Sunrise Communications Holdings S.A.

Financial Results for the year ended December 31, 2014

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Business

Overview

Sunrise Communications Holdings S.A. ("Sunrise" or the "Group") was incorporated under the laws of Luxembourg as of September 9, 2010. The main operating entity of the Group is Sunrise Communications AG based in Zurich, Switzerland which is the second largest telecommunications provider in Switzerland based on revenues for the year ended December 31, 2014. The integrated national mobile and landline network provides the Group with a strong competitive position. As an integrated service provider, Sunrise offers mobile voice and data, landline services (retail and wholesale voice, business services), landline internet and IPTV services to both residential and business customers as well as to other operators. Sunrise is the leading non-incumbent operator in both the mobile and landline retail voice markets, with 2'464.8 thousand and 397.6 thousand subscribers respectively, as of December 31, 2014. The Group is also the third-largest landline internet provider with 326.9 thousand subscribers, including 107.1 Sunrise TV subscribers, as of December 31, 2014. Sunrise provides landline services through its own national landline network and mobile services through its own mobile network based on GSM/GPRS/EDGE, UMTS/HSPA and LTE technologies.

Financial data

The financial data in this report covers the period from January 1 to December 31, 2014. Comparative figures refer to the period from January 1 to December 31, 2013.

Shareholders

On February 6, 2015, Sunrise Communications Group AG, the newly established ultimate holding company of Sunrise Communications Holdings S.A. has listed its shares (ticker symbol: SRCG) on the SIX Swiss Exchange and has commenced trading following its IPO.

As of December 31, 2014, Sunrise Communications Holdings S.A. was owned by Mobile Challenger Intermediate Group S.A., Luxembourg which itself was ultimately owned by Mobile Challenger Group S.à r.l.

Please also refer to note 32 "Related parties".

Management

Sunrise Communications Holdings S.A. as of January 23, 2015

Board of directors	
Emanuela Brero	Director
Manuel Mouget	Director
Libor Voncina	Director
André Krause	Director

Sunrise Communications Group AG as of January 23, 2015

With the establishment of Sunrise Communications Group AG as the ultimate holding company on January 23, 2015, the executive management of Sunrise Communications AG is delegated to the CEO who delegates parts of the executive management to the Group Management Board of Sunrise Communications Group AG. To the extent legally permissible, the board of directors of Sunrise Communications Group AG performs tasks reserved for the board of directors in accordance with the organizational regulations applicable to the entire group. In the context of establishing this group corporate governance, the board of directors of Sunrise Communications AG was amended and consists now of Dr. Dominik Koechlin, Libor Voncina and André Krause.

Board of directors	
Dr. Dominik Koechlin	President
Lorne Somerville	Vice president
Jesper Ovesen	Member
Peter Schöpfer	Member
Siddharth Patel	Member
Dr. Daniel Pindur	Member

Group Management Board	
Libor Voncina	Chief Executive Officer (CEO)
André Krause	Chief Financial Officer (CFO)
Elmar Grasser	Chief Chief Operating Officer (COO)
Timm Degenhardt	Chief Marketing Officer (CMO)
Sebastian Prange	Chief Sales Officer (CSO)
Detlef Steinmetz	Chief Information Officer (CIO)
Massimiliano Nunziata	Chief Customer Experience Officer (CCE)
Markus Naef	Chief Commercial Officer Business (COO)

Management's discussion and analysis of financial condition and results of operations

Introduction of mobile portfolio "Freedom"

With the launch of the new mobile portfolio "Freedom", available for residential customers and small business on April 7, 2014, Sunrise is the first Swiss provider who separates the cost for the service plans and the mobile device. This results in more flexible and transparent offerings to end customers by eliminating fixed contractual durations for subscription plans relating to mobile services. In the previous mobile portfolios, mobile device costs were always included in the basic monthly subscription fee.

Although the mobile portfolio "Freedom" is a new concept in the Swiss telecommunication market and revenue for the device is fully recorded at the point of the sale and billed over the period of 24 months, Sunrise's existing general accounting principles are unchanged compared to prior year. Nevertheless, "Freedom" had an impact on the following financial information:

- Mobile ARPU definition
- Shift of mobile device revenue from "sales of services" to "sales of goods" (refer to note 9)
- Shift of mobile device costs from "other operating expenses" to "cost of goods sold" as the costs of mobile handsets are no longer subsidized but recorded as cost of goods sold
- Trade receivables with a due date > 12 months related to device sales are classified as long term
- Negative impact on change in the net working capital due to an increased trade receivable balance (refer to note 28)

Revenue

The Group's total revenue increased year-over-year by 3.1% or CHF 62.4 million and amounted to CHF 2'083.6 million for the year ended December 31, 2014. The increase in revenue is primarily attributable to higher mobile revenue of CHF 92.8 million mainly related to the newly introduced mobile portfolio "Freedom" at the beginning of the second quarter of 2014 as well as growth in internet service revenue of CHF 6.4 million. This growth was partially offset by the decrease in landline service revenue of CHF 36.9 million.

Mobile

Mobile revenue increased by 7.3% from CHF 1'265.7 million to CHF 1'358.5 million for the year ended December 31, 2014 primarily driven by higher hardware revenues. This increase is attributable to the newly introduced mobile portfolio "Freedom" which separates handsets from the service rate plan as well as to higher prepaid revenues due to the integration of YOL Communications GmbH and YOL Services AG in Q3 2013.

Landline services

Landline services revenue decreased from CHF 558.0 million to CHF 521.1 million for the year ended December 31, 2014, a year-over-year decrease of CHF 36.9 million. The decrease is primarily attributable to a decrease in customer base and declining retail voice revenues and could only be partially offset by higher hubbing revenues.

Landline internet

The Group reports a year-over-year growth of 3.2% in landline internet revenue from CHF 197.6 million to CHF 204.0 million, for the year ended December 31, 2014. The increase in landline internet revenue is primarily attributable to the growth of the IPTV customer base.

