H1 2020

Interim Financial Report

Six-month period as of June 30, 2020

Sunrise

Content

Operational and Financial Review

Financial KPIs

CHF million	H1 2020	H1 2019[1]	Change of H1 2020 to H1 2019 (%)	Q2 2020	Q2 2019[1]	Change of Q2 2020 to Q2 2019 (%)
Revenue						
Mobile services	611	604	1.1	305	302	0.8
– Thereof mobile postpaid	*416*	*409*	*1.7*	*206*	*208*	*(1.0)*
– Thereof mobile prepaid	*31*	*39*	*(20.8)*	*15*	*20*	*(24.9)*
– Thereof mobile hardware	*116*	*111*	*4.7*	*60*	*53*	*13.9*
– Thereof other	*48*	*45*	*5.5*	*24*	*23*	*8.4*
Landline services (incl. voice)	141	145	(3.0)	70	74	(6.3)
– Thereof landline voice	*66*	*62*	*6.6*	*34*	*31*	*9.2*
– Thereof hubbing	*27*	*33*	*(16.7)*	*12*	*16*	*(21.6)*
– Thereof other	*47*	*50*	*(6.0)*	*23*	*27*	*(15.1)*
Landline Internet and TV	164	152	7.6	82	78	4.8
– Thereof landline hardware[1]	*7*	*4*	*71.2*	*3*	*3*	*(8.9)*
Total revenue	**915**	**901**	**1.5**	**456**	**455**	**0.3**
Revenue excl. hardware and hubbing	765	754	1.5	381	383	(0.6)
Gross profit	**623**	**617**	**1.1**	**307**	**311**	**(1.3)**
% margin	68.1%	68.4%		67.4%	68.4%	
% margin (excl. hubbing & hardware revenue)	81.4%	81.8%		80.7%	81.2%	
EBITDA	**321**	**331**	**(3.1)**	**159**	**157**	**1.2**
EBITDA adjusted[2]	**331**	**324**	**2.2**	**163**	**165**	**(1.4)**
% margin	36.1%	35.9%		35.7%	36.3%	
% margin (excl. hubbing & hardware revenue)	43.2%	42.9%		42.8%	43.1%	
Net income	**43**	**61**	**(28.8)**	**21**	**26**	**(17.3)**
Cash flow						
Reported EBITDA	321	331	(3.1)	159	157	1.2
Change in NWC	19	20	(2.7)	(1)	(20)	(92.7)
Net interest	(21)	(21)	1.6	(12)	(12)	0.6
Tax	(6)	(22)	(74.3)	(2)	(1)	160.8
CAPEX	(178)	(277)	(35.6)	(95)	(143)	(33.3)
Repayments of lease liabilities	(21)	(22)	–	(8)	(6)	–
Other financing activities	(1)	(6)	(89.8)	(0)	(5)	(93.8)
Equity free cash flow	**114**	**3**	**3,354.8**	**40**	**(29)**	**(237.0)**
Other[3]	(83)	(185)	(54.9)	(86)	(190)	(54.5)
Total cash flow	**30**	**(182)**	**(116.6)**	**(46)**	**(219)**	**(79.0)**
Net debt	**1,727**	**1,636**		**1,727**	**1,636**	
Net debt/adj. EBITDA (LTM)	2.6×	2.5×		2.6×	2.5×	

[1] Due to growing importance of landline hardware revenue, the figure is reported separately and excluded from service revenue. Prior year service revenue and service margins have been adjusted accordingly to ensure comparability.
[2] New APM guideline effective as of January 1, 2020. Refer to section "Alternative Performance Measures" on page 9. Comparative values have not been restated.
[3] 2020 mainly consists of proceeds from RCF drawn of CHF +100 million, capital increase of +7 million and dividend payment of CHF −198 million. H1 2019 mainly contains sales of property, plant and equipment of CHF +5 million and dividend payment of CHF −189 Mio.

Operational KPIs

	H1 2020	H1 2019	Change of H1 2020 to H1 2019 (%)	**Q2 2020**	Q2 2019	Change of Q2 2020 to Q2 2019 (%)
ARPU (CHF)						
Mobile blended	**30.4**	**31.4**	**(3.3)**	**30.1**	**31.8**	**(5.2)**
Postpaid	36.0	38.5	(6.4)	35.3	38.7	(8.7)
– Thereof origination	*33.1*	*35.9*	*(7.8)*	*32.3*	*36.1*	*(10.6)*
– Thereof termination	*2.9*	*2.6*	*13.9*	*3.0*	*2.5*	*17.9*
Prepaid	9.8	10.8	(8.8)	9.8	10.9	(10.2)
Landline						
Landline voice	21.5	21.3	0.8	21.8	21.0	4.0
Internet	35.0	35.9	(2.6)	34.9	35.8	(2.5)
TV	24.2	25.1	(3.8)	23.8	25.2	(5.8)
Subscription base (in thousand)						
Mobile						
Postpaid	1,959.5	1,812.3	8.1			
– Primary	1,568.8	1,463.1	7.2			
– Secondary	390.8	349.2	11.9			
Prepaid (3-month rule)	477.3	591.7	(19.3)			
Prepaid (12-month rule)	854.5	973.1	(12.2)			
Landline						
Landline voice	514.1	491.4	4.6			
Internet	516.1	483.3	6.8			
TV	297.5	263.4	12.9			
LTM Churn (%)						
Postpaid	13.8	12.9				
Landline	14.3	13.2				
Employees						
FTEs	1,732	1,615	7.2			
Apprentices	141	136	3.7			

Financial Review

Financial Summary

In the first half of 2020, service revenue (total revenue excl. hardware and hubbing revenue) has increased by 1.5% compared to prior year period, which was mainly driven by the strong customer growth in mobile postpaid and landline voice, Internet & TV, partly offset by lower prepaid and roaming revenues due to Covid-19 impact. Hardware revenue grew in both mobile and landline areas, while hubbing revenue and integration revenue decreased, leading to a total revenue increase of 1.5% compared to H1 2019. Adjusted EBITDA increased by 2.2% in the first six-month period ended June 30, 2020, mainly driven by gross profit growth (1.1%) and flat OPEX (−0.2%).

Major Events

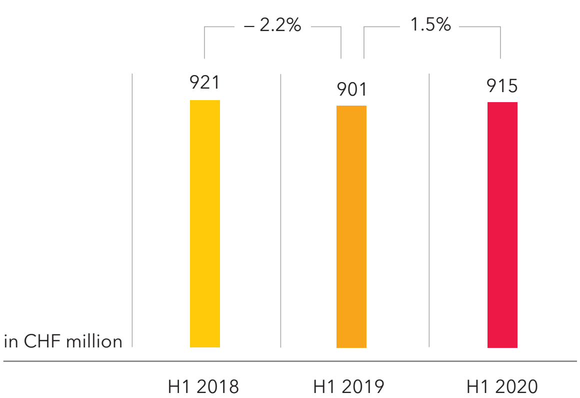
During the first six months of 2020, the Covid-19 pandemic has led to significant impacts on the worldwide and local economic situation. Sunrise was also impacted in terms of close-down of shops and various other organizational challenges. In addition, the Group has noted that customer behavior has slightly changed during this period. While the mobile and landline voice usage has increased, there were less roaming activities and a decline in mobile prepaid revenue due to missing tourism within Switzerland. Moreover, the Group has observed a lower churn and lower rates of new activations due to lower market activities in the first half of 2020.

As far as the preparation of the condensed consolidated interim financial statements as of June 30, 2020 is concerned, the Group has evaluated various possible impacts on the financial statements, including the review of critical accounting estimates and judgements (such as goodwill impairment test, provisions, leasing contracts, inventory valuation, etc.), and has concluded that no specific adjustments are required so far.

