.
- A reserve of CHF 0.65 million for potential salary increases and unforeseen events has been included in the proposed maximum aggregate amount.

Proposed maximum aggregate amount compared to 100% target achievement:

If short-term incentive targets in 2020 are achieved at 100% and the targets of the new LTI are achieved at 100%, then the total compensation is expected to amount to CHF 9.50 million comprising of gross base salaries of CHF 3.59 million, variable performance related compensation of CHF 3.53 million, social security and pension contributions as well as other benefits of CHF 1.97 million and a reserve of CHF 0.41 million.

Under this scenario, the difference to the proposed maximum aggregate amount is CHF 4.00 million.

The actual total compensation amount paid will be disclosed in the 2020 Compensation Report.

#### **7.4 Approval of the Increased Maximum Aggregate Compensation for the Members of the Executive Leadership Team for the 2019 Financial Year**

**Proposal:** The Board of Directors proposes that the Annual General Meeting approve the increased maximum aggregate compensation of CHF 13.50 million for the members of the Executive Leadership Team for the 2019 financial year.

Explanation: The proposed maximum aggregate amount of CHF 13.50 million is based on the compensation of eight members of the Executive Leadership Team.

The Annual General Meeting in April 2018 approved a Maximum Aggregate Compensation for the Members of the Executive Leadership Team for the 2019 financial year of CHF 11.53 million. The approved amount was calculated based on the MLTIP Revised. Later in 2018, the Board of Directors decided to review the Sunrise compensation structure, in particular the Management Long-Term Investment Programs. The purpose of this review was to introduce a new long-term incentive plan (LTI) that enhances the link between pay and long-term performance, includes performance metrics reflecting the Company's strategic objectives as well as shareholders' interests and offers greater simplicity. In this regard, the Board of Directors obtained advice and benchmark data from Willis Towers Watson and consulted some of its major shareholders and proxy advisors to gather feedback on the compensation elements of the Sunrise Executive Leadership Team.

The Board of Directors decided to introduce a mandatory LTI for members of the Executive Leadership Team and selected other Top Management as of 2019, which will be completely decoupled from the short-term incentive in line with best practice. The Board of Directors proposes to approve the increased maximum aggregate compensation of CHF 13.50 million due to the introduction of the new LTI as described in section 7.3. As a consequence, the MLTIPE Revised as well as the MLTIP Revised, which represented a private investment of short-term incentives by members of the Executive Leadership Team, will be discontinued as of 2019 and ongoing plans will vest after the regular blocking period.

The chosen performance metrics under the new LTI, adjusted EBITDA and equity free cash flow support the business strategy by driving long-term performance. EBITDA is the most important short and long-term success measurement for operational performance in the telecommunication sector whereas equity free cash flow is the base to support the Sunrise long-term dividend strategy. In addition to the introduction of the new LTI, the Board of Directors will introduce minimum shareholding ownership guidelines for the members of the Executive Leadership Team to further ensure the alignment of their interests with those of the shareholders.

## 8 Amendments to the Articles of Incorporation

### 8.1 Reduction and Renewal of Authorized Share Capital Pursuant to Article 3a

**Proposal:** The Board of Directors proposes to reduce the authorized share capital pursuant to Article 3a of the Articles of Incorporation from CHF 4,500,000 today to CHF 4,200,000 and renew it until April 12, 2021, and to amend the Articles of Incorporation as follows:

Art. 3a Authorized Share Capital

Current wording	Revised wording (changes in bold print)
Art. 3a paragraph 1	Art. 3a paragraph 1
The Board of Directors is authorized to increase the share capital, at any time until April 12, 2019, by a maximum amount of CHF 4,500,000 through the issue of a maximum of 4,500,000 fully payable registered shares, each with a par value of CHF 1. An increase in partial amounts is permitted.	The Board of Directors is authorized to increase the share capital, at any time until April 12, <b>2021</b> , by a maximum amount of CHF <b>4,200,000</b> through the issue of a maximum of <b>4,200,000</b> fully payable registered shares, each with a par value of CHF 1. An increase in partial amounts is permitted.

Explanation: According to the current Articles of Incorporation, the Board of Directors is authorized to increase the share capital by an amount not to exceed CHF 4,500,000, whereby the Board of Directors is authorized to restrict or withdraw the subscription rights of shareholders and allocate them to third parties or selected shareholders if the shares are to be used for the acquisition of enterprises, parts of enterprises, or participations, for the acquisition of intellectual property rights, licenses or concessions, including concessions for the use of the radio frequency spectrum, for new investments, or for a share placement with one or more investors for the purpose of financing or refinancing of such transactions. This authorization expires on April 12, 2019, and shall be renewed for a period of two years until April 12, 2021.