Transmission costs and cost of goods sold

Transmission costs and cost of goods sold amounted to CHF 762.4 million as of December 31, 2014, a year-over-year increase of CHF 96.2 million, or 14.4%, from CHF 666.2 million, which is mainly due to the newly introduced mobile portfolio "Freedom" which doesn't subsidize handsets anymore but records the costs of the sales of handsets as part of cost of goods sold.

Other operating expenses

During the year ended December 31, 2014 other operating expenses decreased by CHF 78.6 million, or by 14.1%, from CHF 555.5 million to CHF 476.9 million. The decrease in other operating expenses is primarily attributable to the shift of expenses for subsidized mobile devices to cost of goods sold.

Wages, salaries and pension costs

Wages, salaries and pension costs amounted to CHF 227.9 million for year period ended December 31, 2014, a year-over-year increase of CHF 13.7 million, or 6.4%, from CHF 214.2 million which is primarily driven by a general increase of FTEs as well as by the insourcing of the engineering department from its managed service provider in March 2014.

Although the exact overfunding of the pension fund of Sunrise Communications AG as of December 31, 2014 is still not finally disclosed, management doesn't expect any significant variation compared to 2013 (2013: overfunded by 11.6% according to Swiss GAAP FER 26). The Group reports a net pension liability of CHF 96.8 million in consolidated financial statement as of December 31, 2014. The different results are driven by differences in valuation methods; Swiss GAAP FER 26 prescribes a static valuation method whereas IFRS (IAS 19) requires the usage of a dynamic valuation method. Therefore, the IFRS pension liability should not be considered as a current cash liability based on current facts and circumstances.

Other income and expenses, net

Other income and expenses, net amounted to CHF 23.5 million for the year ended December 31, 2014, a decrease of CHF 4.7 million, from CHF 28.2 million as of December 31, 2013. The decrease in other income and expenses, net is primarily impacted by lower early termination fees in the amount of CHF 5.3 million. Please refer to note 12 for further information.

EBITDA

The Group generated an EBITDA of CHF 640.0 million for the twelve months ended December 31, 2014, a year-over-year increase of CHF 26.5 million, or 4.3%, from CHF 613.5 million as of December 31, 2013. The EBITDA increase is primarily driven by higher sales and a 5.6% better gross profit including "other operating expenses" and was only partially offset by higher wages, salaries and pension costs and lower other income and expenses.

Depreciation and amortization

Depreciation and amortization recorded for the year ended December 31, 2014 decreased from CHF 484.3 million to CHF 461.5 million, a year-over-year decrease of CHF 22.8 million, or 4.7%. The higher depreciation and amortization in 2013 was primarily driven by non-recurring write-offs of CHF 48.1 million related to the replacement of the radio network with multi standard radio equipment performed during 2013.

Net loss

The Group reported a net loss of CHF 8.4 million for the year ended December 31, 2014, a year-over-year decrease of CHF 73.5 million from a net loss of CHF 81.9 million as of December 31, 2013. In addition to a higher EBITDA the increase of the net income is also due to lower depreciation and amortization in the amount of CHF 22.8 million in 2014 and a decrease of CHF 27.7 million in net financial items compared to the year ended as of December 31, 2013.

Change in net working capital

The change in net working capital shows a decrease of CHF 52.6 million as of December 31, 2014 compared to an increase of CHF 66.5 million reported in the prior period. The change in net working capital is primarily attributable to changes in trade and other receivables driven by the new Freedom device rate plan. Please refer to note 28 for further information.

Liquidity and capital resources

The Group reported cash and cash equivalents amounting to CHF 120.1 million as of December 31, 2014, a decrease of CHF 29.1 million compared to the cash position held by the Group as of December 31, 2013. The decrease of the cash and cash equivalents is primarily attributable to the payment of interest on PECs for the PIK toggle note in the amount of CHF 55.5 million, the repayment of CHF 41.5 million of the revolving credit facility and capital expenditures of CHF 356.5 million. The decrease could only be partially compensated by operational cash flows generated by the Group of CHF 412.2 million as well as the proceeds from the revolving credit note of CHF 20.0 million.

The Group's consolidated debt position – consisting of floating rate notes, senior secured notes, senior notes, the drawn revolving credit facility and capital leases - amounted to CHF 2'209.1 million of which CHF 24.7 million are expected to be paid within 12 months (refer to note 22 for further details).

Certain other contractual commitments

As of December 31, 2014 contractual and purchase commitments excluding non-cancelable lease commitments as disclosed in note 34 amounted to CHF 236.3 million consisting mainly of operating lease agreements, outsourcing of network operations and maintenance and future network investments.

Subscriber base

The Group's total subscriber base showed 3.29 million subscribers as of December 31, 2014. The subscriber base can be divided into 2.46 million mobile subscribers, 397.6 thousand landline retail voice subscribers and 326.9 thousand landline internet subscribers, of which 107.1 thousand are Sunrise TV subscribers.

ARPU (Average Revenue Per User)

For the year ended December 31, 2014 mobile ARPU amounted to CHF 35.8 whereas landline voice and landline internet ARPUs were CHF 39.8 and CHF 39.5 respectively.

Material affiliate transactions

Sunrise Communications AG acts as a central counterparty to external financial institutions for all derivative instrument transactions of the Group (refer to 23). When necessary, back-to-back agreements are in place between

Sunrise Communications AG and the respective debt holding group entities, mirroring the external agreements with financial institutions.

In March and September 2014 Sunrise Communications Holdings S.A. paid accrued interest in the total amount of CHF 55.6 million (CHF 27.8 million each) to Mobile Challenger Intermediate Group S.A. who subsequently used the above repayments to pay the EUR and CHF tranches of the accrued interest on the PIK toggle notes for the six-month periods ended on March 17, 2014 and September 15, 2014, in the total amount of EUR 24.0 million and CHF 26.2 million respectively (EUR 12.0 million and CHF 13.1 million per payment date).