The Group provided all employees (except the Executive Leadership Team and Members of the Board) with a one-time opportunity to participate in the future business performance and success of Sunrise by offering them to receive either a predefined number of shares free of charge or to purchase shares at a discounted price. The purpose of the employee share participation plan (ESPP) is to enhance employees' commitment to the Company and strengthen their sense of ownership. Therefore, a total of 196,418 shares have been issued in the second quarter of the year. The total costs for the Group amounted to CHF 9 million, which did not result in any material cash outflow, as the additional shares had been issued from authorized capital. Half of the costs were expensed in Q1 2020, the remaining costs were expensed in the second quarter of the year.

Revenue

The Sunrise Group financial results for the six-month period ended June 30, 2020, showed an increase in total revenue of 1.5%, mainly attributable to the strong customer growth in mobile postpaid and landline voice, internet & TV.



Revenue by segment and service

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

CHFk January 1 – June 30	RESIDENTIAL 2020	RESIDENTIAL 2019[1]	BUSINESS 2020	BUSINESS 2019[1]	WHOLESALE[2] 2020	WHOLESALE[2] 2019	HEAD OFFICE ACTIVITIES 2020	HEAD OFFICE ACTIVITIES 2019	TOTAL 2020	TOTAL 2019
Revenue	**644,109**	**638,630**	**172,328**	**161,853**	**79,208**	**81,181**	**19,547**	**19,733**	**915,192**	**901,397**
Previously reported [1]		*650,284*		*150,199*						

[1] In 2020, there was a redefinition of customer base between the segments Residential and Business. Therefore, comparative figures have been restated and previously reported figures are presented separately.
[2] Including hubbing revenue of CHF 27 million generated in the six-month period ended as of June 30, 2020, and CHF 33 million in the six-month period ended as of June 30, 2019.

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

CHFk January 1 – June 30	2020	2019
Mobile services	610,645	604,026
– Thereof mobile postpaid	*415,817*	*408,778*
– Thereof mobile prepaid	*30,908*	*39,005*
– Thereof mobile hardware	*116,003*	*110,832*
– Thereof other	*47,917*	*45,411*
Landline services	140,802	145,179
– Thereof landline voice	*66,308*	*62,211*
– Thereof hubbing	*27,219*	*32,660*
– Thereof other	*47,275*	*50,308*
Landline Internet and TV	163,745	152,192
– Thereof landline hardware[1]	*6,930*	*4,048*
Total	**915,192**	**901,397**
Revenue excl. hardware and hubbing	*765,040*	*753,857*

[1] Due to growing importance of landline hardware revenue, the figure is reported separately and excluded from service revenue. Prior year service revenue and service margins have been adjusted accordingly to ensure comparability.

Mobile Services

Revenue from mobile services (including hardware) increased by 1.1% to CHF 611 million in the year-over-year comparison. Mobile postpaid revenue rose by 1.7% due to an increased postpaid subscription base (8.1%) and led to a total mobile services revenue increase for the six-month period ended as of June 30, 2020, partially offset by a decrease in mobile prepaid revenue (−20.8%).

The year-over-year postpaid ARPU reduction of CHF −2.4 was largely driven by declined roaming usage due to reduced tourism activities caused by Covid-19 restrictions, continued secondary SIM dilution as well as promotion and retention discounts and product mix effects. These effects were partly offset by increased mobile termination traffic due to Covid-19 in connection with increased home office policies in our customer base.

The postpaid subscription base totaled 1,960 thousand subscribers as of June 30, 2020 (June 30, 2019: 1,812 thousand). The subscription base increase, recorded over all segments, was driven by high network quality, good customer experience, prepaid to postpaid migration, broad product offerings as well as attractive promotional activities. The continuous growth of mobile data traffic is reflected in the increase of secondary subscriptions (such as secondary SIM-cards for data) used by customers in addition to their primary subscriptions.

Mobile prepaid revenue declined year-over-year due to a decreasing subscription base and lower ARPU (CHF −0.9). As in previous years, increased OTT usage as well as high value prepaid customers migrating to postpaid are the main factors that led to the ARPU decrease. The prepaid subscription base shrank year-over-year by −19.3% to 477 thousand subscribers as of June 30, 2020. This was mainly related to pre- to postpaid migration and decreased demand as a result of less tourism activities due to Covid-19. During spring and summer holidays, prepaid is usually driven by tourist subscriptions.

Hardware revenue (low margin) increased year-over-year by 4.7% to CHF 116 million for the six-month period ended June 30, 2020. The increase is mainly driven by hardware sales through online channels, device plan sales and gifting promotions. Hardware revenue also depends on handset innovation/launches and is volatile by nature.

Landline Services

Landline services revenue (incl. hubbing) decreased by −3.0% to CHF 141 million in the year-over-year comparison.

Landline voice revenue increased by 6.6% to CHF 66 million driven by increased voice telephony traffic in the Covid-19 lockdown period in March-May 2020. Hubbing revenue, which is low margin, decreased by −16.7% to CHF 27 million. This decline is due to an increased focus on profitability and therefore a shift to higher margin business, which is also reflected in an increase of hubbing gross profit.

Landline Internet and TV

Internet and TV revenue increased by 7.6% to CHF 164 million (including landline Hardware) in the six-month period ended June 30, 2020.

The total Internet subscription base increased by 6.8% year-over-year to 516 thousand subscriptions. The revenue increase was also supported by the new TV OTT product that can be purchased alongside Internet or Mobile Broadband Services or standalone. The TV classic and TV OTT combined customer base increased by 13.3% year-over-year to 298 thousand subscribers. Customer growth was supported by convergence benefits including the Sunrise One offer, and by enhanced TV sports content as well as by promotional bundles launched end of 2019. TV ARPU decreased by CHF −1.0 to CHF 24.2 in the six-month of 2020 which was mainly caused by by the generally lower ARPU of TV OTT products and temporary discounts during the lockdown.

Landline hardware revenue increased by CHF 3 million in the six-month of 2020 compared to prior year period. This is mainly driven by bundled hardware offers in landline, which has grown in importance during the second half of 2019.

Profitability and Costs

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

Gross Profit

Gross profit came in at CHF 623 million with a 1.1% growth year-over-year. Gross profit growth was driven by service revenue growth in mobile postpaid and landline services including Internet & TV, both due to customer growth and high national voice usage in Covid-19 lockdown. The growth was partly offset by declined roaming usage in mobile services due to Covid-19.

Transmission Costs and Costs of Goods Sold

Transmission costs and cost of goods sold totaled CHF 292 million for the six-month period ended June 30, 2020, an increase of 2.6% year-over-year, mostly driven by the operational growth in business and YOL areas, as well as more gifting promotions and bundled offers in landline hardware.

Alternative Performance Measure

Alternative Performance Measures (APM) are also known as non-GAAP financial measures and non-financial KPIs. The APM used by the Group cover a broad range of areas and are considered to be relevant to steer the performance of the Company. APM are defined clearly and comprehensibly and have a meaningful self-explanatory label. The APM are applied consistently over time and comparative information for the corresponding previous periods are disclosed. As of January 1, 2020 a new policy regarding APM is effective and prior year figures have not been restated.

The relevant APM for Sunrise, are adjusted EBITDA, Equity Free Cash Flow (eFCF) and Net Debt.

