

Q3 2020

Interim Financial Report

Nine-month period as of September 30, 2020

Sunrise

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Operational and Financial Review

3 Operational and Financial Review

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Financial KPIs

| CHF million | 01.01 – 30.9.2020 | 01.01 – 30.9.2019 ¹ | Change of reported figures (%) | Q3 2020 | Q3 2019 ¹ | Change of reported figures (%) |
|---|----------------------|-----------------------------------|--------------------------------------|--------------|----------------------|--------------------------------------|
| Revenue | | | | | | |
| Mobile services | 932 | 929 | 0.3 | 321 | 325 | (1.2) |
| – Thereof mobile postpaid | 636 | 624 | 2.0 | 221 | 215 | 2.4 |
| – Thereof mobile prepaid | 47 | 58 | (19.1) | 16 | 19 | (15.6) |
| – Thereof mobile hardware | 173 | 175 | (1.0) | 57 | 64 | (10.9) |
| – Thereof other | 75 | 72 | 4.8 | 28 | 27 | 3.6 |
| Landline services (incl. voice) | 206 | 218 | (5.4) | 65 | 72 | (10.1) |
| – Thereof landline voice | 98 | 93 | 5.9 | 32 | 31 | 4.5 |
| – Thereof hubbing | 36 | 50 | (26.7) | 9 | 17 | (46.0) |
| – Thereof other | 71 | 75 | (5.2) | 24 | 25 | (3.6) |
| Landline Internet and TV | 249 | 229 | 8.8 | 85 | 76 | 11.3 |
| – Thereof landline hardware ¹ | 12 | 5 | 163.8 | 5 | 1 | 802.6 |
| Total revenue | 1,387 | 1,375 | 0.8 | 471 | 474 | (0.5) |
| Revenue excl. hardware and hubbing | 1,165 | 1,146 | 1.6 | 400 | 392 | 1.9 |
| Gross profit | 943 | 933 | 1.1 | 320 | 316 | 1.2 |
| % margin | 68.0% | 67.8% | | 67.8% | 66.7% | |
| % margin (excl. hubbing & hardware revenue) | 80.9% | 81.4% | | 80.0% | 80.5% | |
| EBITDA | 496 | 506 | (1.9) | 175 | 175 | 0.3 |
| EBITDA adjusted² | 507 | 496 | 2.1 | 176 | 173 | 2.0 |
| % margin | 36.6% | 36.1% | | 37.4% | 36.4% | |
| % margin (excl. hubbing & hardware revenue) | 43.5% | 43.3% | | 44.1% | 44.0% | |
| Net income | 71 | 109 | (34.3) | 28 | 48 | (41.3) |
| Cash flow | | | | | | |
| Reported EBITDA | 496 | 506 | (1.9) | 175 | 175 | 0.3 |
| Change in NWC | 4 | 33 | (87.0) | (15) | 13 | (214.2) |
| Net interest | (30) | (29) | 2.7 | (9) | (9) | 5.4 |
| Tax | (14) | (43) | (67.5) | (8) | (21) | (60.6) |
| CAPEX | (305) | (342) | (10.9) | (126) | (65) | 95.0 |
| Repayments of lease liabilities | (29) | (27) | 7.1 | (8) | (5) | 77.1 |
| Other financing activities | (21) | (6) | 288.2 | (21) | 0 | – |
| Equity free cash flow | 101 | 92 | 10.1 | (13) | 88 | (114.6) |
| Other ³ | (83) | (199) | (58.4) | 1 | (14) | (104.8) |
| Total cash flow | 18 | (107) | (116.8) | (12) | 74 | (116.4) |
| Net debt | 1,737 | 1,554 | | 1,737 | 1,554 | |
| Net debt/adj. EBITDA (LTM) | 2.6× | 2.4× | | 2.6× | 2.4× | |

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 10. 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. 2019 consists mainly of sale of property, plant and equipment of CHF +5 million, movement in pension and provision (CHF –14 million) and dividend payment of CHF –189 million.

Operational KPIs

| | 01.01 – 30.9.2020 | 01.01 – 30.9.2019 | Change of reported figures (%) | Q3 2020 | Q3 2019 | Change of reported figures (%) |
|--|----------------------|----------------------|--------------------------------------|-------------|-------------|--------------------------------------|
| ARPU (CHF) | | | | | | |
| Mobile blended | 30.9 | 31.7 | (2.6) | 31.8 | 32.3 | (1.4) |
| Postpaid | 36.4 | 38.7 | (6.1) | 37.1 | 39.2 | (5.5) |
| – Thereof origination | 33.6 | 36.2 | (7.2) | 34.5 | 36.8 | (6.2) |
| – Thereof termination | 2.8 | 2.5 | 10.8 | 2.5 | 2.4 | 4.4 |
| Prepaid | 10.1 | 10.8 | (5.7) | 10.8 | 10.7 | 0.7 |
| Landline | | | | | | |
| Landline voice | 21.1 | 21.0 | 0.6 | 20.4 | 20.4 | 0.2 |
| Internet | 34.9 | 35.8 | (2.5) | 34.8 | 35.5 | (2.2) |
| TV | 24.1 | 25.0 | (3.8) | 23.9 | 24.8 | (3.7) |
| Subscription base (in thousand) | | | | | | |
| Mobile | | | | | | |
| Postpaid | 2,006.1 | 1,853.7 | 8.2 | | | |
| – Primary | 1,605.4 | 1,493.1 | 7.5 | | | |
| – Secondary | 400.7 | 360.6 | 11.1 | | | |
| Prepaid (3-month rule) | 502.9 | 590.9 | (14.9) | | | |
| Prepaid (12-month rule) | 813.1 | 945.7 | (14.0) | | | |
| Landline | | | | | | |
| Landline voice | 517.8 | 497.3 | 4.1 | | | |
| Internet | 523.6 | 489.7 | 6.9 | | | |
| TV | 301.8 | 269.5 | 12.0 | | | |
| LTM Churn (%) | | | | | | |
| Postpaid | 13.5 | 12.8 | | | | |
| Landline | 13.9 | 13.4 | | | | |
| Employees | | | | | | |
| FTEs | 1,763 | 1,667 | 5.8 | | | |
| Apprentices | 146 | 140 | 4.3 | | | |

Financial Review

Financial Summary

In the first three quarters of 2020, service revenue (total revenue excl. hardware and hubbing revenue) has increased by 1.6% 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 revenue due to Covid-19 impact. Mobile postpaid revenue increased (CHF 12 million), driven by customer growth and customer migration from pre- to postpaid mobile services. Subsequently, mobile prepaid revenue decreased (CHF –11 million) during the first nine months of 2020. In the same period, landline Internet and TV revenues increased by CHF 20 million, of which CHF 7 million are attributable to the growth in landline hardware revenues. In addition, landline voice revenue grew (CHF 5 million), while hubbing revenue decreased (CHF –14 million), leading to a total revenue increase of 0.8% compared to the nine-month period ended September 30, 2019. Adjusted EBITDA increased by 2.1% year-over-year, mainly driven by gross profit growth (1.1%) and flat OPEX (0.0%).