Since September 1, 2014, Markus Naef fulfills the position of Chief Commercial Officer Business (CCO) whereas Hans Jörg Denzler fulfilled the position of Chief Business Development Officer (CBDO) on the Management Board from September 1, 2014 to December 31, 2014 and left the Company as of year-end 2014.

In November 2014 Sunrise announced that Jesper Ovesen joined the Board of Directors of Sunrise Communications AG.

Credit ratings

On May 9, 2014, Standard & Poor's Ratings Services revised the outlook of Sunrise Communications Holdings S.A. from negative to stable and affirmed the "B+" corporate credit rating.

Material contractual arrangements

On January 16, 2014 Sunrise extended its partnership agreement with Téléfonica and can profit from Téléfonica's service and global network for another two years.

In May 2014, Sunrise entered into a cooperation agreement with ewz in order to extend its 4G-capacity in Zurich Stadt. In a first step, 100 4G-antennas will be connected to the Sunrise network using the ewz fibre network.

In July Sunrise and Swisscom have deepened their long-running partnership in the fixed broadband connectivity services. As part of a commercial agreement, Sunrise undertook a one-time investment of CHF 74.0 million for the use of wholesale broadband connectivity services from Swisscom. The agreement strengthens the position of both companies in the fixed broadband internet market, especially in competition to the cable operators. The new agreement allows Sunrise to supply Broadband- and TV-Services technology independently.

In December 2014 Sunrise entered into a long-term partnership with the Swiss tennis star Roger Federer. Since then, the 17-time Grand Slam champion is the brand ambassador for the company.

Material debt instruments

On February 6, 2014 Sunrise repaid CHF 35.0 million of the revolving credit facility to reduce the drawn down amount to CHF 60.0 million.

On July 22, 2014 Sunrise utilized an additional CHF 20.0 million under the revolving credit facility to partially pay for an investment into broadband connectivity services from Swisscom.

Sunrise entered into a cross-currency swap transaction to extend the maturity of its hedge of foreign currency exposure related to senior secured floating rate notes issued in July 2012 until end of March 2015.

On October 2, 2014 Sunrise received consent from its lender to amend the revolving credit facility agreement (RCF) to, among other things:

- Re-price the margin applicable to the revolving credit facility from 4.25% p.a. to 3.75% p.a., with 25 basis point step-downs (to 2.75% p.a.) at the same leverage levels as applied prior to the amendments
- Extend the termination date of the revolving credit facility from 31 December 2016 to 31 December 2017
- Introduce a "springing" threshold for purposes of the leverage financial covenant, such that the leverage covenant is not tested unless the drawn amount of the revolving credit facility is greater than 40% of the relevant total commitments
- Replace the leverage covenant ratchet with a flat 5.50:1 leverage test
- Remove the interest cover ratio financial covenant
- Reduce the RCF from CHF 250.0 million to CHF 230.9 million

As part of the amendment, Sunrise repaid CHF 6.5 million to reduce the utilized RCF amount from CHF 80.0 million to CHF 73.5 million.

Material risk factors

Sunrise operates a centralized risk management system which distinguishes between strategic and operating risks. Competition, network performance and maintenance, changes in regulations, acceptance by the market of newly launched products are the main risks and uncertainties the Group is facing. All identified risks are quantified (according to their realization probability and impact) and tracked on a risk schedule. This risk schedule is subject to an annually repeated detailed discussion process in the

Group's board of directors which was performed in the 4th quarter 2014.

The development on the FX market and the strong Swiss franc do not have a material net effect on the Group, as Sunrise is predominantly active in the domestic market. The foreign currency risk arising from loans and notes denominated in Euros, has been fully hedged by the Group.

Material recent developments

On April 7, 2014 Sunrise launched a new mobile product "Freedom" available for residential customer and small businesses which separates the cost for the subscriptions plan and the mobile handset. For further information please refer to the preceding section.

In June 2014 Sunrise introduced the new offer for landline, internet and TV ("Sunrise home") which gives the customers the option to personalize their landline, internet and TV packages based on their needs and only pay for services they actually use. With the launch of the loyalty program "Sunrise rewards" in September 2014, Sunrise is

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the first telecommunications company in Switzerland offering a loyalty program to every existing postpaid customer after a year of subscription, independent of the generated revenue. The Group offers up to 30 options to choose from which allows the customers to profit from free or significantly lower priced options.

Since September 18, Sunrise offers to existing and new customers the possibility to recycle their old mobile phones in exchange for a credit up to CHF 360 on future subscriber invoice.

In December, as first and only telecom provider in Switzerland, Sunrise attained the globally recognized ISO 27001 certification relating to both technology infrastructure as well as operations processes for all customer information and encompassing the entire company.

Acquisition, disposals and recapitalizations

No material acquisitions, disposals and recapitalizations occurred within the year ended December 31, 2014

Sunrise Communications Holdings S.A.

Consolidated financial statements for the year ended December 31, 2014

Consolidated statements of income CHFk

	Note	2014	2013
Revenue	**8,9**	**2'083'559**	**2'021'245**
Transmission costs and cost of goods sold		(762'363)	(666'199)
Other operating expenses		(476'896)	(555'466)
Wages, salaries and pension costs	10	(227'879)	(214'199)
Total operating expenses before other income and expenses, depreciation and amortization		**(1'467'138)**	**(1'435'864)**
Other income	12	27'310	30'450
Other expenses	12	(3'768)	(2'286)
Income before depreciation and amortization, net financial items and income taxes		**639'963**	**613'545**
Amortization	11,15	(244'915)	(233'742)
Depreciation and impairment losses	11,16	(216'584)	(250'567)
Operating income		**178'464**	**129'236**
Foreign currency gains / (losses), net		32'556	(22'718)
Financial income		123'924	144'149
Financial expenses		(327'075)	(319'714)
Net financial items	**13**	**(170'595)**	**(198'283)**
Income / (loss) before income taxes		**7'869**	**(69'047)**
Income taxes	14	(16'287)	(12'843)
Net loss		**(8'418)**	**(81'890)**
Net loss attributable to equity holders of the parent company		**(8'418)**	**(81'890)**