As the overall existing authorized share capital of Sunrise of CHF 4,780,972 representing 4,780,972 fully payable registered shares, each with a par value of CHF 1 (Art. 3a and 3b of the Articles of Incorporation), exceeds a level of 10% of the outstanding share capital of Sunrise of CHF 45,069,028 representing 45,069,028 fully paid registered shares, each with a par value of CHF 1, the Board of Directors with regards to corporate governance principles proposes to reduce the authorized share capital according to Art. 3a of the Articles of Incorporation from an amount of CHF 4,500,000 representing 4,500,000 fully payable registered shares, each with a par value of CHF 1, to CHF 4,200,000 representing 4,200,000 fully payable registered shares, each with a par value of CHF 1.

## 8.2 Renewal of Authorized Share Capital for Employee Participation Pursuant to Article 3b

**Proposal:** The Board of Directors proposes to renew the authorized share capital for Employee Participation pursuant to Article 3b of the Articles of Incorporation until April 12, 2021, and to amend the Articles of Incorporation as follows:

### Art. 3b Authorized Share Capital for Employee Participation

Current wording	Revised wording (changes in bold print)
Art. 3b paragraph 1	Art. 3b paragraph 1
The Board of Directors shall be authorized to increase the share capital in 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, 2019. 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 initial subscription of the new shares by the Company shall in accordance with art. 659 et seq. CO also be permitted.	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, <b>2021</b> . 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.

Explanation: According to the current Articles of Incorporation, the Board of Directors is authorized to increase the share capital by an amount not to exceed CHF 280,972, whereby the shares may only be used for the participation in Sunrise of employees and members of the Board of Directors and the executive management of Sunrise or its subsidiaries. This authorization expires on April 12,

2019. The existing authorized share capital shall be renewed for a period of two years until April 12, 2021.

### 8.3 Amendment to the General Compensation Principles

**Proposal:** The Board of Directors proposes to increase the variable compensation of the Executive Leadership Team, which currently amounts to a maximum of 160% of the fixed compensation, to a maximum of 230% and to amend the Articles of Incorporation as follows:

Art. 20 General compensation principles

Current wording	Revised wording (changes in bold print)
Art. 20 paragraph 2 The compensation of the members of the Executive Leadership Team shall comprise fixed and variable compensation elements. The fixed compensation constitutes of a base salary payable in cash and additional compensation elements and benefits. The variable compensation shall comprise short-term and/or long-term variable compensation elements. The variable compensation can amount to a maximum of 160% of the fixed compensation, except in the first year of the employment of a member of the Executive Leadership Team in connection with his/her participation in the Company's Management Long-Term Investment Program for Executives or a similar long-term incentive participation plan.	Art. 20 paragraph 2 The compensation of the members of the Executive Leadership Team shall comprise fixed and variable compensation elements. The fixed compensation constitutes of a base salary payable in cash and additional compensation elements and benefits. The variable compensation shall comprise short-term and/or long-term variable compensation elements. The variable compensation can amount to a maximum of <b>230%</b> of the fixed compensation.

Explanation: Long-term incentives generally comprise a large component of executive pay as they ensure alignment with shareholder interest and with the company's strategy. As part of the introduction of the new LTI described in Section 7.3, the Board of Directors proposes the increase of the current variable compensation threshold for the Executive Leadership Team of 160% of the fixed compensation to 230%. The increase is mainly driven by the higher cap, i.e., one Performance Share Unit conferring an entitlement to receive between zero and two Sunrise shares depending on the target of the two performance metrics (adjusted EBITDA and equity free cash flow) in year three.

## 8.4 Change of the Registered Office

**Proposal:** The Board of Directors proposes to move the registered office of the Company from Zurich to Opfikon and to amend the Articles of Incorporation as follows:

### Art. 1 Name and Registered Office

Current wording	Revised wording (changes in bold print)
Art. 1	Art. 1
Under the corporate name of	Under the corporate name of
Sunrise Communications Group AG Sunrise Communications Group Ltd. Sunrise Communications Group SA	Sunrise Communications Group AG (Sunrise Communications Group Ltd.) (Sunrise Communications Group SA)
exists for an unlimited period of time a corporation limited by shares pursuant to art. 620 et seq. of the Swiss Code of Obligations (CO) with registered office in Zurich.	exists for an unlimited period of time a corporation limited by shares pursuant to art. 620 et seq. of the Swiss Code of Obligations (CO) with registered office in <b>Opfikon</b> .

Explanation: The change in the registered office from Zurich to Opfikon brings with it several benefits, such as the merging of two Zurich locations into one and the opportunity to introduce modern business concepts at the new location in Opfikon. Such a change in the registered office requires an amendment to the Articles of Incorporation which the Board of Directors proposes.

# Organizational Notes

## Annual Report

Shareholders may view the Annual Report including the Operational and Financial Review, the Consolidated Financial Statements, the Statutory Financial Statements, the Auditor's Reports for 2018, and the Compensation Report 2018 at the registered office of Sunrise Communications Group AG at Binzmühlestrasse 130, 8050 Zurich, and on the premises of Sunrise Communications AG at Thurgauerstrasse 101B, 8152 Glattpark (Opfikon). Registered shareholders may also request a copy of these documents. In addition, all documents are available online at [www.sunrise.ch/annualreport2018](http://www.sunrise.ch/annualreport2018).