Major Events

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.

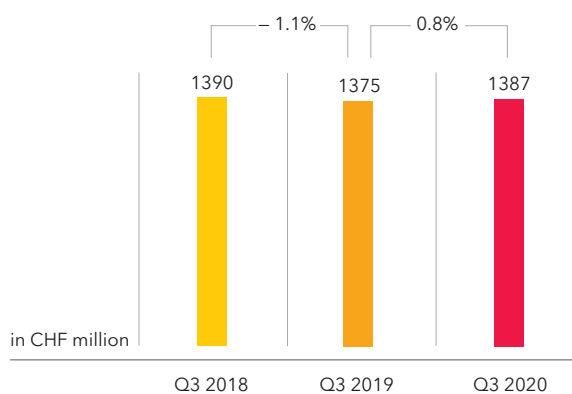
During the first nine months of 2020, the Covid-19 pandemic has led to significant impacts on the worldwide and local economic situation. Sunrise was also impacted in terms of close-down of shops and various other organizational challenges. In addition, the Group has noted that customer behavior has 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.

As far as the preparation of the condensed consolidated interim financial statements as of September 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.

In H1 2020, 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 the first quarter, the remaining costs in the second quarter of the year.

Revenue

The Sunrise Group financial results for the nine-month period ended September 30, 2020, showed an increase in total revenue of 0.8%, 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.

| | RESIDENTIAL | | BUSINESS | | WHOLESALE ² | | HEAD OFFICE ACTIVITIES | | TOTAL | |
|--|----------------|-------------------|----------------|-------------------|------------------------|----------------|------------------------|---------------|------------------|------------------|
| | 2020 | 2019 ¹ | 2020 | 2019 ¹ | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| CHFk January 1 - September 30 | | | | | | | | | | |
| Revenue | 976,791 | 972,146 | 263,117 | 248,446 | 116,942 | 124,940 | 29,739 | 29,756 | 1,386,589 | 1,375,288 |
| <i>Previously reported¹</i> | | 989,789 | | 230,803 | | | | | | |

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 36 million generated in the nine-month period ended as of September 30, 2020, and CHF 50 million in the nine-month period ended as of September 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 – September 30 | 2020 | 2019 |
|--|------------------|------------------|
| Mobile services | 931,766 | 928,957 |
| – Thereof mobile postpaid | 636,357 | 624,135 |
| – Thereof mobile prepaid | 46,945 | 58,006 |
| – Thereof mobile hardware | 172,977 | 174,795 |
| – Thereof other | 75,487 | 72,021 |
| Landline services | 205,943 | 217,665 |
| – Thereof landline voice | 98,211 | 92,756 |
| – Thereof hubbing | 36,383 | 49,625 |
| – Thereof other | 71,349 | 75,284 |
| Landline Internet and TV | 248,880 | 228,666 |
| – Thereof landline hardware ¹ | 12,230 | 4,636 |
| Total | 1,386,589 | 1,375,288 |
| Revenue excl. hardware and hubbing | 1,164,999 | 1,146,232 |

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 0.3% to CHF 932 million in the year-over-year comparison. Mobile postpaid revenue rose by 2.0% driven by an increased postpaid subscription base (8.2%), partly offset by lower roaming revenues and a decrease in mobile prepaid revenue (–19.1%).

The year-over-year postpaid ARPU reduction of CHF –2.3 was largely driven by declined roaming usage due to reduced travel activities caused by Covid-19 restrictions, continued secondary SIM dilution as well as promotion and retention discounts as well as 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 2,006 thousand subscribers as of September 30, 2020 (September 30, 2019: 1,854 thousand). The subscription base increase, recorded over all segments, was driven by high network quality, good customer experience, pre- 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 –0.6). 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 –14.9% to 503 thousand subscribers as of September 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 revenue is strongly driven by tourist subscriptions.

Hardware revenue (low margin) decreased year-over-year by –1.0% to CHF 173.0 million for the nine-month period ended September 30, 2020. Hardware revenue depends on handset innovation/launches and is volatile by nature.

Landline Services

Landline services revenue (incl. hubbing) decreased by –5.4% to CHF 206 million in the year-over-year comparison.

Landline voice revenue increased by 5.9% to CHF 98 million, driven by increased voice telephony traffic in the Covid-19 lockdown period and the subsequent months. Hubbing revenue, which is low margin, decreased by –26.7% to CHF 36 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 8.8% to CHF 249 million (including landline hardware) in the nine-month period ended September 30, 2020.

The total Internet subscription base increased by 6.9% year-over-year to 524 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 12.0% year-over-year to 302 thousand subscribers. Customer growth was supported by convergence benefits including the “Sunrise One” and the new “Sunrise We” offer as well as by promotional bundles launched end of 2019. TV ARPU decreased by CHF –1.0 to CHF 24.1 in the first nine months of 2020, which was mainly caused by promotional activities and the generally lower ARPU of TV OTT products.

Landline hardware revenue increased by CHF 7 million in the first nine months of 2020 compared to prior year period. This is mainly driven by bundled hardware offers in landline, which have grown in importance since 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 943 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 444 million for the nine-month period ended September 30, 2020, an increase of 0.2% year-over-year, mostly driven by the operational growth in business and YOL areas, as well as more gifting promotions and bundled offers in hardware, while costs decreased in hubbing, integration, prepaid and landline data.