Adjusted EBITDA
The adjusted EBITDA is an indicator to measure the performance of the Group excluding the impacts of extraordinary items and it is defined as follows:

Reported EBITDA
+/– Acquisition and integration costs of new businesses
+/– Restructuring costs
+/– Non-recurring and/or non-operating events
= Adjusted EBITDA

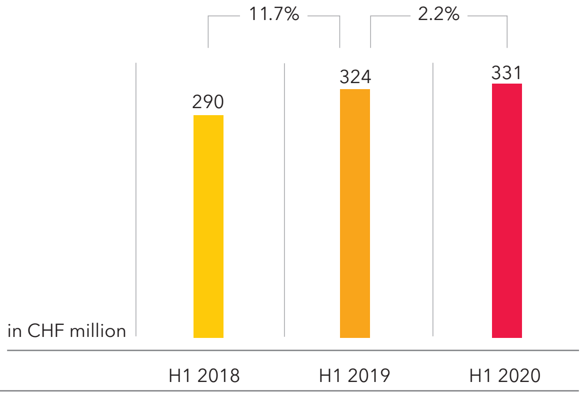
Equity Free Cash Flow (eFCF)
This APM is the basis for the determination of the dividend to be distributed to the shareholders and is defined as follows:

Reported EBITDA
+/– Change in NWC
– CAPEX (excl. cash from asset sales)
– Tax
– Interest
– Other financing activities (incl. IRU)
= EFCF

Net Debt
Net debt is defined as the principal amount of all Borrowings, including the discounted lease liability, of the Group less the aggregate amount of Cash and Cash Equivalent Investments held by the Group.

Adjusted EBITDA

Adjusted EBITDA as of June 30, 2020, amounted to CHF 331 million, showing a year-over-year increase of 2.2%. The development of adjusted EBITDA was supported by gross profit growth and flat OPEX.



The table below shows one-time adjustments from reported EBITDA to adjusted EBITDA for the first six-months in 2020, 2019 and 2018. The comparative values have not been restated to the new APM guideline mentioned above. Operational business in H1 2020 contributed to an adjusted EBITDA increase of CHF 7 million with a strong gross profit growth. Lower operating expenses are offsetting higher wages, salaries and pension costs as well as a decreased net impact of other income and expenses. The biggest adjustments for the current period relate to non-recurring, non-operating events and include CHF 9 million for the new ESPP. In addition, CHF 2 million for restructuring cost occurred as a one-time adjustment. The CHF −1 million within acquisition and integration costs of new businesses relate to a gain caused by the release of accruals.

in CHFk January 1 – June 30	**2020**	2019	2018
Reported EBITDA	**321,024**	**331,374**	**284,048**
Acquisition and Integration income of new businesses	(1,300)	n/a	n/a
Restructuring costs	2,047	n/a	n/a
Non-recurring and/or non-operating events	8,915	(7,062)	6,288
Prior-year-related events	n/a	(1,765)	(1,404)
Costs related to share-based payment	n/a	1,129	902
Adjusted EBITDA	**330,686**	**323,677**	**289,834**

Reported EBITDA

The Group generated an EBITDA of CHF 321 million for the six-month period ended June 30, 2020, a year-over-year decrease of CHF −10 million or −3.1% from CHF 331 million for the same period in 2019. The year-over-year decline of reported EBITDA is mainly attributable to the development of one-time events, accounting for a CHF −17 million decline.

In prior year, the effects were positive, mainly driven by the sale of 133 telecom towers to Swiss Towers AG in January 2019 (CHF 25 million), partly offset by advisory fees related to the cancelled acquisition of UPC Switzerland (CHF 14 million) and expenses related to the headquarter move to Ambassador House (CHF 2 million). In H1 2020, the non-recurring effects were negative, mainly containing expenses for the ESPP (CHF 9 million).

Other Operating Expenses

Other operating expenses decreased by CHF −26 million from CHF 208 million to CHF 182 million year-over-year for the six-month period in 2020. The decline is partially due to the prior year costs related to the cancelled acquisition of UPC Switzerland GmbH (CHF 14 million). Excluding these costs, other operating expenses decreased by CHF −12 million, which is attributable to lower marketing expenses and increased operational efficiency.

Wages, Salaries and Pension Costs

Wages, salaries and pension costs totaled CHF 123 million for the six-month period ended June 30, 2020. This represents a year-over-year increase of 12.4% related to FTE increase in customer growth areas, increased insourcing activities and the ESPP (CHF 9 million).

Although the pension fund of Sunrise Communications AG is overfunded by 20% as of December 31, 2019, according to Swiss GAAP FER 26, the Group reports a net pension liability of CHF 86 million in its condensed consolidated interim financial statements as of June 30, 2020. The diverse 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. The increase of CHF 4 million in the pension liability from CHF 82 million as of December 31, 2019, is mainly due to the loss on plan assets related to the market performance in the first quarter of the year, which was partially compensated by the market recovery in the second quarter and the reduction in the discount rate.

Other Income and Expenses, Net

Other income and expenses, net decreased by CHF −29 million year-over-year. This decrease is mainly attributable to the prior year sale of 133 telecom towers to Swiss Towers AG in January 2019, which was treated as a non-recurring gain and therefore had no impact on adjusted EBITDA. The current year figure includes Early Termination Fees and a gain on disposal of property, plant and equipment.

Net Income

The Group reported a net income of CHF 43 million for the six-month period ended June 30, 2020, a year-over-year decrease of CHF −18 million from a net income of CHF 61 million for the prior-year period. Prior year net income was significantly impacted by the gain of CHF 25 million related to the sale of the 133 telecom towers to Swiss Towers AG in January 2019 and the increased expenses related to the acquisition of UPC Switzerland GmbH (CHF 7 million). Excluding those two effects, the H1 2020 net income would be the same amount as in the prior year period.

Depreciation and Amortization

Depreciation and amortization have increased compared to prior year from CHF 233 million in H1 2019 to CHF 245 million in H1 2020. This is mainly attributable to the high additions to intangible assets in previous periods, such as the new 5G mobile license, various fiber access deals and continued investments in network rollout. For the six-month period as of June 30, 2020, CHF 63 million out of the total of CHF 245 million related to the amortization of purchased intangibles (CHF 63 million in H1 2019). Those intangibles, created in 2010 in the amount of CHF 1,477 million and amortized over a maximum of 11 years, are related to the acquisition of Sunrise by MCG in October 2010.

Net Financial Items

Net financial items have shown a stable development on a year-over-year basis for the first six months of 2020 mainly consisting of financial expenses in the amount of CHF 23 million (2019: CHF 24 million), as well as net foreign currency gains of CHF 1 million (2019: CHF 1 million).

Income Taxes

For the first six months in 2020, income tax expenses of CHF 9 million (H1 2019: CHF 14 million) consist of a CHF 19 million (H1 2019: CHF 32 million) expense related to current income taxes and a tax benefit of CHF 10 million (H1 2019: CHF 18 million) related to the change in deferred taxes.

Cash Flow, Balance Sheet and Dividend Policy

The following sections show the development of cash flow, Balance Sheet movements and Dividend Policy.

Cash Flow

Cash and cash equivalents totaled CHF 233 million as of June 30, 2020, an increase of CHF 32 million compared to the cash position held as of December 31, 2019. The cash flow from operating activities of CHF 324 million was mainly offset by the cash flow used in investing (CHF −182 million) and financing activities (CHF −113 million).

Cash Flow from Operating Activities

The year-over-year increase of CHF 41 million in 2020 in Cash flow from operating activities stems from various effects. Cash flow from operating activities before net financial items and tax increased by CHF 26 million due to increased operational performance. Paid interest remained stable, while paid taxes were lower (CHF −16 million) year-over-year mainly relating to different payment profiles.