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated statements of comprehensive (loss) / income CHFk

	2014	2013
Net loss	**(8'418)**	**(81'890)**
Actuarial (losses) / gains related to defined benefit pension plans	(38'734)	22'915
Income tax effect	8'134	(4'812)
Net other comprehensive (loss) / income not to be reclassified to profit and loss in subsequent periods	**(30'600)**	**18'103**
Cash flow hedge gains	4'316	15'125
Income tax effect	-	37
Net other comprehensive income to be reclassified to profit and loss in subsquent periods	**4'316**	**15'162**
Other comprehensive (loss) / income, net of tax	**(26'284)**	**33'265**
Total comprehensive loss	**(34'702)**	**(48'625)**
Comprehensive loss attributable to equity holders of the parent company	**(34'702)**	**(48'625)**

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated statements of financial position

Assets CHFk

	Note	December 31, 2014	December 31, 2013
Non-current assets			
Intangible assets	15	2'694'205	2'788'969
Property, plant and equipment	16	952'015	916'427
Derivative financial assets	23	31'973	25'726
Non-current portion of trade and other receivables	17	52'240	-
Non-current portion of prepaid expenses	18	1'766	1'600
Other non-current assets		153	200
Total non-current assets		**3'732'352**	**3'732'922**
Current assets			
Inventories	19	33'783	38'260
Current portion of trade and other receivables	17	325'604	281'305
Current portion of prepaid expenses	18	8'553	9'047
Cash and cash equivalents		120'065	149'198
Total current assets		**488'005**	**477'810**
Total assets		**4'220'357**	**4'210'732**

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated statements of financial position (continued)

Equity and liabilities CHFk

	Note	December 31, 2014	December 31, 2013
Equity			
Common shares, share premium and PECs	20	828'270	828'270
Valuation reserve		(8'380)	(12'696)
Accumulated deficit		(212'184)	(117'715)
Total equity		**607'706**	**697'859**
Non-current liabilities			
Non-current portion of loans and notes	22	2'160'828	2'186'644
Non-current portion of financial leases	22	23'509	29'454
Non-current portion of trade and other payables	27	137'278	207'420
Deferred tax liabilities	14	228'291	247'209
Non-current portion of provisions	26	122'323	114'101
Employee benefit obligations	21	96'844	57'409
Derivative financial liabilities	23	158'045	134'133
Non-current portion of deferred income	25	14'603	15'430
Total non-current liabilities		**2'941'721**	**2'991'800**
Current liabilities			
Current portion of loans and notes	22	18'374	35'000
Current portion of financial leases	22	6'350	5'991
Current portion of trade and other payables	27	557'375	398'796
Income tax payable		10'790	4'991
Current portion of provisions	26	29'321	22'198
Current portion of deferred income	25	47'557	52'392
Other current liabilities		1'163	1'705
Total current liabilities		**670'930**	**521'073**
Total liabilities		**3'612'651**	**3'512'873**
Total equity and liabilities		**4'220'357**	**4'210'732**

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated statements of cash flow CHFk

	Note	2014	2013
Income / (loss) before income taxes		**7'869**	**(69'047)**
Amortization	15	244'915	233'742
Depreciation	16	216'584	250'567
Gain on disposal of property, plant and equipment		(206)	123
Movement in pension		(766)	2'343
Movement in provisions		(1'973)	(9'437)
Change in net working capital	28	(52'559)	66'513
Cash flow from operating activities before net financial items and tax		**413'864**	**474'804**
Financial income	13	(123'924)	(144'149)
Financial expense	13	327'075	319'714
Foreign currency (losses) / gain, net		(30'298)	23'402
Interest received		202'087	115'458
Interest paid		(367'721)	(287'938)
Corporate income and withholding tax paid		(8'851)	(14'511)
Total cash flow from operating activities		**412'232**	**486'780**
Acquisition of a subsidiary, net of cash acquired	29	-	(95'662)
Purchase of property, plant and equipment	16	(250'581)	(221'143)
Purchase of intangible assets	15	(105'898)	(60'242)
Sale of property, plant and equipment		206	594
Total cash flow used in investing activities		**(356'273)**	**(376'453)**
Redemption of PECs incl. interest paid	20	(55'451)	(47'548)
Proceeds from long-term loans and notes	22	20'000	95'000
Repayments of long-term loans and notes	22	(41'503)	(175'000)
Repayments of capital leases	22	(5'586)	(5'023)
Proceeds from settlement of swaps		2'355	-
Other financing activities		(6'483)	-
Total cash flow used in financing activities		**(86'668)**	**(132'571)**
Total cash flow		**(30'709)**	**(22'244)**
Cash and cash equivalents as of January 1		149'198	170'601
Foreign currency impact on cash	13	1'576	841
Cash and cash equivalents as of December 31		**120'065**	**149'198**

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated statements of changes in equity

CHFk

	Common shares	Share premium	PECs	Valuation reserve	Accumulated deficit	Total
Equity as of January 1, 2014	**1'000**	**125'876**	**701'394**	**(12'696)**	**(117'715)**	**697'859**
Net loss for the period	-	-	-	-	(8'418)	(8'418)
Other comprehensive income/(loss)	-	-	-	4'316	(30'600)	(26'284)
Total comprehensive income/(loss)	**-**	**-**	**-**	**4'316**	**(39'018)**	**(34'702)**
Redemption of PECs	-	-	-	-	(55'451)	(55'451)
Equity attributable to the equity holders of the parent company as of December 31, 2014	**1'000**	**125'876**	**701'394**	**(8'380)**	**(212'184)**	**607'706**