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

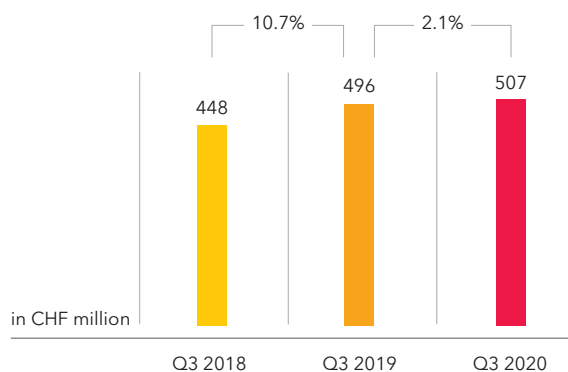
+/- Change in NWC
– CAPEX (excl. cash from asset sales)
– Tax
– Interest
– Other financing activities (incl. IRU)
= EFCF

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 September 30, 2020, amounted to CHF 507 million, showing a year-over-year increase of 2.1%. 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 nine-months in 2020, 2019 and 2018. The comparative values have not been restated to the new APM guideline mentioned above. Operational business in the first nine months of 2020 mainly contributed to an adjusted EBITDA increase of CHF 11 million with a strong gross profit growth. 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.

| CHFk January 1 - September 30 | 2020 | 2019 | 2018 |
|--|----------------|----------------|----------------|
| Reported EBITDA | 496,148 | 506,001 | 438,532 |
| Acquisition and Integration income of new businesses | (616) | n/a | n/a |
| Restructuring costs | 2,047 | n/a | n/a |
| Non-recurring and/or non-operating events | 9,297 | (9,555) | 9,415 |
| Prior-year-related events | n/a | (1,765) | (1,404) |
| Costs related to share-based payment | n/a | 1,659 | 1,164 |
| Adjusted EBITDA | 506,876 | 496,342 | 447,707 |

Reported EBITDA

The Group generated an EBITDA of CHF 496 million for the nine-month period ended September 30, 2020, a year-over-year decrease of CHF –10 million or –1.9% from CHF 506 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 –20 million decline, partly compensated by a CHF 10 million increase in gross profit.

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) and adjustments of pension plans according to IAS 19 (CHF 13 million), partly offset by advisory fees related to the cancelled acquisition of UPC Switzerland (CHF 24 million) and expenses related to the headquarter move to Ambassador House (CHF 2 million). In 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 –39 million from CHF 310 million to CHF 271 million year-over-year for the nine-month period ended September 30, 2020. The decline is partly due to the prior year costs related to the cancelled acquisition of UPC Switzerland GmbH (CHF 24 million). Excluding these costs, other operating expenses decreased by CHF –16 million, which is attributable to lower marketing expenses and increased operational efficiency. |
| Wages, Salaries and Pension Costs | <p>Wages, salaries and pension costs totaled CHF 181 million for the nine-month period ended September 30, 2020. This represents a year-over-year increase of 20.6% related to FTE increase in customer growth areas, increased insourcing activities and the ESPP (CHF 9 million).</p> <p>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 89 million in its condensed consolidated interim financial statements as of September 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 7 million in the pension liability from CHF 82 million as of December 31, 2019, is mainly due to the reduction in the discount rate. The decline in plan assets during the market crash in the first quarter of 2020 was fully compensated by the market recovery in the second and third quarter.</p> |
| 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 (CHF 25 million) 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, built-to-suit revenues and a gain on disposal of property, plant and equipment. |
| Net Income | The Group reported a net income of CHF 71 million for the nine-month period ended September 30, 2020, a year-over-year decrease of CHF –38 million from a net income of CHF 109 million for the prior year period. Prior year net income was positively impacted by one-time effects of CHF 14 million as mentioned in section Reported EBITDA. In 2020 gross profit increased by CHF 10 million, set-off by increased expenses for depreciation and amortization of CHF 23 million, ESPP of CHF 9 million and income tax of CHF 6 million, which led to a total year-over-year decrease of CHF –38 million in 2020. |
| Depreciation and Amortization | Depreciation and amortization have increased compared to prior year from CHF 350 million in 2019 to CHF 373 million in 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 nine-month period as of September 30, 2020, CHF 95 million out of the total of CHF 373 million related to the amortization of purchased intangibles (CHF 95 million in 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 nine months of 2020 mainly consisting of financial expenses in the amount of CHF 37 million (2019: CHF 38 million), as well as net foreign currency gains of CHF 2 million (2019: CHF 2 million). |

| | |
|---|---|
| Income Taxes | For the first nine months in 2020, income tax expenses of CHF 17 million (2019: CHF 12 million) consist of a CHF 32 million (2019: CHF 43 million) expense related to current income taxes and a tax benefit of CHF 15 million (CHF 31 million) related to the change in deferred taxes. In 2019, the adjustment of the deferred tax rate led to deferred tax liability reduction of CHF 16 million as of September 30, 2019. |
| 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 221 million as of September 30, 2020, an increase of CHF 18 million compared to the cash position held as of December 31, 2019. The cash flow from operating activities of CHF 468 million was mainly offset by the cash flow used in investing (CHF –308 million) and financing activities (CHF –142 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 13 million due to increased operational performance. Paid interest remained stable, while paid taxes were lower (CHF –29 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 308 million as of September 30, 2020, which is CHF 4 million lower than in prior year (2019: CHF 312 million). While the first nine months 2019 were positively impacted by the net proceeds from asset disposals (2020: nil; 2019: CHF 30 million), which mainly related to the sale of 133 telecom towers to Swiss Towers AG, the CHF 146 million lower payments in 2020 for the purchase of intangible assets overcompensated this effect. Furthermore, the increase in payments for the purchase of property, plant and equipment by CHF 109 million compared to prior year period as well as the net cash paid for the acquisition 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 4 million. |
| Cash Flow Used in Financing Activities | Cash flow used in financing activities decreased by CHF 80 million in the first nine months of 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. This effect was partially offset by higher dividend payments of CHF 9 million and a higher cash-outflow related to other financing activities, including financing costs of CHF 20 million for the second installment related to the Swisscom access renewal deal as highlighted in Q2 2018. |
| Net Debt | The Group's debt position as of September 30, 2020 consisting of the term loan B3 facility, senior secured notes, RCF drawn and lease liabilities amounted to CHF 1,933 million, of which CHF 142 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 248 million (December 31, 2019: CHF 263 million) reduced by cash and cash equivalents in the amount of CHF 221 million (December 31, 2019: CHF 201 million). This leads to a net debt position as of June, 2020, of CHF 1,737 million (December 31, 2019: CHF 1,673 million), resulting in a net debt to adjusted EBITDA leverage ratio of 2.6x (December 31, 2019: 2.5x). 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.