Cash Flow (Used In)/From Investing Activities

Cash flow used in investing activities amounts to CHF 182 million as of June 30, 2020, which is CHF 66 million lower than in prior year (H1 2019: CHF 247 million). While H1 2019 was positively impacted by the net proceeds from asset disposals (H1 2020: nil; H1 2019: CHF 30 million), which mainly related to the sale of 133 telecom towers to Swiss Towers AG, the CHF 149 million lower payments in 2020 for the purchase of intangible assets overcompensated this effect. Furthermore, the increase of payments for the purchase of property, plant and equipment by CHF 51 million compared to prior year period as well as the net cash paid for the acquistion of Wilmaa Holding AG of CHF 4 million led to a total year-over-year decrease in cash flow used in investing activities of CHF 66 million.

Cash Flow Used in Financing Activities

Cash flow used in financing activities decreased by CHF 105 million in the first six months in 2020 compared to the same period in prior year. This is mainly due to proceeds of CHF 100 million from the revolving credit facility (RCF) drawn on April 2020, which led to a higher cash inflow compared to prior year period.

Net Debt

The Group's debt position as of June 30, 2020 consisting of the term loan B3 facility, senior secured notes, RCF drawn and lease liabilities amounted to CHF 1,932 million, of which CHF 143 million are expected to be paid within 12 months. Net debt consists of the term loan B3 facility, senior secured notes and RCF drawn at a total nominal value of CHF 1,710 million (December 31, 2019: CHF 1,610 million) and the discounted lease liabilities of CHF 250 million (December 31, 2019: CHF 263 million) reduced by cash and cash equivalents in the amount of CHF 233 million (December 31, 2019: CHF 201 million). This leads to a net debt position as of June, 2020, of CHF 1,727 million (December 31, 2019: CHF 1,673 million), resulting in a net debt to adjusted EBITDA leverage ratio of 2.6× (December 31, 2019: 2.5×). The figures include the effects of IFRS 16 (within debt as well as adjusted EBITDA). The increase of the ratio compared to December 31, 2019 is mainly attributable to the cash-out related to the dividend payment.

As part of the Senior Facilities Agreement, the Group benefits from a multi-currency revolving credit facility (RCF) with a total commitment equal to CHF 200 million, of which CHF 100 million were drawn on April 1, 2020 and still drawn as of balance sheet date. As the course of the Covid-19 pandemic is unpredictable and in order to secure funds, the Group has decided to increase the cash balance. On April 1, 2020 the Group has therefore drawn down CHF 100 million of its RCF. Any amounts drawn currently bear a cost of CHFLIBOR (capped at zero percent) plus 1.20%. The Group's objective is to constantly maintain a strong liquidity position.

Net Working Capital

Net working capital represents short-term assets reduced by short-term liabilities. Net working capital includes current assets and liabilities as well as non-current prepaid expenses, long-term trade receivables and contract assets and contract liabilities. 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 million in the six-month period as of June 30, 2020 is primarily related to a reduction in trade and other receivables (CHF 27 million), mainly driven by roaming and device plan receivables and a reduction in handset inventories. These positive effects were partly offset by a negative change in other items, net (CHF 14 million) and trade and other payables (CHF 8 million).

Compared to the six-month period ended as of June 30, 2019, the change in net working capital had a negative impact of CHF 1 million mainly from contract assets (CHF 15 million), contract liabilities (CHF 3 million) and other items, net (CHF 5 million). In contrast, the first six months of 2020 were positively impacted by the 2020 reduction in inventories (CHF 15 million) and trade and other receivables (CHF 8 million). The remaining change stems from positions related to trade and other payables and contract costs.

Dividend Proposal and Distribution Policy

At the Annual General Meeting on April 8, 2020, the payment of an ordinary dividend from statutory reserves from capital contributions in the total amount of CHF 198 million (CHF 4.40 per share) in respect of the 2019 financial year was approved. The dividend payment was made on April 16, 2020.

Sunrise confirms its long-term dividend policy of paying out at least 65% of eFCF and continues to target 85% if net debt/adjusted EBITDA leverage is below 2.3×. For 2018 to 2021, Sunrise reiterates its annual 4–6% dividend progression guidance.

The 2018 to 2020 guidance specification was introduced to protect investors from near-term cash flow volatility due to landline access and spectrum payments. The guidance specification for 2021 is supported by the expectation that Capex levels will normalize to between CHF 250 million and CHF 290 million (including utility, excluding Swisscom upfront payments for landline access) after reaching CHF 410 million to CHF 450 million in 2020. This reduction will materially improve eFCF in 2021, which is expected to fully cover the dividend guidance specification, in line with the long-term dividend policy.

As mentioned in Note 18 of the condensed consolidated interim financial statements, Liberty Global plc has made a tender offer to the shareholders of the Group to acquire Sunrise. In case of a successful offer, Liberty Global intends to delist Sunrise shares from trading on the SIX exchange. As such, the Group wants to make shareholders aware of possible future changes to the current dividend policy.

Risks

Overview

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

Risk Management Process

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

Main Risk Clusters

The following risks clusters are focus areas for Sunrise.

Market Dynamics

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

Regulatory Framework

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

Cyber Security and Data Protection

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

Business Continuity Management

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

Sourcing Dependency

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

Financial Risks

The Company is exposed to a variety of financial risks, specifically market, credit and liquidity risks. A detailed description of the financial risks is provided in Note 24 to the 2019 Consolidated Financial Statements of the Group.

Covid-19

The long-term impact of the Covid-19 pandemic on our business is still unclear and we are monitoring the situation very closely. During the first half of 2020, the effects were limited. However, if a large number of our employees were infected, this might have a negative impact on our daily operations and on the execution of strategic projects. Also the negative economic impact of a prolongation of the outbreak could lead to adverse effects on our market performance such as the possibility to attract new customers or diminishing roaming revenues due to shrinking tourism.

Additional Disclosures

Material Affiliate Transactions

Change in the Executive Leadership Team

The Board of Directors has appointed André Krause as new CEO who has taken over from Olaf Swantee on January 3, 2020. Uwe Schiller, previously Senior Vice President of Finance and Investor Relations, was appointed as new CFO on January 6, 2020. After the announcement on January 6, 2020, Bruno Duarte the Chief Consumer Officer has left Sunrise. His successor is Giuseppe Bonina, Chief YOL Officer, who will take over the position as of September 1, 2020. Christoph Richartz was appointed the new Chief YOL Officer and Member of the Executive Leadership Team replacing Giuseppe Bonina.

Change in the Board of Directors

Thomas D. Meyer was elected as a new Chair of the Board of Directors by the Annual General Meeting on April 8, 2020 until the closing of the following Annual General Meeting. At the same Annual General Meeting, Thomas Karlovits, Sonja Stirnimann and Henriette Wendt were elected to the Board of Directors as new members until the closing of the following Annual General Meeting.

The mandate of Peter Kurer, Jesper Ovesen, Robin Bienenstock and Peter Schöpfer ended as of April 8, 2020 as they did not stand for reelection for another term of office.

Dividend Payment

At the Annual General Meeting on April 8, 2020, the payment of an ordinary dividend from statutory reserves from capital contributions in the total amount of CHF 198 million (CHF 4.40 per share) in respect of the 2019 financial year was approved. The dividend payment was made on April 16, 2020.

Senior Facilities Agreement, RCF

As already mentioned above, the Group has drawn down CHF 100 million of its Revolving Credit Facility(RCF) on April 1, 2020. Any amounts drawn currently bear a cost of CHFLIBOR (capped at zero percent) plus 1.20%. The commitment fee of 35% of the corresponding margin (0.42%) does only apply on any undrawn amounts.