	Common shares	Share premium	PECs	Valuation reserve	Accumulated deficit	Total
Equity as of January 1, 2013	**1'000**	**125'876**	**721'643**	**(27'858)**	**(27'505)**	**793'156**
Net loss for the period	-	-	-	-	(81'890)	(81'890)
Restatement related to pensions from business combinations	-	-	-	-	472	472
Other comprehensive income	-	-	-	15'162	18'103	33'265
Total comprehensive income/(loss)	**-**	**-**	**-**	**15'162**	**(63'315)**	**(48'153)**
Prior year reclassification	-	-	-	-	404	404
Redemption of PECs	-	-	(20'249)	-	(27'299)	(47'548)
Equity attributable to the equity holders of the parent company as of December 31, 2013	**1'000**	**125'876**	**701'394**	**(12'696)**	**(117'715)**	**697'859**

The accompanying notes form an integral part of the consolidated financial statements.

Notes to consolidated financial statements

Overview

Note 1 General information

Sunrise Communications Holdings S.A. (“Sunrise” or the “Group”) has its registered office at Avenue Monterey 20, L-2163 Luxembourg and is the parent of the Group. Sunrise Communications Holdings S.A. holds indirectly 100% of its principal operating company, Sunrise Communications AG, which has its registered office at Binzmühlestrasse 130, CH-8050 Zurich, Switzerland.

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), .

landline internet including IPTV services to both residential and business customers, as well as to other operators. Sunrise has its own national backbone landline and IP network, as well as its own mobile network based on GSM/EDGE, UMTS/HSDPA and LTE technology. In addition to the provision of services Sunrise resells handsets manufactured by well-known suppliers.

These consolidated financial statements were approved for issue by the Group’s board of directors on March 23, 2015.

Note 2 Basis of preparation

The Group’s consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

These statements are based on the historical cost convention, except for the following assets and liabilities which are measured at fair value:

- Derivative assets and liabilities
- Financial instruments held for trading
- Financial instruments classified as available for sale

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and the related disclosures at the reporting date. The accounting estimates and judgments considered material to the preparation of the financial statements are summarized in note 5 below.

Note 3 Auditors

The Group's consolidated financial statements for the fiscal year ended December 31, 2014 have been audited by Ernst & Young S.A., Luxembourg. The total fees for fiscal years 2014 and 2013 are shown below:

CHFk	2014	2013
Audit	638	697
Audit-related	-	38
Tax	23	190
Other	84	306
Total	**745**	**1'231**

Note 4 Significant accounting policies

Principles of consolidation

The consolidated financial statements include the financial statements of the parent company and its subsidiaries from the date on which control commences until the date on which control ceases. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

The Group accounts for business combinations using the acquisition method when control is transferred to the Group and acquired assets, liabilities and contingent liabilities are measured on initial recognition at fair values on the date of acquisition. Identifiable intangible assets are recognized if they can be separated or arise from contractual or other legal rights as sufficient information exists to measure reliably the fair value of the asset. Deferred tax is recognized in connection with such revaluations to fair value.

Any remaining positive differences between the consideration transferred as well as the amount recognized for non-controlling interest and fair value of the assets, liabilities and contingent liabilities acquired on acquisition of subsidiaries are recognized as goodwill in the statement of financial position under intangible assets. The consideration paid is stated at the fair value of submitted shares, debt instruments as well as cash and cash equivalents. Goodwill is not amortized, but is tested annually for impairment. Negative balances (negative goodwill) are recognized in the statement of income on the date of acquisition. Acquisition costs are expensed as incurred.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected, adjustments made within twelve months of the acquisition date to the provisional fair value of acquired assets, liabilities and contingent liabilities or cost of the acquisition, are adjusted to the initial goodwill unless they result from new information that did not exist at the date of acquisition.

Gains and losses related to divestment of subsidiaries are recognized as the difference between the fair value of the proceeds (less divestment expenses) and the carrying value of net assets (including goodwill).

Foreign currency translation

The financial statements are presented in Swiss Franc 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.

Transactions in foreign currencies are translated at the transaction-date rates of exchange. Foreign exchange gains and losses arising from differences between the transaction-date rates and the rates at the date of settlement are recognized as net financial items in the statement of income.

Cash, loans and other amounts receivable or payable in foreign currencies (monetary assets and liabilities), if any, are translated into the functional currency at the official rates of exchange, quoted at the reporting date.

Net foreign currency gains / (losses) are recognized as net financial items in the statement of income.

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

Currency	Balance sheet		Income statement and cash flow	
	December 31, 2014	December 31, 2013	2014	2013
Euro	1.2024	1.2274	1.2294	1.2414
US Dollar	0.9943	0.8929	0.9163	0.9391

Note 4 Significant accounting policies (continued)

Revenue recognition

Revenue comprises goods and services provided during the year after deduction of VAT and rebates relating directly to sales. The significant sources of revenue are recognized in the statement of income as follows:

- Revenues from telephony are recognized at the time the call is made
- Revenues from the sale of prepaid services are deferred and revenues are recognized at the time of use
- Wholesale revenues from voice carrier services are recognized at the time of use
- Revenues from leased lines are recognized over the rental period
- Revenues from subscription and flat-rate service fees are recognized over the subscription period
- Revenues from non-refundable up-front connection fees are deferred and amortized over the agreed minimum contract term
- Revenues from the sale of handsets are recognized upon delivery. Revenues from the maintenance of equipment are recognized over the contract period

Revenue is allocated to each component of multi-element arrangements including undelivered elements and other performance conditions, based on fair value. The revenue related to each element is recorded in accordance with the accounting policies stated above.
Revenues are recognized gross when the Group acts as a principal in a transaction. For content-based services and the resale of services from content providers where the Group acts as an agent, revenues are recognized net of direct costs.