As mentioned in Note 18 of the consolidated interim financial statements, the Group has repaid in full the CHF 100 million of its RCF on November 2, 2020.

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 4 million in the nine-month period ended September 30, 2020 is primarily related to a reduction in trade and other receivables (CHF 41 million), mainly driven by net payments on device plan receivables, roaming and lower accounts receivables related to service revenues as well as reduction in handset inventories CHF 15 million. These positive effects were partly offset by a negative change in trade and other payables (CHF 43 million), mainly driven by lower handset purchase and general lower level of other external cost.

Compared to the nine-month period ended September 30, 2019, the change in net working capital had a negative impact of CHF 29 million. This is mainly related to trade and other payables (CHF 59 million), driven by lower roaming payables, lower handset payables and general lower other external charges. In contrast, the first nine months of 2020 were positively impacted by the 2020 reduction in inventories CHF 17 million and trade and other receivables CHF 13 million, mainly driven by lower roaming receivables.

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 2.3x. 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 communicated on August 12, 2020, Liberty Global plc has made a tender offer to the shareholders of the Group to acquire Sunrise. After closing of the transaction, Liberty Global intends to delist Sunrise shares from trading on the SIX exchange. As such, the Group would like to make shareholders aware of potential future changes to its 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 discussing the risk schedule took place on February 06, 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 consolidation, employees and innovation/business development. The ensuing discussions with the risk owners result in a detailed description and quantification of each individual risk and the determination of mitigation activities to be implemented, with the objective of preventing the risk from materializing or of limiting the risk exposure to a level that is acceptable to the Company. Risk management and the resulting risk clusters are discussed among the Executive Leadership Team, while the Audit Committee and the Sunrise Board of Directors are informed annually.

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 nine-month period ended September 30, 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.

As mentioned in Note 18 of the consolidated interim financial statements, the Group has repaid in full the CHF 100 million of its RCF on November 2, 2020.

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. At the expiration of the offer period on October 28, 2020, a total of 43,724,570 Sunrise shares have been tendered, corresponding to 96.60% of the voting rights and the share capital of Sunrise. On October 30, 2020, regulatory approval was provided by the Swiss Competition Commission ("COMCO/WEKO"). The transaction is expected to close in mid-November 2020.

The Board of Directors proposes, subject to completion of the transaction, to the Extraordinary General Meeting on November 9, 2020 the election of Mike Fries, Baptiest Coopmans, Miranda Curtis, Manuel Kohnstamm, Andrea Salvato, Marisa Drew, Thomas D. Meyer and Joseph Deiss as new members of the Board of Directors, the election of Mike Fries as Chair of the Board of Directors, the election of Miranda Curtis, Manuel Kohnstamm and Andrea Salvato as members of the Nomination and Compensation Committee and the election of Miranda Curtis as Chair of the Nomination and Compensation Committee.

**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 supported by a solid Q3 financial performance: 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. CAPEX remains to be expected between 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. After closing of the transaction, Liberty Global intends to delist Sunrise shares from trading on the SIX exchange. As such, Sunrise would like to make shareholders aware of potential future changes to its current dividend policy.

Condensed Consolidated Interim Financial Statements (unaudited)

Sunrise Communications Group AG

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Condensed Consolidated Interim Statements of Income

| CHFk | Note | 01.01 - 30.09.2020 | 01.01 - 30.09.2019 | Q3 2020 | Q3 2019 |
|--|------------|-----------------------|--------------------|-----------------|-----------------|
| | | Unaudited | Unaudited | Unaudited | Unaudited |
| Revenue | 6,7 | 1,386,589 | 1,375,288 | 471,397 | 473,891 |
| Transmission costs and cost of goods sold | | (443,686) | (442,714) | (151,619) | (157,918) |
| Other operating expenses | | (270,596) | (310,089) | (88,516) | (102,441) |
| Wages, salaries and pension costs | | (181,447) | (150,468) | (58,970) | (41,455) |
| Other income | 8 | 6,631 | 36,132 | 3,551 | 3,397 |
| Other expenses | | (1,343) | (2,148) | (719) | (847) |
| Income before depreciation and amortization, net financial items and income taxes | | 496,148 | 506,001 | 175,124 | 174,627 |
| Amortization | | (216,597) | (199,817) | (73,132) | (68,121) |
| Depreciation and impairment losses | | (156,124) | (150,264) | (54,424) | (49,158) |
| Operating income | | 123,427 | 155,920 | 47,568 | 57,348 |
| Foreign currency gains, net | | 1,827 | 1,996 | 523 | 893 |
| Financial income | | 202 | 135 | 24 | 82 |
| Financial expenses | | (37,017) | (37,775) | (12,339) | (12,464) |
| Net financial items | 9 | (34,988) | (35,644) | (11,792) | (11,489) |
| Income before income taxes | | 88,439 | 120,276 | 35,776 | 45,859 |
| Income taxes | | (17,014) | (11,532) | (7,697) | 2,009 |
| Net income | | 71,425 | 108,744 | 28,079 | 47,868 |
| Net income attributable to equity holders of the parent company | | 71,425 | 108,744 | 28,079 | 47,868 |
| Basic and diluted earnings per share (in CHF) | 14 | 1.58 | 2.41 | 0.62 | 1.06 |

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

Condensed Consolidated Interim Statements of Comprehensive Income

| CHFk | 01.01 - 30.09.2020 | 01.01 - 30.09.2019 | Q3 2020 | Q3 2019 |
|---|-----------------------|--------------------|----------------|-----------------|
| | Unaudited | Unaudited | Unaudited | Unaudited |
| Net income | 71,425 | 108,744 | 28,079 | 47,868 |
| Actuarial loss related to defined benefit pension plans | (3,356) | (41,146) | (1,531) | (27,687) |
| Income tax effect | 554 | 7,657 | 263 | 4,984 |
| Net other comprehensive loss not to be reclassified to profit and loss in subsequent periods | (2,802) | (33,489) | (1,268) | (22,703) |
| Other comprehensive loss, net of tax | (2,802) | (33,489) | (1,268) | (22,703) |
| Total comprehensive income | 68,622 | 75,255 | 26,811 | 25,165 |
| Comprehensive income attributable to equity holders of the parent company | 68,622 | 75,255 | 26,811 | 25,165 |