Fitch upgrades Sunrise

On May 4, 2020, Fitch Ratings has upgraded the corporate family rating for Sunrise Communications Holding S.A., 100% indirectly owned by Sunrise Communications Group AG to BBB- (outlook stable) from previously BB+ (outlook stable).

Following this upgrade the Group has met the conditions to request the release of security granted in connection with its Senior Facilities Agreement and its 2018 CHF Senior Secured Notes. As from 15 June 2020 the Group's outstanding financial debt is now unsecured. Further, during the course of June, both Standard & Poor's and Fitch Ratings have reassigned their corporate issuer rating to the listed Sunrise Communications Group AG.

Material Contractual Arrangements

No new material contractual arrangements during the reporting period.

Acquisitions, Disposals and Recapitalization

On June 17, 2020, the Group acquired 100% of the shares of Wilmaa Holding AG (Wilmaa). The Swiss company is a pioneer in web TV and offers digital (OTT) television for smartphones, tablets, and PCs, right up to large home TV sets. The acquisition of Wilmaa will allow Sunrise to use its leading technology and know-how to further develop its OTT TV offers. Customers will benefit from the most innovative TV experience on the market. For more details please refer to Note 5 on page 27 of the condensed consolidated interim financial statements.

Material development after the balance sheet date

On August 12, 2020, it was announced that Liberty Global plc, the parent company of UPC Switzerland, has made a tender offer to the shareholders of the Group to acquire Sunrise at an enterprise value of CHF 6.8 billion. After careful consideration, the Group's Board of Directors has determined that the transaction is in the best interest of the Group and its shareholders, and has therefore unanimously resolved that it will recommend the offer for acceptance. As part of the transaction, Freenet AG has entered into an undertaking in which it agreed to tender its entire 24% interest in the Group under the offer. Liberty's proposed acquisition is subject to approval by the competition authorities.

Research and Development

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

Outlook

2020 Guidance

Sunrise reiterates its 2020 guidance: Revenue and adjusted EBITDA continue to be expected between CHF 1,840 million to CHF 1,880 million and CHF 675 million to CHF 690 million, respectively. Guidance is based on continued cost containment and an expected gradual recovery in roaming. Capex is reiterated in the range of CHF 410 million to 450 million. Upon meeting its 2020 guidance, Sunrise expects to propose a dividend in the range of CHF 4.55 to CHF 4.65 per share for 2020, to be paid out of foreign capital contribution reserves in 2021. As communicated on August 12, 2020 Liberty Global has made a tender offer to the shareholders of the Group to acquire Sunrise. In case of a successful offer, Liberty Global intends to delist Sunrise shares from trading on the SIX exchange. As such, Sunrise wants to make shareholders aware of possible future changes to the current dividend policy.

Condensed Consolidated Interim Financial Statements (unaudited)

Sunrise Communications Group AG

Condensed Consolidated Interim Statements of Income

CHFk	Note	H1 2020	H1 2019	Q2 2020	Q2 2019
		Unaudited	Unaudited	Unaudited	Unaudited
Revenue	**6,7**	**915,192**	**901,397**	**456,068**	**454,774**
Transmission costs and cost of goods sold		(292,067)	(284,796)	(148,786)	(143,575)
Other operating expenses		(182,080)	(207,648)	(90,307)	(102,550)
Wages, salaries and pension costs		(122,477)	(109,013)	(59,206)	(55,134)
Other income	8	3,080	32,735	1,419	3,484
Other expenses		(624)	(1,301)	(484)	(190)
Income before depreciation and amortization, net financial items and income taxes		**321,024**	**331,374**	**158,704**	**156,809**
Amortization		(143,465)	(131,696)	(70,114)	(65,935)
Depreciation and impairment losses		(101,700)	(101,106)	(51,175)	(50,970)
Operating income		**75,859**	**98,572**	**37,415**	**39,904**
Foreign currency gains, net		1,304	1,103	155	1,077
Financial income		178	53	147	48
Financial expenses		(24,678)	(25,311)	(12,303)	(12,232)
Net financial items	**9**	**(23,196)**	**(24,155)**	**(12,001)**	**(11,107)**
Income before income taxes		**52,663**	**74,417**	**25,414**	**28,797**
Income taxes		(9,317)	(13,541)	(4,209)	(3,167)
Net income		**43,346**	**60,876**	**21,205**	**25,630**
Net income attributable to equity holders of the parent company		**43,346**	**60,876**	**21,205**	**25,630**
Basic and diluted earnings per share (in CHF)	**14**	**0.96**	**1.35**	**0.47**	**0.57**

The accompanying Notes form an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Comprehensive Income

CHFk	H1 2020	H1 2019	Q2 2020	Q2 2019
	Unaudited	Unaudited	Unaudited	Unaudited
Net income	**43,346**	**60,876**	**21,205**	**25,630**
Actuarial (loss)/gain related to defined benefit pension plans	(1,825)	(13,459)	9,641	(9,811)
Income tax effect	291	2,673	(1,706)	1,933
Net other comprehensive (loss)/income not to be reclassified to profit and loss in subsequent periods	**(1,534)**	**(10,785)**	**7,934**	**(7,878)**
Other comprehensive (loss)/income, net of tax	**(1,534)**	**(10,785)**	**7,934**	**(7,878)**
Total comprehensive income	**41,812**	**50,091**	**29,139**	**17,752**
Comprehensive income attributable to equity holders of the parent company	**41,812**	**50,091**	**29,139**	**17,752**

The accompanying Notes form an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Financial Position

Assets

CHFk	Note	30.06.2020	31.12.2019
		Unaudited	Audited
Non-current assets			
Intangible assets		2,024,246	2,119,967
Property, plant and equipment		892,708	846,642
Right-of-use assets		267,444	282,736
Non-current portion of trade and other receivables		52,591	65,294
Non-current portion of contract assets		7,009	5,922
Contract costs		58,170	54,801
Total non-current assets		**3,302,168**	**3,375,362**
Current assets			
Inventories		39,216	54,734
Current portion of trade and other receivables		298,621	309,223
Current portion of contract assets		107,300	112,345
Current portion of prepaid expenses		19,909	9,713
Cash and cash equivalents	11	232,976	200,611
Total current assets		**698,022**	**686,626**
Total assets		**4,000,190**	**4,061,988**

The accompanying Notes form an integral part of the condensed consolidated interim financial statements.

Equity and liabilities

CHFk	Note	30.06.2020	31.12.2019
		Unaudited	Audited
Equity			
Common shares		45,265	45,069
Share premium		1,788,985	1,972,737
Other reserves		(776,143)	(776,143)
Accumulated profit		141,194	99,382
Total equity	**13**	**1,199,301**	**1,341,045**
Non-current liabilities			
Non-current portion of loans and notes	10,11	1,582,023	1,577,485
Non-current portion of lease liabilities	10	206,799	228,439
Non-current portion of trade and other payables		20,468	20,454
Deferred tax liabilities		107,983	118,195
Non-current portion of provisions		62,072	62,077
Employee benefit obligations		86,184	81,746
Non-current portion of contract liabilities		7,075	7,800
Total non-current liabilities		**2,072,604**	**2,096,196**
Current liabilities			
Current portion of loans and notes	10,11	100,000	–
Current portion of lease liabilities	10	42,754	34,777
Current portion of trade and other payables		511,816	529,204
Income tax payable		42,761	28,982
Current portion of provisions		3,286	1,898
Current portion of contract liabilities		26,569	28,371
Other current liabilities	11	1,099	1,515
Total current liabilities		**728,285**	**624,747**
Total liabilities		**2,800,889**	**2,720,943**
Total equity and liabilities		**4,000,190**	**4,061,988**