Other income and other expenses

Other income and other expenses primarily include significant amounts that cannot be attributed to the normal course of operations such as net collectible fees raised from early termination of contracts, accruals made for copyright fees as well as aperiodic settlements of charges for access services calculated using the prices for interconnection services determined by the Swiss regulator, including any reversals of such items.

Intangible assets

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

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

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

The main amortization periods are as follows:

UMTS & Spectrum licenses	6-16 years
Subscriber base	5-11 years
Brands	4-10 years
Other rights	2-10 years
Development projects / Software	3 years

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

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

General borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such assets are substantially ready for their intended use or sale.

Property, plant and equipment

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

Cost comprises purchase price and costs directly attributable to the acquisition until the date on which the asset is ready for use, as well as the estimated costs for dismantling and restoration of the site.

The cost of self-constructed assets includes directly attributable payroll costs, materials, parts purchased and services rendered by sub-suppliers during the construction period. Cost also includes estimated asset retirement costs on a discounted basis if the related obligation meets the conditions for recognition as a provision.

Directly attributable costs comprise wages, salaries and pension costs, calculated in terms of time consumed on self-constructed assets in the relevant departments together with other external expenses.

The depreciation base is measured at cost less residual value and any write-downs. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, on the following bases:

Cable installations	20 years
Exchange installations and base stations	10-15 years
Leasehold improvements	10 years*
Other telecommunications installations	3-7 years
Computer equipment	3-5 years
Other installations	5-7 years
Customer premises equipment	3 years*

* or shorter if the contract period is shorter.

Property, plant and equipment that have been disposed of or scrapped are eliminated from accumulated cost and accumulated depreciation. Gains and losses arising from sale of property, plant and equipment are measured as the difference between the sales price less selling expenses and the carrying value at the time of sale. The resulting gain or loss is recognized in the statement of income under “other income and expenses”.

Software that is an integral part of a tangible asset (e.g. telephone exchange installations) is presented together with the related tangible assets.

Leased property, plant and equipment that qualify as finance leases are recognized as assets acquired. The cost of finance leases is measured at the lower of the assets’ fair value and the present value of future minimum lease payments. Lease payments on operating leases are accrued and expensed on a straight-line basis over the term of the lease.

If indications exist that the value of an asset may be impaired, the recoverable amount of the asset is determined. If the recoverable amount of the asset, which is the greater of the fair value less cost to sell and the value in use, is less than its carrying amount, the carrying amount is reduced to the recoverable amount.

Financial assets

Loans and receivables

Included in loans and receivables are interest bearing term deposits held with financial institutions for periods of more than 3 months. They are included in current assets, except for deposits with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. After their initial recognition at amortized costs, loans and receivables are measured using the effective interest rate method. Foreign exchange gains and losses are taken into the statement of income.

Embedded Derivatives

Embedded derivatives represent the early redemption options related to financial instruments issued by the Group. Embedded derivatives are classified as current assets if they are expected to be settled within 12 months; otherwise, they are classified as non-current assets. Embedded derivatives are measured at their fair value. Any gains or losses resulting from subsequent re-measurement are recognized in net financial items.

Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of merchandise covers purchase price and delivery costs. The cost of work in progress comprises direct costs of merchandise, direct labor, other direct costs and related production overheads. The costs of inventories are determined by using the standard costing method. The difference between standard cost and the sale price of handsets sold as part of a subscriber arrangement is recognized as subscriber acquisition or retention costs and shown in “other operating expenses” upon completion of the sale.

Trade receivables and other receivables

Receivables are measured at amortized cost net of an allowance for uncollectible amounts.

An allowance is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. Allowances for anticipated uncollectible amounts are based on individual assessments of major receivables and historically experienced losses on uniform groups of other receivables. This allowance is equal to the difference between the carrying amount and the present value of the amounts expected to be recovered. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payments are considered indicators that the receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of income within "other operating expenses".

When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against "other operating expenses" in the statement of income.

Current and deferred corporate income taxes
Current income tax liabilities and current income tax receivables are recognized in the statement of financial position as income tax payable and income tax receivable.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements at the reporting date, except for temporary differences arising from the initial recognition of goodwill and other items in a transaction which is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit. Deferred tax expenses are measured on the basis of tax rates enacted or substantially enacted at the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which temporary differences or unused tax losses can be utilized.

Deferred tax is charged or credited in the statement of income, except when it relates to items recognized in other comprehensive income, in which case the deferred tax is treated accordingly.

Provisions
Provisions are recognized when – as a consequence of an event occurring before or on the reporting date – the Group has a present obligation (legal or constructive), it is probable that economic benefits will be sacrificed to settle the obligation, and the amount of the obligation can be estimated reliably.

Restructuring provisions are recognized when a detailed formal plan identifies the business or part of the business concerned, the location and the number of employees affected, and a detailed estimate of the associated costs, and an appropriate timeline has been established. Furthermore, the affected employees must have been notified of the plan's main features.

An asset retirement obligation is recognized when the Group has a legal or constructive obligation to remove the asset and to re-establish the site, where the asset was used, at the end of the lease term. The Group has estimated and capitalized the net present value of the obligations and increased the carrying amount of the asset by the respective amount. The estimated cash flows are discounted using a risk-adjusted interest rate and recognized as a provision. Subsequently, the unwinding of the discount is expensed in "financial expenses". The capitalized amount is amortized over the expected lease period, including the potential extension option if this is expected to be exercised.

Provisions are measured at management's best estimate of the amount at which the liability is expected to be settled. If the timing of the settlement has a significant impact on the measurement of the liability, such liability is discounted.

Pensions
The Group's pension plans comprise defined benefit plans established under Swiss pension legislation.

The obligations are determined annually as of December 31 by independent qualified actuaries using the "Projected Unit Credit Method" assuming that each year of service gives rise to an additional unit of benefit entitlement, and each unit is measured separately to build up the final obligations.