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

Condensed Consolidated Interim Statements of Financial Position

Assets

| CHFk | Note | 30.09.2020 | 31.12.2019 |
|--|------|------------------|------------------|
| | | Unaudited | Audited |
| Non-current assets | | | |
| Intangible assets | | 1,978,514 | 2,119,967 |
| Property, plant and equipment | | 916,165 | 846,642 |
| Right-of-use assets | | 262,995 | 282,736 |
| Non-current portion of trade and other receivables | | 49,321 | 65,294 |
| Non-current portion of contract assets | | 5,542 | 5,922 |
| Contract costs | | 58,239 | 54,801 |
| Total non-current assets | | 3,270,776 | 3,375,362 |
| Current assets | | | |
| Inventories | | 39,855 | 54,734 |
| Current portion of trade and other receivables | | 286,266 | 309,223 |
| Current portion of contract assets | | 109,240 | 112,345 |
| Current portion of prepaid expenses | | 12,458 | 9,713 |
| Cash and cash equivalents | 11 | 221,132 | 200,611 |
| Total current assets | | 668,951 | 686,626 |
| Total assets | | 3,939,727 | 4,061,988 |

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

Equity and liabilities

| CHFk | Note | 30.09.2020 | 31.12.2019 |
|---|-----------|------------------|------------------|
| | | Unaudited | Audited |
| Equity | | | |
| Common shares | | 45,265 | 45,069 |
| Share premium | | 1,788,908 | 1,972,737 |
| Other reserves | | (776,143) | (776,143) |
| Accumulated profit | | 168,004 | 99,382 |
| Total equity | 13 | 1,226,034 | 1,341,045 |
| Non-current liabilities | | | |
| Non-current portion of loans and notes | 10,11 | 1,584,315 | 1,577,485 |
| Non-current portion of lease liabilities | 10 | 206,867 | 228,439 |
| Non-current portion of trade and other payables | | 451 | 20,454 |
| Deferred tax liabilities | | 102,590 | 118,195 |
| Non-current portion of provisions | | 62,133 | 62,077 |
| Employee benefit obligations | | 88,702 | 81,746 |
| Non-current portion of contract liabilities | | 7,067 | 7,800 |
| Total non-current liabilities | | 2,052,125 | 2,096,196 |
| Current liabilities | | | |
| Current portion of loans and notes | 10,11 | 100,000 | - |
| Current portion of lease liabilities | 10 | 41,502 | 34,777 |
| Current portion of trade and other payables | | 444,116 | 529,204 |
| Income tax payable | | 47,154 | 28,982 |
| Current portion of provisions | | 3,177 | 1,898 |
| Current portion of contract liabilities | | 24,318 | 28,371 |
| Other current liabilities | 11 | 1,301 | 1,515 |
| Total current liabilities | | 661,568 | 624,747 |
| Total liabilities | | 2,713,693 | 2,720,943 |
| Total equity and liabilities | | 3,939,727 | 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 | 01.01 - 30.09.2020 | 01.01 - 30.09.2019 | Q3 2020 | Q3 2019 |
|---|------|-----------------------|--------------------|------------------|-----------------|
| | | Unaudited | Unaudited | Unaudited | Unaudited |
| Income before income taxes | | 88,439 | 120,276 | 35,776 | 45,859 |
| Amortization | | 216,597 | 199,817 | 73,132 | 68,121 |
| Depreciation and impairment losses | | 156,124 | 150,264 | 54,424 | 49,158 |
| Gain on disposal of property, plant and equipment | | (430) | (25,256) | (49) | (28) |
| Expense for employee share participation program | | 7,975 | - | - | - |
| Movement in pension | | 2,919 | (11,262) | 927 | (12,413) |
| Movement in provisions | | 957 | (3,076) | (242) | (1,526) |
| Change in net working capital | 17 | 4,268 | 32,883 | (14,969) | 13,109 |
| Cash flow from operating activities before net financial items and tax | | 476,849 | 463,646 | 148,999 | 162,280 |
| Financial income | 9 | (202) | (135) | (24) | (82) |
| Financial expense | 9 | 37,017 | 37,775 | 12,339 | 12,464 |
| Foreign currency gains, net | 9 | (1,827) | (1,996) | (523) | (893) |
| Interest received | | 179 | 135 | 23 | 83 |
| Interest paid | | (30,413) | (29,578) | (9,099) | (8,694) |
| Corporate income and withholding tax paid | | (14,059) | (43,269) | (8,435) | (21,423) |
| Total cash flow from operating activities | | 467,544 | 426,578 | 143,280 | 143,735 |
| Purchase of property, plant and equipment | 15 | (239,597) | (130,545) | (100,054) | (41,518) |
| Purchase of intangible assets | 15 | (65,348) | (211,540) | (26,433) | (23,356) |
| Sale of property, plant and equipment | | 388 | 29,924 | 7 | 167 |
| Acquisition of subsidiaries, net of cash acquired | | (3,514) | - | - | - |
| Total cash flow used in investing activities | | (308,071) | (312,161) | (126,480) | (64,707) |
| Proceeds from drawn revolving credit facility (RCF) | | 100,000 | - | - | - |
| Capital increase | | 7,250 | - | - | - |
| Costs relating to capital increase | | (152) | - | - | - |
| Repayments of lease liabilities | 10 | (28,995) | (27,064) | (8,162) | (4,608) |
| Dividend payment | | (198,304) | (189,290) | - | - |
| Other financing activities | | (21,403) | (5,514) | (20,841) | - |
| Total cash flow used in financing activities | | (141,604) | (221,868) | (29,003) | (4,608) |
| Total cash flow | | 17,869 | (107,451) | (12,203) | 74,420 |
| Cash and cash equivalents as of January 1 | | 200,611 | 420,919 | - | - |
| Cash and cash equivalents as of July 1 | | - | - | 232,976 | 239,827 |
| Foreign currency impact on cash | 9 | 2,652 | 1,282 | 360 | 502 |
| Cash and cash equivalents as of September 30 | | 221,132 | 314,750 | 221,132 | 314,750 |

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 | - | - | - | 108,744 | 108,744 |
| Other comprehensive loss | - | - | - | (33,489) | (33,489) |
| Total comprehensive income | - | - | - | 75,255 | 75,255 |
| Share-based payment | - | (885) | - | - | (885) |
| Dividend payment | - | (189,290) | - | - | (189,290) |
| Equity as of September 30, 2019 | 45,069 | 1,972,552 | (776,143) | 124,779 | 1,366,257 |
| Equity as of January 1, 2020 | 45,069 | 1,972,737 | (776,143) | 99,382 | 1,341,045 |
| Net income for the period | - | - | - | 71,424 | 71,424 |
| Other comprehensive loss | - | - | - | (2,802) | (2,802) |
| Total comprehensive income | - | - | - | 68,622 | 68,622 |
| Share-based payment | - | (401) | - | - | (401) |
| Dividend payment | - | (198,304) | - | - | (198,304) |
| Capital increase | 196 | 14,876 | - | - | 15,072 |
| Equity as of September 30, 2020 | 45,265 | 1,788,908 | (776,143) | 168,004 | 1,226,034 |

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

Notes to the Condensed Consolidated Interim Financial Statements

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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 nine-month period ended September 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 November 4, 2020.