The accompanying Notes form an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Cash Flow

CHFk	Note	H1 2020	H1 2019	Q2 2020	Q2 2019
		Unaudited	Unaudited	Unaudited	Unaudited
Income before income taxes		**52,663**	**74,417**	**25,414**	**28,797**
Amortization		143,465	131,696	70,114	65,935
Depreciation and impairment losses		101,700	101,106	51,175	50,970
Gain on disposal of property, plant and equipment		(381)	(25,228)	(27)	(630)
Expense for employee share participation program		7,975	–	7,975	–
Movement in pension		1,992	1,151	895	539
Movement in provisions		1,199	(1,550)	(639)	(1,158)
Change in net working capital	17	19,237	19,774	(1,447)	(19,865)
Cash flow from operating activities before net financial items and tax		**327,850**	**301,366**	**153,460**	**124,588**
Financial income	9	(178)	(53)	(147)	(48)
Financial expense	9	24,678	25,311	12,303	12,232
Foreign currency gains, net	9	(1,304)	(1,103)	(155)	(1,077)
Interest received		156	52	125	47
Interest paid		(21,314)	(20,884)	(11,772)	(11,574)
Corporate income and withholding tax paid		(5,624)	(21,846)	(1,865)	(715)
Total cash flow from operating activities		**324,264**	**282,843**	**151,949**	**123,453**
Purchase of property, plant and equipment	15	(139,544)	(89,027)	(78,695)	(42,556)
Purchase of intangible assets	15	(38,914)	(188,184)	(16,580)	(100,241)
Sale of property, plant and equipment		381	29,757	7	595
Acquisition of subsidiaries, net of cash acquired		(3,514)	–	(3,514)	–
Total cash flow used in investing activities		**(181,591)**	**(247,454)**	**(98,782)**	**(142,202)**
Proceeds from drawn revolving credit facility (RCF)		100,000	–	100,000	–
Capital increase		7,250	–	7,250	–
Costs relating to capital increase		(152)	–	(152)	–
Repayments of lease liabilities	10	(20,833)	(22,456)	(7,751)	(6,193)
Dividend payment		(198,304)	(189,290)	(198,304)	(189,290)
Other financing activities		(562)	(5,514)	(318)	(5,156)
Total cash flow used in financing activities		**(112,601)**	**(217,260)**	**(99,275)**	**(200,639)**
Total cash flow		**30,072**	**(181,871)**	**(46,108)**	**(219,388)**
Cash and cash equivalents as of January 1		200,611	420,919	–	–
Cash and cash equivalents as of April 1		–	–	278,856	458,656
Foreign currency impact on cash	9	2,292	780	227	560
Cash and cash equivalents as of June 30		**232,976**	**239,827**	**232,976**	**239,827**

The accompanying Notes form an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Changes in Equity

CHFk	Common shares	Share premium	Other reserves	Accumulated profit/(deficit)	Total
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
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**
Equity as of January 1, 2020	**45,069**	**1,972,737**	**(776,143)**	**99,382**	**1,341,045**
Net income for the period	–	–	–	43,346	43,346
Other comprehensive loss	–	–	–	(1,534)	(1,534)
Total comprehensive income	**-**	**-**	**-**	**41,812**	**41,812**
Share-based payment	–	(324)	–	–	(324)
Dividend payment	–	(198,304)	–	–	(198,304)
Capital increase	196	14,876	–	–	15,072
Equity as of June 30, 2020	**45,265**	**1,788,985**	**(776,143)**	**141,194**	**1,199,301**

The accompanying Notes form an integral part of the condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

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, 2020, 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) as well as OTT-TV 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 25, 2020.

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, 2020, 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, 2019.

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	**30.06.2020**	31.12.2019	**01.01 – 30.06.2020**	01.01 – 30.06.2019
Euro	1.0642	1.0856	1.0798	1.1433
US Dollar	0.9473	0.9666	0.9820	1.0099

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, 2019.

NOTE 4

New accounting standards

None of the amendments to existing International Financial Reporting Standards (IFRS) and Interpretations effective as of January 1, 2020 are relevant to the Group.

NOTE 5

Changes in scope of consolidation

On May 19, 2020, the Group has announced that it has signed an agreement with Salt Mobile SA for a strategic partnership to create a leading fiber-to-the-home platform ("FTTH"). This open platform, which is accessible to all providers, is intended to offer high-speed broadband connection services throughout Switzerland.

As of June 30, 2020 the share capital of Swiss Open Fiber AG of CHF 0.1 million is fully consolidated in the Group's financial statements for the first time.

Furthermore, on June 17, 2020, the Group acquired 100% of the shares of Wilmaa Holding AG (Wilmaa) for a purchase price of CHF 3.8 million. The Swiss company is a pioneer in web TV and offers digital (OTT) television for smartphones, tablets, and PCs, right up to large home TV sets. The acquisition of Wilmaa will allow Sunrise to use its leading technology and know-how to further develop its OTT TV offers. As part of the transaction Wilmaa's employees have joined the Group.

The identifiable assets and liabilities acquired are recorded at fair value at the date of acquisition and net assets of CHF 2.2 million were identified. Accordingly a goodwill amount of CHF 1.6 million has been recognized. The goodwill arising from the acquisition mainly relates to the know-how in OTT TV technologies and expected synergies that do not meet the criteria for recognition as separate intangible assets. The fair value of the net assets and the related goodwill has been determined as provisional and the Group has twelve months from the date of acquisition to finalize these values.

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, 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 – June 30	RESIDENTIAL 2020	RESIDENTIAL 2019 [1]	BUSINESS 2020	BUSINESS 2019 [1]	WHOLESALE[2] 2020	WHOLESALE[2] 2019	HEAD OFFICE ACTIVITIES 2020	HEAD OFFICE ACTIVITIES 2019	TOTAL 2020	TOTAL 2019
Revenue										
External customers	644,109	638,630	172,328	161,853	79,208	81,181	19,547	19,733	915,192	901,397
Total	**644,109**	**638,630**	**172,328**	**161,853**	**79,208**	**81,181**	**19,547**	**19,733**	**915,192**	**901,397**
Previously reported [1]		*650,284*		*150,199*						
Transmission costs and costs of goods sold										
External customers	(202,731)	(192,463)	(52,222)	(51,240)	(37,105)	(41,042)	(9)	(51)	(292,067)	(284,796)
Total	**(202,731)**	**(192,463)**	**(52,222)**	**(51,240)**	**(37,105)**	**(41,042)**	**(9)**	**(51)**	**(292,067)**	**(284,796)**
Previously reported [1]		*(193,221)*		*(50,482)*						
Other operating expenses	(56,878)	(63,390)	(10,550)	(11,373)	(1,711)	(2,095)	(112,941)	(130,790)	(182,080)	(207,648)
Wages, salaries and pension costs	(26,335)	(29,273)	(26,282)	(21,093)	(2,333)	(2,293)	(67,527)	(56,354)	(122,477)	(109,013)
Other income	(20)	–	(2)	–	–	–	3,102	32,735	3,080	32,735
Other expenses	(11)	(11)	(75)	–	–	–	(538)	(1,290)	(624)	(1,301)
EBITDA	**358,134**	**353,492**	**83,197**	**78,148**	**38,059**	**35,751**	**(158,366)**	**(136,017)**	**321,024**	**331,374**
Previously reported [1]		*364,389*		*67,251*						

[1] In 2020, there was a redefinition of customer base between the segments Residential and Business. Therefore, comparative figures have been restated and previously reported figures are presented separately.
[2] Including hubbing revenue of CHF 27 million generated in the six-month period ended as of June 30, 2020, and CHF 33 million in the six-month period ended as of June 30, 2019.