The Group recognizes in the statement of income a gain or loss on curtailment when a commitment is made to significantly reduce the number of employees, generally as a result of a disposal or discontinuation of part of the business or the outsourcing of business activities. Gains or losses on curtailment or settlement of pension benefits are recognized in the statement of income when the curtailment or settlement occurs.

Differences between the projected and realized developments in pension assets and pension obligations are referred to as actuarial gains and losses and are recognized in other comprehensive income when such gains and losses occur.

In case of changes in benefits relating to employees' previous service period, a change in the estimated present value of the pension obligations will be immediately recognized.

The present value of the pension obligation is measured using a discount rate determined based on the interest rate on high quality corporate bonds where the currency and terms of the corporate bonds are consistent with the currency and estimated terms of the defined benefit obligation.

Note 4 Significant accounting policies (continued)

Financial liabilities

Interest-bearing loans issued by Sunrise are recognized initially at the proceeds received net of debt issuance expenses incurred. In subsequent periods, loans are measured at amortized cost using the effective interest method. Other financial liabilities are measured at amortized cost.

Deferred income

Deferred income comprises payments for services to be rendered in subsequent periods. Deferred income comprises e.g. deferred sales related to prepaid services and leased lines. See also “Revenue recognition”.

Statements of cash flow, cash and cash equivalents

Cash flow from operating activities is presented under the indirect method and is based on income before income taxes and adjusted for amortization, depreciation non-cash operating items, cash flow related changes in net working capital, financial income and expenses, interest received and paid as well as income taxes paid.

Cash flow from investing activities comprises acquisition and divestment of subsidiaries, purchase and sale of intangible assets, property, plant and equipment as well as other non-current assets, and purchase and sale of securities that are not recognized as cash and cash equivalents. Cash flows from acquired subsidiaries are recognized from the time of acquisition, while cash flows from subsidiaries divested are recognized up to the time of divestment.

Cash flow from financing activities comprises changes in interest-bearing debt, capital leases and redemption of PEC’s.

Cash and cash equivalents are readily convertible into a known amount of cash within original maturities of three months or less. For the purpose of the statement of cash flow, cash and cash equivalents comprise cash at banks and in hand, deposits held on call with banks and other short-term highly liquid investments, net of bank overdrafts. At the reporting date, cash and cash equivalents in the amount of CHF 110.6 million (2013: CHF 131.9 million) are pledged.

Derivatives

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group has derivatives designated as a hedging instrument, referred to as cash flow hedges that are used for hedging, and derivatives not designated as a hedging instrument but held for trading, referred to as economic hedges and interest rate derivatives.

The Group classifies as economic hedges hedging relationships that represent effective hedges both economically and within the scope of the Group’s hedge strategy but do not fulfill the IFRS criteria for hedge accounting. Consequently, changes in fair value of economic hedges are recognized in the statement of income.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items or the change in the present value of the expected future cash flows in the case of a cash flow hedge designated as a hedging instrument, and whether the actual results of each hedging instrument are within a range of 80-125%.

Derivatives – Cash flow hedge

Cash flow hedges are used by the Group to protect it against changes in the interest payable and notional repayment at maturity for Euro-denominated senior notes and senior secured notes due to changes in foreign exchange rates. Cross-currency interest rate swaps are used to hedge specifically identified currency risks. The effective portion of the gain or loss on the hedging instrument is recognized in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of income in “net financial items”.

Amounts recognized in equity are reclassified to the statement of income in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognized in other comprehensive income is transferred to the statement of income within “net financial items”.

Share Capital

Ordinary Class A and Class B shares are classified as equity. Both classes of shares have the same rights. Share premium solely relates to Class A shares.

The Series A and Series B PECs have no maturity date but are redeemable solely at the option of the Group, subject to terms of an intercreditor agreement, or on the liquidation of the Group. They are interest bearing, but interest is not payable until their redemption. The PECs are structurally and contractually subordinated to all debt, including the senior secured notes and the senior notes. They have no covenants, events of default, no

Note 5 Critical accounting estimates and judgments

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

The Group's significant accounting policies are set out in note 4. The following estimates and judgments are considered important when portraying the Group's financial position:

- Useful lives for intangible assets and property, plant and equipment as shown in note 4 are assigned based on periodic studies of actual useful lives and the intended use for those assets. Such studies are completed or updated when new events occur that have the potential to impact the determination of the useful life of the asset, such as when events or circumstances have occurred which indicate that the carrying value of the asset may not be recoverable and should therefore be tested for impairment. Any change in the estimated useful lives of these assets is recognized in the financial statements as soon as any such change is determined. For details, refer to notes 15 and 16.

- Intangible assets comprise a significant portion of the Group's total assets. Impairment tests on goodwill are performed at least annually and, if necessary, when events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable. The measurement of intangibles is a complex process that requires significant management judgment in determining various assumptions, such as cash flow projections, discount rate and terminal growth rates. The sensitivity of the estimated measurement to these assumptions combined or individually, can be significant. Furthermore, the use of different estimates or assumptions when determining the fair value of such assets may result in different values and could result in impairment charges. For details, refer to note 15.

- Net periodic pension cost for defined benefit plans is estimated based on certain actuarial assumptions, the most significant of which relate to, discount rate, future salary increases and demography (mortality, disability, etc.). As shown in note 21, the assumed discount rate reflects changes in market conditions. The Group believes these assumptions illustrate current market conditions and expectations for market returns in the long term.

- Estimates of deferred taxes and significant items giving rise to the deferred assets and liabilities are shown in note 14. These reflect the assessment of future taxes to be paid on items in the financial statements, giving consideration to both the timing and probability of these estimates. In addition, such estimates reflect expectations about the amount of future taxable income and, where applicable, tax planning strategies. Actual income taxes and income for the period could vary from these estimates as a result of changes in expectations about future taxable income, future changes in income tax law or result from the final review of the tax returns by tax authorities.