NOTE 2**Basis of preparation**

The condensed consolidated interim financial statements of the Group as of and for the nine-month period ended September 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 | |
|-----------|---------------|------------|--------------------------------|------------------------|
| | 30.09.2020 | 31.12.2019 | 01.01.- 30.09.2020 | 01.01. - 30.09.2019 |
| CHF | | | | |
| Euro | 1.0795 | 1.0856 | 1.0810 | 1.1349 |
| US Dollar | 0.9209 | 0.9666 | 0.9701 | 1.0055 |

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 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"). As of September 30, 2020 the project is on hold and the share capital of Swiss Open Fiber AG of CHF 0.1 million is fully consolidated in the Group's financial statements.

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

| | RESIDENTIAL | | BUSINESS | | WHOLESALE ² | | HEAD OFFICE ACTIVITIES | | TOTAL | |
|---|------------------|-------------------|-----------------|-------------------|------------------------|-----------------|------------------------|------------------|------------------|------------------|
| CHFk January 1 – September 30 | 2020 | 2019 ¹ | 2020 | 2019 ¹ | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Revenue | | | | | | | | | | |
| External customers | 976,791 | 972,146 | 263,117 | 248,446 | 116,942 | 124,940 | 29,739 | 29,756 | 1,386,589 | 1,375,288 |
| Total | 976,791 | 972,146 | 263,117 | 248,446 | 116,942 | 124,940 | 29,739 | 29,756 | 1,386,589 | 1,375,288 |
| <i>Previously reported¹</i> | | 989,789 | | 230,803 | | | | | | |
| Transmission costs and costs of goods sold | | | | | | | | | | |
| External customers | (307,815) | (300,176) | (84,503) | (80,540) | (51,359) | (61,912) | (9) | (86) | (443,686) | (442,714) |
| Total | (307,815) | (300,176) | (84,503) | (80,540) | (51,359) | (61,912) | (9) | (86) | (443,686) | (442,714) |
| <i>Previously reported¹</i> | | (301,585) | | (79,131) | | | | | | |
| Other operating expenses | (88,326) | (95,636) | (15,748) | (16,654) | (1,335) | (3,213) | (165,187) | (194,586) | (270,596) | (310,089) |
| Wages, salaries and pension costs | (41,121) | (43,693) | (39,055) | (32,296) | (3,541) | (3,448) | (97,730) | (71,031) | (181,447) | (150,468) |
| Other income | (20) | - | (2) | - | - | - | 6,653 | 36,132 | 6,631 | 36,132 |
| Other expenses | (11) | 11 | (79) | - | - | - | (1,253) | (2,159) | (1,343) | (2,148) |
| EBITDA | 539,498 | 532,652 | 123,730 | 118,956 | 60,707 | 56,367 | (227,787) | (201,974) | 496,148 | 506,001 |
| <i>Previously reported¹</i> | | 548,886 | | 102,722 | | | | | | |

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 36 million generated in the nine-month period ended September 30, 2020, and CHF 50 million in the nine-month period ended September 30, 2019.

| | RESIDENTIAL | | BUSINESS | | WHOLESALE ² | | HEAD OFFICE ACTIVITIES | | TOTAL | |
|---|------------------|-------------------|-----------------|-------------------|------------------------|-----------------|------------------------|-----------------|------------------|-------------------|
| CHFk July 1 – September 30 | 2020 | 2019 ¹ | 2020 | 2019 ¹ | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 ² |
| Revenue | | | | | | | | | | |
| External customers | 332,682 | 333,517 | 90,789 | 86,592 | 37,734 | 43,759 | 10,192 | 10,023 | 471,397 | 473,891 |
| Total | 332,682 | 333,517 | 90,789 | 86,592 | 37,734 | 43,759 | 10,192 | 10,023 | 471,397 | 473,891 |
| <i>Previously reported¹</i> | | 339,505 | | 80,604 | | | | | | |
| Transmission costs and costs of goods sold | | | | | | | | | | |
| External customers | (105,084) | (107,713) | (32,281) | (29,300) | (14,254) | (20,870) | - | (35) | (151,619) | (157,918) |
| Total | (105,084) | (107,713) | (32,281) | (29,300) | (14,254) | (20,870) | - | (35) | (151,619) | (157,918) |
| <i>Previously reported¹</i> | | (108,364) | | (28,649) | | | | | | |
| Other operating expenses | (31,448) | (32,246) | (5,198) | (5,281) | 376 | (1,118) | (52,246) | (63,796) | (88,516) | (102,441) |
| Wages, salaries and pension costs | (14,786) | (14,420) | (12,773) | (11,203) | (1,208) | (1,155) | (30,203) | (14,677) | (58,970) | (41,455) |
| Other income | - | - | - | - | - | - | 3,551 | 3,397 | 3,551 | 3,397 |
| Other expenses | - | 22 | (4) | - | - | - | (715) | (869) | (719) | (847) |
| EBITDA | 181,364 | 179,160 | 40,533 | 40,808 | 22,648 | 20,616 | (69,421) | (65,957) | 175,124 | 174,627 |
| <i>Previously reported¹</i> | | 184,497 | | 35,471 | | | | | | |

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 9 million generated in the three-month period ended September 30, 2020, and CHF 17 million in the three-month period ended September 30, 2019.