CHFk April 1 – June 30	RESIDENTIAL 2020	RESIDENTIAL 2019 [1]	BUSINESS 2020	BUSINESS 2019 [1]	WHOLESALE[2] 2020	WHOLESALE[2] 2019	HEAD OFFICE ACTIVITIES 2020	HEAD OFFICE ACTIVITIES 2019	TOTAL 2020	TOTAL 2019[2]
Revenue										
External customers	321,919	320,019	85,102	84,508	39,498	40,384	9,549	9,863	456,068	454,774
Total	**321,919**	**320,019**	**85,102**	**84,508**	**39,498**	**40,384**	**9,549**	**9,863**	**456,068**	**454,774**
Previously reported [1]		*325,848*		*78,679*						
Transmission costs and costs of goods sold										
External customers	(105,024)	(95,516)	(26,126)	(27,906)	(17,636)	(20,147)	–	(6)	(148,786)	(143,575)
Total	**(105,024)**	**(95,516)**	**(26,126)**	**(27,906)**	**(17,636)**	**(20,147)**	**-**	**(6)**	**(148,786)**	**(143,575)**
Previously reported [1]		*(95,929)*		*(27,493)*						
Other operating expenses	(28,368)	(31,079)	(4,985)	(6,255)	(865)	(1,021)	(56,089)	(64,195)	(90,307)	(102,550)
Wages, salaries and pension costs	(12,268)	(14,515)	(13,265)	(10,749)	(1,202)	(1,130)	(32,471)	(28,740)	(59,206)	(55,134)
Other income	–	–	–	–	–	–	1,419	3,484	1,419	3,484
Other expenses	(11)	–	(75)	–	–	–	(398)	(190)	(484)	(190)
EBITDA	**176,248**	**178,909**	**40,651**	**39,598**	**19,795**	**18,086**	**(77,990)**	**(79,784)**	**158,704**	**156,809**
Previously reported [1]		*184,325*		*34,182*						

[1] In 2020, there was a redefinition of customer base between the segments Residential and Business. Therefore, comparative figures have been restated and previously reported figures are presented separately.

[2] Including hubbing revenue of CHF 12 million generated in the three-month period ended as of June 30, 2020, and CHF 16 million in the three-month period ended as of June 30, 2019.

Reconciliation of income before interest, tax, depreciation and amortization (EBITDA)

CHFk	H1 2020	H1 2019	Q2 2020	Q2 2019
EBITDA from reportable segments	**321,024**	**331,374**	**158,704**	**156,809**
Unallocated:				
– Amortization	(143,465)	(131,696)	(70,114)	(65,935)
– Depreciation	(101,700)	(101,106)	(51,175)	(50,970)
– Net financial items	(23,196)	(24,155)	(12,001)	(11,107)
Income before income taxes	**52,663**	**74,417**	**25,414**	**28,797**

NOTE 7

Revenue

CHFk	**H1 2020**	H1 2019	**Q2 2020**	Q2 2019
Mobile services	610,645	604,026	304,639	302,354
– Thereof mobile postpaid	*415,817*	*408,778*	*205,559*	*207,617*
– Thereof mobile prepaid	*30,908*	*39,005*	*14,677*	*19,549*
– Thereof mobile hardware	*116,003*	*110,832*	*59,983*	*52,653*
– Thereof other	*47,917*	*45,411*	*24,420*	*22,535*
Landline services	140,802	145,179	69,610	74,329
– Thereof landline voice	*66,308*	*62,211*	*33,900*	*31,040*
– Thereof hubbing	*27,219*	*32,660*	*12,432*	*15,864*
– Thereof other	*47,275*	*50,308*	*23,278*	*27,425*
Landline internet and TV	163,745	152,192	81,819	78,091
– Thereof landline hardware[1]	*6,930*	*4,048*	*2,742*	*3,009*
Total	**915,192**	**901,397**	**456,068**	**454,774**

[1] Due to growing importance of landline hardware revenue, the figure is reported separately. Prior year figures have been adjusted accordingly to ensure comparability.

CHFk	**H1 2020**	H1 2019	**Q2 2020**	Q2 2019
Sales of goods	122,933	114,880	62,726	55,662
Sales of services	792,259	786,517	393,342	399,112
Total	**915,192**	**901,397**	**456,068**	**454,774**

Mobile services include revenue from voice and data traffic, subscription and connection fees for mobile devices and interconnection traffic as well as roaming revenue from group subscribers traveling abroad.

Landline services include revenue from traffic, subscription, voice connection and other revenue from services, which primarily relate to business services.

Internet services comprise revenue from subscription fees for xDSL, related traffic charges for Internet traffic and IPTV services.

Sales of goods include sales of mobile and landline hardware and distribution and sales of ICT and telecommunications products in the e-business sector as well as installation, operation and maintenance services for these products.

NOTE 8

Other income

CHFk	H1 2020	H1 2019	Q2 2020	Q2 2019
Other income				
Early termination fees	1,450	2,499	524	1,171
Build-to-Suit (BTS)	903	3,620	683	1,525
Gain on disposal of property, plant and equipment [1]	381	25,228	27	630
Lump sum payment related to shop transfer	–	929	–	–
Other	346	459	185	158
Total	**3,080**	**32,735**	**1,419**	**3,484**

[1] Prior year figures were mainly impacted by the sale of the 133 telecom towers sold to Swiss Towers AG in January 2019.

NOTE 9

Net Financial Items

CHFk **January 1 – June 30, 2020**	Interest	**Total financial income/(expenses) before foreign currency**	Net foreign currency gains/(losses)	**Total**
Income				
Cash and cash equivalents	74	74	2,292	2,366
Other	104	104	–	104
Total	**178**	**178**	**2,292**	**2,470**
Expenses				
Financial liabilities measured at amortized cost	(17,345)	(17,345)	–	(17,345)
Lease liabilities	(5,740)	(5,740)	–	(5,740)
Other	(1,593)	(1,593)	(988)	(2,581)
Total	**(24,678)**	**(24,678)**	**(988)**	**(25,666)**
Net financial items	**(24,500)**	**(24,500)**	**1,304**	**(23,196)**

CHFk January 1 – June 30, 2019	Interest	**Total financial income/(expenses) before foreign currency**	Net foreign currency gains	**Total**
Income				
Cash and cash equivalents	1	1	780	781
Other	52	52	323	375
Total	**53**	**53**	**1,103**	**1,156**
Expenses				
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 **April 1 – June 30, 2020**	Interest	**Total financial income/ (expenses) before foreign currency**	Net foreign currency gains/(losses)	**Total**
Income				
Cash and cash equivalents	74	74	227	301
Other	73	73	–	73
Total	**147**	**147**	**227**	**374**
Expenses				
Cash and cash equivalents	13	13	–	13
Financial liabilities measured at amortized cost	(8,755)	(8,755)	–	(8,755)
Lease liabilities	(2,942)	(2,942)	–	(2,942)
Other	(619)	(619)	(72)	(691)
Total	**(12,303)**	**(12,303)**	**(72)**	**(12,375)**
Net financial items	**(12,156)**	**(12,156)**	**155**	**(12,001)**

CHFk April 1 – June 30, 2019	Interest	**Total financial income/ (expenses) before foreign currency**	Net foreign currency gains	**Total**
Income				
Cash and cash equivalents	1	1	560	561
Other	47	47	323	370
Total	**48**	**48**	**883**	**931**
Expenses				
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)**

NOTE 10

Borrowings

CHFk	Nominal value at inception	Capitalized debt issuance cost[1]	Debt modification revaluation[2]	Debt repayments	**30.06.2020**	31.12.2019
Floating rate						
Term loan B – CHF[3]	1,410,000	(12,447)	(14,828)	–	1,382,725	1,378,280
RCF drawn – CHF[5]	100,000	–	–	–	100,000	–
Fixed rate						
Senior secured notes – CHF[4]	200,000	(703)	–	–	199,297	199,206
Total loans and notes	**1,710,000**	**(13,150)**	**(14,828)**	**-**	**1,682,022**	**1,577,485**
Other						
Debt relating to lease liabilities	–	–	–	(20,833)	249,553	263,216
Total borrowings					**1,931,576**	**1,840,701**
Thereof non-current					*1,788,822*	*1,805,924*
Thereof current					*142,754*	*34,777*

[1] At issuance of the borrowings or at the debt modification date.
[2] Related to refinancing.
[3] 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).
[4] Issued June 27, 2018.
[5] Drawn April 1, 2020.