## Voting Rights

This invitation to the Annual General Meeting, together with the agenda items and proposals by the Board of Directors, will be sent directly to shareholders with voting rights who are entered into the share register by April 5, 2019 (until 5:00 p.m. CET). No entries will be made to the share register between April 5, 2019, (5:00 p.m. CET) and April 10, 2019. Holders of registered shares who sell their shares before the Annual General Meeting are no longer eligible to vote.

## Documents and Admission Cards

Admission cards and voting documents can be ordered upon registration with the enclosed reply form or electronically via the shareholder platform Indirect Voting System. Admission cards will be mailed starting on March 26, 2019. If you do not receive the documents in due time, you may obtain your admission card in person on-site at the information desk before the start of the Annual General Meeting by presenting proof of identity. If the disposition of a shareholder's shares and the recording of this disposition in the share register take place after the issuance of the shareholder's admission card to the 2019 Annual General Meeting, this admission card is no longer valid.

## Representation and Proxy

Shareholders who do not participate in the Annual General Meeting in person can be represented by proxy as follows:

- a) by another shareholder who has voting rights; or
- b) by the Independent Proxy, Mr. Andreas G. Keller,  
Attorney at Law, 8055 Zurich.

**Electronically:** You may exercise your voting rights electronically on the shareholder platform Indirect Voting System. The reply form sent to you contains your personal access details. Proxy and voting instructions may be given or changed at any time up until 12:00 p.m. (noon) CET on April 8, 2019.

**In hard copy:** You may exercise your voting rights in writing by filling out, signing and returning the reply form sent to you with the enclosed reply envelope.



By signing the reply form, the Independent Proxy is being authorized to vote in favor of the proposals of the Board of Directors insofar as no written instructions to the contrary are given. This also applies in case of any votes taken at the Annual General Meeting in relation to proposals which were not included in the invitation.

Executive body and deposit proxies are not permissible.

### **No Translation Service**

The Annual General Meeting will be held in German.

### **Speaker's Desk**

Shareholders who wish to speak during the Annual General Meeting are kindly asked to notify the speaker's desk (Wortmeldeschalter) located in the main hall.

### **Shareholder Proposal**

Shareholder proposal on agenda items can only be made and submitted to the Annual General Meeting by a shareholder or by an individual proxy acting on a shareholder's behalf. The Independent Proxy will not act as an individual proxy for this purpose.

### **Location**

The Annual General Meeting will take place at Lake Side, Bellerivestrasse 170, 8008 Zurich.

### **Arrival by train**

Take the S3, S5, S6, S7, S12 or S15 train to the Stadelhofen station, exit there and transfer to tram line 2 or 4 and exit at the Fröhlichstrasse stop.

Take the S16 train to the Tiefenbrunnen station, exit there and walk approximately 5 minutes to the venue.

### **Arrival by tram**

From the Zurich main train station, take tram line 4 (toward Tiefenbrunnen) and exit at the Fröhlichstrasse stop.

From the Stadelhofen station, take tram line 2 or 4 (toward Tiefenbrunnen) and exit at the Fröhlichstrasse stop.

**Arrival by car**

Zurich can be reached by car from the North and South via A4 and from the East and West via A3.

**Parking**

There is a parking lot and an underground garage in the immediate vicinity of Lake Side. Limited parking is available on-site.

**Contact**

For information on the Annual General Meeting:

Phone: +41 (0)58 777 99 99

E-mail: [agm@sunrise.net](mailto:agm@sunrise.net)

[www.sunrise.ch/ir](http://www.sunrise.ch/ir)

Zurich, February 28, 2019

For the Board of Directors



Peter Kurer

Chairman of the Board

# Appendix to the Annual General Meeting Invitation

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## Ingo Arnold



### Education

1987 - 1990: Study of Economics, Mannheim, Germany

### Professional background

Since 1/2019: freenet AG, Hamburg, Germany, Chief Financial Officer

10/2018 - 12/2018: freenet AG, Hamburg, Germany, Designated Chief Financial Officer

2013 - 2018: freenet AG, Hamburg, Germany, Head of Controlling, Treasury, Bad Debt Management, Internal Audit and Investor Relations

2008 - 2013: freenet AG, Hamburg, Germany, Head of Controlling & Treasury

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

1998 - 2001: Veba Oil & Gas GmbH, Essen, Germany, Head of Treasury

1987 - 1998: Henkel AG & Co. KGaA, Duesseldorf, Germany, various financial functions

### Other activities and functions

Since 2/2019: Media Broadcast, Cologne, Germany, Chairman of the Supervisory Board

Since 11/2018: Media Broadcast, Cologne, Germany, Member of the Supervisory Board

Since 9/2012: mobilcom-debitel GmbH, Buedelsdorf, Germany, Managing Director

### Title and function (proposed)

Member of the Board of Directors

Member of the Audit Committee

Non-Executive Member

### Year of birth

1965

### Nationality

German

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**Sunrise Communications Group AG**

Binzmühlestrasse 130

8050 Zurich

[www.sunrise.ch](http://www.sunrise.ch)