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

| CHFk | 01.01- 30.09.2020 | 01.01 - 30.09.2019 | Q3 2020 | Q3 2019 |
|--|----------------------|--------------------|----------------|----------------|
| EBITDA from reportable segments | 496,148 | 506,001 | 175,124 | 174,627 |
| Unallocated: | | | | |
| – Amortization | (216,597) | (199,817) | (73,132) | (68,121) |
| – Depreciation | (156,124) | (150,264) | (54,424) | (49,158) |
| – Net financial items | (34,988) | (35,644) | (11,792) | (11,489) |
| Income before income taxes | 88,439 | 120,276 | 35,776 | 45,859 |

NOTE 7
Revenue

| CHFk | 01.01 - 30.09.2020 | 01.01 - 30.09.2019 ¹ | Q3 2020 | Q3 2019 |
|--|-----------------------|---------------------------------|----------------|----------------|
| Mobile services | 931,766 | 928,957 | 321,121 | 324,931 |
| – Thereof mobile postpaid | 636,357 | 624,135 | 220,540 | 215,357 |
| – Thereof mobile prepaid | 46,945 | 58,006 | 16,037 | 19,001 |
| – Thereof mobile hardware | 172,977 | 174,795 | 56,974 | 63,963 |
| – Thereof other | 75,487 | 72,021 | 27,570 | 26,610 |
| Landline services | 205,943 | 217,665 | 65,141 | 72,486 |
| – Thereof landline voice | 98,211 | 92,756 | 31,903 | 30,545 |
| – Thereof hubbing | 36,383 | 49,625 | 9,164 | 16,965 |
| – Thereof other | 71,349 | 75,284 | 24,074 | 24,976 |
| Landline Internet and TV | 248,880 | 228,666 | 85,135 | 76,474 |
| – Thereof landline hardware ¹ | 12,230 | 4,636 | 5,300 | 587 |
| Total | 1,386,589 | 1,375,288 | 471,397 | 473,891 |

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 | 01.01 - 30.09.2020 | 01.01 - 30.09.2019 | Q3 2020 | Q3 2019 |
|-------------------|-----------------------|--------------------|----------------|----------------|
| Sales of goods | 185,207 | 179,431 | 62,274 | 64,551 |
| Sales of services | 1,201,382 | 1,195,857 | 409,123 | 409,340 |
| Total | 1,386,589 | 1,375,288 | 471,397 | 473,891 |

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 | 01.01 - 30.09.2020 | 01.01 - 30.09.2019 ¹ | Q3 2020 | Q3 2019 |
|--|-----------------------|---------------------------------|--------------|--------------|
| Other income | | | | |
| Early termination fees | 2,855 | 3,822 | 1,405 | 1,323 |
| Build-to-Suit (BTS) | 2,833 | 5,479 | 1,930 | 1,859 |
| Gain on disposal of property, plant and equipment ¹ | 430 | 25,256 | 49 | 28 |
| Lump sum payment related to shop transfer | - | 929 | - | - |
| Other | 513 | 647 | 167 | 188 |
| Total | 6,631 | 36,132 | 3,551 | 3,397 |

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 - September 30, 2020 | Interest | Total financial income/ (expenses) before foreign currency | Net foreign currency gains/(losses) | Total |
|---|-----------------|--|---|-----------------|
| Income | | | | |
| Cash and cash equivalents | - | - | 2,653 | 2,653 |
| Other | 202 | 202 | - | 202 |
| Total | 202 | 202 | 2,653 | 2,855 |
| Expenses | | | | |
| Financial liabilities measured at amortized cost | (26,209) | (26,209) | - | (26,209) |
| Lease liabilities | (8,654) | (8,654) | - | (8,654) |
| Other | (2,154) | (2,154) | (826) | (2,980) |
| Total | (37,017) | (37,017) | (826) | (37,843) |
| Net financial items | (36,815) | (36,815) | 1,827 | (34,988) |

| CHFk January 1 - September 30, 2019 | Interest | Total financial income/ (expenses) before foreign currency | Net foreign currency gains | Total |
|---|-----------------|--|----------------------------------|-----------------|
| Income | | | | |
| Cash and cash equivalents | 1 | 1 | 1,282 | 1,283 |
| Other | 134 | 134 | 714 | 848 |
| Total | 135 | 135 | 1,996 | 2,131 |
| Expenses | | | | |
| Financial liabilities measured at amortized cost | (24,054) | (24,054) | - | (24,054) |
| Lease liabilities | (9,491) | (9,491) | - | (9,491) |
| Other | (4,230) | (4,230) | - | (4,230) |
| Total | (37,775) | (37,775) | - | (37,775) |
| Net financial items | (37,640) | (37,640) | 1,996 | (35,644) |

| CHFk July 1 - September 30, 2020 | Interest | Total financial income/ (expenses) before foreign currency | Net foreign currency gains/(losses) | Total |
|---|-----------------|--|---|-----------------|
| Income | | | | |
| Cash and cash equivalents | - | - | 361 | 361 |
| Other | 24 | 24 | - | 24 |
| Total | 24 | 24 | 361 | 385 |
| Expenses | | | | |
| Cash and cash equivalents | - | - | - | - |
| Financial liabilities measured at amortized cost | (8,864) | (8,864) | - | (8,864) |
| Lease liabilities | (2,914) | (2,914) | - | (2,914) |
| Other | (561) | (561) | 162 | (399) |
| Total | (12,339) | (12,339) | 162 | (12,177) |
| Net financial items | (12,315) | (12,315) | 523 | (11,792) |

| CHFk July 1 - September 30, 2019 | Interest | Total financial income/ (expenses) before foreign currency | Net foreign currency gains | Total |
|---|-----------------|--|----------------------------------|-----------------|
| Income | | | | |
| Cash and cash equivalents | - | - | 502 | 502 |
| Other | 82 | 82 | 391 | 473 |
| Total | 82 | 82 | 893 | 975 |
| Expenses | | | | |
| Financial liabilities measured at amortized cost | (8,119) | (8,119) | - | (8,119) |
| Lease liabilities | (3,056) | (3,056) | - | (3,056) |
| Other | (1,289) | (1,289) | - | (1,289) |
| Total | (12,464) | (12,464) | - | (12,464) |
| Net financial items | (12,382) | (12,382) | 893 | (11,489) |

NOTE 10**Borrowings**

| CHFk | Nominal value at inception | Capitalized debt issuance cost ¹ | Debt modification revaluation ² | Debt repayments | 30.09.2020 | 31.12.2019 |
|---|----------------------------|---|--|-----------------|------------------|------------------|
| Floating rate | | | | | | |
| Term loan B – CHF ³ | 1,410,000 | (11,411) | (13,610) | – | 1,384,979 | 1,378,280 |
| RCF drawn – CHF ⁵ | 100,000 | – | – | – | 100,000 | – |
| Fixed rate | | | | | | |
| Senior secured notes – CHF ⁴ | 200,000 | (663) | – | – | 199,337 | 199,206 |
| Total loans and notes | 1,710,000 | (12,074) | (13,610) | – | 1,684,316 | 1,577,485 |
| Other | | | | | | |
| Debt relating to lease liabilities | – | – | – | (28,995) | 248,369 | 263,216 |
| Total borrowings | | | | | 1,932,684 | 1,840,701 |
| <i>Thereof non-current</i> | | | | | <i>1,791,182</i> | <i>1,805,924</i> |
| <i>Thereof current</i> | | | | | <i>141,502</i> | <i>34,777</i> |

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.