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, 2020, showed that the Group was in compliance with the applicable financial covenant.

Lease liabilities are primarily related to lease agreements on mobile sites, shops & offices, fiber networks and cars.

The CHF 1,410.0 million term loan B has a maturity of 5 years and currently bears a cost of CHFLIBOR (capped at zero percent) plus 1.50%. 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.

On April 1, 2020, the Group has drawn down CHF 100 million of its RCF. The amount drawn currently bears a cost of CHFLIBOR (capped at zero percent) plus 1.20%.

NOTE 11

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, 2020, and December 31, 2019.

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:

	CARRYING AMOUNT (BY MEASUREMENT BASIS)		
CHFk **June 30, 2020**	Amortized cost	**Total**	Comparison Fair value[1]
Financial assets			
Cash	232,976	232,976	
Trade and other receivables	349,772	349,772	
Financial liabilities			
Trade payables and other payables	(520,002)	(520,002)	
Loans and notes	(1,682,023)	(1,682,023)	1,716,200
Lease liabilities	(249,553)	(249,553)	
Other current liabilities	(1,099)	(1,099)	

[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, 2019	Amortized cost	**Total**	Comparison Fair value[1]
Financial assets			
Cash	200,611	200,611	
Trade and other receivable	374,517	374,517	
Financial liabilities			
Trade payables and other payables	(542,379)	(542,379)	
Loans and notes	(1,577,485)	(1,577,485)	1,620,800
Lease liabilities	(263,216)	(263,216)	
Other current liabilities	(1,515)	(1,515)	

[1] The fair value of borrowings for disclosure purposes is based on quoted prices in an active market for identical liabilities.

NOTE 12

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 13

Equity

CHFk	**30.06.2020**	31.12.2019
Common shares	45,265	45,069
Share premium[1]	1,788,985	1,972,737
Other reserves	(776,143)	(776,143)
Accumulated profit	141,194	99,382
Total equity	**1,199,301**	**1,341,045**

[1] Share premium includes reserves which are freely available for distribution of dividends.

Share capital

As of June 30, 2020, the total number of authorized and issued ordinary shares comprised 45,265,446 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 employee share participation plan, the share capital was increased by 196,418 shares on April 29, 2020.

Other reserves

The change in other reserves 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.

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 8, 2020, the payment of an ordinary dividend from statutory reserves from capital contributions in the total amount of CHF 198.3 million (CHF 4.40 per share) in respect of the 2019 financial year was approved. The dividend payment was made on April 16, 2020.

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.

	H1 2020	H1 2019	**Q2 2020**	Q2 2019
Basic earnings per share				
Net income attributable to equity holders of SCG (CHFk)	43,346	60,876	21,205	25,630
Weighted average number of shares outstanding	45,136,683	45,069,028	45,204,338	45,069,028
Basic earnings per share (in CHF)	**0.96**	**1.35**	**0.47**	**0.57**
Diluted earnings per share				
Net income attributable to equity holders of SCG (CHFk)	43,346	60,876	21,205	25,630
Weighted average number of shares outstanding	45,228,170	45,132,888	45,298,544	45,145,767
Diluted earnings per share (in CHF)	**0.96**	**1.35**	**0.47**	**0.57**

If the vesting conditions were fully met as of June 30, 2020, a maximum of 156,945 shares (December 31, 2019: 119,995) would have a dilutive effect.

NOTE 15

Other balance sheet items

Intangible assets

During the six-month period ended June 30, 2020, the Group acquired intangible assets of CHF 44.9 million (H1 2019: 224.8 million). In the same period, the Group paid CHF 38.9 million (H1 2019: CHF 188.2 million) for intangible assets additions. Prior year figures were mainly impacted by the acquisition of the 5G frequencies that had 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 six-month period ended June 30, 2020, the Group acquired assets of CHF 125.6 million (June 30, 2019: CHF 80.8 million). In the same period, the Group paid CHF 139.5 million (H1 2019: CHF 89.0 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.

NOTE 16

Change in net working capital

CHFk	H1 2020	H1 2019	Q2 2020	Q2 2019
Change in inventories	15,518	597	8,431	(659)
Change in trade and other receivables	27,169	19,541	(5,441)	(8,662)
Change in trade and other payables	(7,814)	(8,326)	6,973	(3,829)
Change in contract assets	3,958	19,066	(9,670)	(6,937)
Change in contract liabilities	(2,527)	741	(2,983)	1,236
Change in contract costs	(3,369)	(2,621)	(526)	(1,787)
Change in other items, net	(13,698)	(9,224)	1,769	773
Total	**19,237**	**19,774**	**(1,447)**	**(19,865)**

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 contract assets and contract liabilities. 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 19.2 million in the six-month period as of June 30, 2020 is primarily related to a reduction in trade and other receivable (CHF 27.2 million), mainly driven by roaming and device plan receivables and a reduction in handset inventories. These positive effects were partly offset by a negative change in other items, net (CHF 13.7 million) and trade and other payables (CHF 7.8 million).

Compared to the six-month period ended as of June 30, 2019, the change in net working capital had a negative impact of CHF 0.4 million mainly from contract assets (CHF 15.1 million), contract liabilities (CHF 3.3 million) and other items, net (CHF 4.5 million). In contrast, the first six months of 2020 were positively impacted by the 2020 reduction in inventories (CHF 14.9 million) and trade and other receivables (CHF 7.6 million). The remaining change stems from positions related to trade and other payables and contract costs.

NOTE 17

Contractual commitments

The total contractual and purchase commitments as of June 30, 2020, amounted to CHF 287.8 million (June 30, 2019: CHF 332.8 million) consisting of future investments in property, plant and equipment and intangible assets, of which CHF 99.8 million relate to access deals.

NOTE 18

Events after the balance sheet date

On August 12, 2020, it was announced that Liberty Global plc, the parent company of UPC Switzerland, has made a tender offer to the shareholders of the Group to acquire Sunrise at an enterprise value of CHF 6.8 billion. After careful consideration, the Group's Board of Directors has determined that the transaction is in the best interest of the Group and its shareholders, and has therefore unanimously resolved that it will recommend the offer for acceptance. As part of the transaction, Freenet AG has entered into an undertaking in which it agreed to tender its entire 24% interest in the Group under the offer. Liberty's proposed acquisition is subject to approval by the competition authorities.

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To the Board of Directors of
Sunrise Communications Group AG, Zurich

Zurich, 25 August 2020

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 19 to 39) of Sunrise Communications Group AG for the six-month period from 1 January 2020 to 30 June 2020. 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	Tobias Meyer
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

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