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 is still drawn as of September 30, 2020 and currently bears a cost of CHFLIBOR (capped at zero percent) plus 1.20%.

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

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 September 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:

| CHFk September 30, 2020 | CARRYING AMOUNT (BY MEASUREMENT BASIS) | | Comparison Fair value ¹ |
|-----------------------------------|---|-------------|---------------------------------------|
| | Amortized cost | Total | |
| Financial assets | | | |
| Cash | 221,132 | 221,132 | |
| Trade and other receivables | 334,147 | 334,147 | |
| Financial liabilities | | | |
| Trade payables and other payables | (432,617) | (432,617) | |
| Loans and notes | (1,684,315) | (1,684,315) | 1,713,100 |
| Lease liabilities | (248,369) | (248,369) | |
| Other current liabilities | (1,301) | (1,301) | |

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

| CHFk December 31, 2019 | CARRYING AMOUNT (BY MEASUREMENT BASIS) | | Comparison Fair value ¹ |
|-----------------------------------|---|-------------|---------------------------------------|
| | Amortized cost | Total | |
| 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 | 30.09.2020 | 31.12.2019 |
|----------------------------|------------------|------------------|
| Common shares | 45,265 | 45,069 |
| Share premium ¹ | 1,788,908 | 1,972,737 |
| Other reserves | (776,143) | (776,143) |
| Accumulated profit | 168,004 | 99,382 |
| Total equity | 1,226,034 | 1,341,045 |

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

Share capital

As of September 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.

| | 01.01 - 30.09.2020 | 01.01 - 30.09.2019 | Q3 2020 | Q3 2019 |
|---|-------------------------------|--------------------|----------------|-------------|
| Basic earnings per share | | | | |
| Net income attributable to equity holders of SCG (CHFk) | 71,425 | 108,744 | 28,079 | 47,868 |
| Weighted average number of shares outstanding | 45,179,604 | 45,069,028 | 45,265,446 | 45,069,028 |
| Basic earnings per share (in CHF) | 1.58 | 2.41 | 0.62 | 1.06 |
| Diluted earnings per share | | | | |
| Net income attributable to equity holders of SCG (CHFk) | 71,425 | 108,744 | 28,079 | 47,868 |
| Weighted average number of shares outstanding | 45,271,091 | 45,137,117 | 45,394,190 | 45,145,575 |
| Diluted earnings per share (in CHF) | 1.58 | 2.41 | 0.62 | 1.06 |

If the vesting conditions were fully met as of September 30, 2020, a maximum of 128,018 shares (December 31, 2019: 119,995) would have a dilutive effect.

NOTE 15**Other balance sheet items****Intangible assets**

During the nine-month period ended September 30, 2020, the Group acquired intangible assets of CHF 72.1 million (2019: 255.6 million). In the same period, the Group paid CHF 65.4 million (2019: CHF 211.5 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 nine-month period ended September 30, 2020, the Group acquired assets of CHF 192 million (2019: CHF 135.7 million). In the same period, the Group paid CHF 239.6 million (2019: CHF 130.5 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 | 01.01 - 30.09.2020 | 01.01 - 30.09.2019 | Q3 2020 | Q3 2019 |
|---------------------------------------|-----------------------|--------------------|-----------------|---------------|
| Change in inventories | 14,878 | (2,524) | (640) | (3,121) |
| Change in trade and other receivables | 40,746 | 27,811 | 13,577 | 8,270 |
| Change in trade and other payables | (42,528) | 17,233 | (34,714) | 25,559 |
| Change in contract assets | 3,484 | 3,224 | (474) | (15,842) |
| Change in contract liabilities | (4,787) | (1,963) | (2,260) | (2,704) |
| Change in contract costs | (3,439) | (5,161) | (70) | (2,540) |
| Change in other items, net | (4,086) | (5,737) | 9,612 | 3,487 |
| Total | 4,268 | 32,883 | (14,969) | 13,109 |

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 4.2 million in the nine-month period ended September 30, 2020 is primarily related to a reduction in trade and other receivables (CHF 40.7 million), mainly driven by net payments on device plan receivables, roaming and lower accounts receivables related to service revenues as well as reduction in handset inventories CHF 14.9 million. These positive effects were partly offset by a negative change in trade and other payables (CHF 42.5 million), mainly driven by lower handset purchase and general lower level of other external cost.

Compared to the nine-month period ended as of September 30, 2019, the change in net working capital had a negative impact of CHF 28.6 million. This is mainly related to trade and other payables (CHF 59.8 million), driven by lower roaming payables, lower handset payables and general lower other external charges. In contrast, the first nine months of 2020 were positively impacted by the 2020 reduction in inventories CHF 17.4 million and trade and other receivables CHF 12.9 million, mainly driven by lower roaming receivables.

NOTE 17**Contractual commitments**

The total contractual and purchase commitments as of September 30, 2020, amounted to CHF 270.7 million (September 30, 2019: CHF 331.4 million) consisting of future investments in property, plant and equipment and intangible assets, of which CHF 94.0 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. At the expiration of the offer period on October 28, 2020, a total of 43,724,570 Sunrise shares had been tendered, corresponding to 96.60% of the voting rights and the share capital of Sunrise. On October 30, 2020, regulatory approval was provided by the Swiss Competition Commission ("COMCO/WEKO"). The transaction is expected to close in mid-November 2020.

On November 2, 2020 the Group has fully repaid the CHF 100 million of its Revolving Credit Facility (RCF) drawn on April 1, 2020.

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