- The determination of the treatment of contingent assets and liabilities in the financial statements, as shown in note 34, is based on the expected outcome of the applicable probability. Legal counsel and other experts are consulted both within and outside the Group. An asset is recognized if the likelihood of a positive outcome is virtually certain. A liability is recognized if the likelihood of an adverse outcome is more likely than not and the amount is determinable. If not, the Group discloses the matter. Resolution of such matters in future periods may result in realized gains or losses deviating from the amounts recognized.

- Provisions for asset retirement obligations are made for costs incurred in connection with the future dismantling of mobile stations and restoration of property owned by third parties. These provisions are primarily based on estimates of future costs for dismantling and restoration and the timing of the dismantling. See note 26.

- Revenues, as shown in note 9, are recognized when realized or realizable and earned. Revenues from non-refundable up-front connection fees are deferred and recognized as income over the expected term of the related customer relationship. The term is estimated using historical customer churn rates. A change of management estimates may have a significant impact on the amount and timing of the revenues for any period.

Note 6 Changes in accounting estimates, changes in accounting policies and changes in presentation

Reclassification of prior year amounts
Certain amounts reported for prior years in the consolidated financial statements and notes have been reclassified to conform to the current year's presentation.

Embedded derivatives
Embedded derivatives are bifurcated from the host instrument and carried at their fair value. The fair value is estimated using a binomial options pricing model. Credit Spreads are one of the assumptions used in the pricing model to estimate fair value. In Q3 2014 management has changed the source from which the credit spread assumption is derived resulting in a CHF 30.0 million decrease to the embedded derivative value as of December 31, 2014.

Note 7 New accounting standards

As of January 1, 2014 Sunrise has not adopted any new amendments to existing International Financial Reporting Standards (IFRSs) and Interpretations.

The expected impact of the following standards, amendments and interpretations of existing published standards not yet effective on the Group's consolidated financial statements is disclosed in the table below.

Standard / Interpretation	**Impact**	**Effective date**	**Date planned for adoption by Sunrise**
New Standards and Interpretations			
IFRS 9 – Financial Instruments (2010)	**	January 1, 2018	Financial Year 2018
IFRS 15 – Revenue from contracts with customers	**	January 1, 2017	Financial Year 2017
Revised Standards and Interpretations			
Clarification of Acceptable Methods of in Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	*	January 1, 2016	Financial Year 2016
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	*	January 1, 2016	Financial Year 2016
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	***	July 1, 2014	n/a
Annual Improvements to IFRSs 2011 – 2013 Cycle	*	July 1, 2014	Financial Year 2014
Annual Improvements to IFRSs 2012 – 2014 Cycle	*	January 1, 2016	Financial Year 2016
Disclosure Initiative (Amendments to IAS 1)	*	January 1, 2015	Financial Year 2016

* The new accounting standard is not expected to impact the Group's results and financial position. The Group will amend its disclosures as required by new standards and implementations.

** The Group is currently assessing the impact of such standard.

*** The Group assessed the impact of the amendment and determined not to use the optional choice of applying the amendment.

Note 8 Segment reporting

The operating segments have been determined based on the management reports reviewed by the board of directors. The Group's organizational structure reflects the different customer groups to which the Group provides its telecommunication products and services: "Residential", "Business", "Wholesale" and a reportable segment "Head Office" which includes 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 (LLU) and IPTV as well as its contractual arrangements with Swiss Fibre Net 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: Single Office and Home Office (SOHO), Small and Medium Enterprises (SME), 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 (MVNO's).

Head Office activities comprise support units such as network, IT and customer care as well as staff functions like finance, human resources and strategy. Furthermore certain fees and sundry revenues and payments of reminder fees are allocated to this operating segment.

The accounting policies applicable to the reportable segments are the same as the Group's accounting policies that are applied to the consolidated financial statements for the year ended as of December 31, 2014.

Performance is measured based on the 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 items and income tax expenses. The EBITDA earned by each segment is considered to be 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 the development in net working capital on Group level.

Activities | CHFk

	Residential		Business		Wholesale[1]		Head Office activities		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Revenue										
External customers	1'479'453	1'390'710	320'297	339'253	254'692	262'171	29'117	29'111	2'083'559	2'021'245
Inter-segment revenue	-	-	-	-	57'708	31'567	-	-	57'708	31'567
Total	**1'479'453**	**1'390'710**	**320'297**	**339'253**	**312'400**	**293'738**	**29'117**	**29'111**	**2'141'267**	**2'052'812**
Transmission costs and costs of goods sold										
External customers	(440'534)	(350'761)	(107'279)	(119'141)	(214'483)	(196'207)	(67)	(90)	(762'363)	(666'199)
Inter-segment costs	(57'708)	(31'567)	-	-	-	-	-	-	(57'708)	(31'567)
Total	**(498'242)**	**(382'328)**	**(107'279)**	**(119'141)**	**(214'483)**	**(196'207)**	**(67)**	**(90)**	**(820'071)**	**(697'766)**
Other operating expenses	(183'856)	(243'114)	(31'022)	(36'314)	(4'424)	(4'472)	(257'594)	(271'566)	(476'896)	(555'466)
Wages, salaries and pension costs	(59'202)	(50'347)	(56'048)	(56'990)	(2'928)	(3'966)	(109'701)	(102'896)	(227'879)	(214'199)
Other income	231	211	-	-	-	-	27'079	30'239	27'310	30'450
Other expenses	-	-	-	-	-	-	(3'768)	(2'286)	(3'768)	(2'286)
EBITDA	**738'384**	**715'132**	**125'948**	**126'808**	**90'565**	**89'093**	**(314'934)**	**(317'488)**	**639'963**	**613'545**

[1] Including hubbing revenue of CHFk 162'979 generated as of December 31, 2014 and CHFk 149'426 generated as of December 31, 2013

Note 8 Segment reporting (continued)

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

	2014	2013
EBITDA from reportable segments	639'963	613'545
Unallocated:		
Amortization	(244'915)	(233'742)
Depreciation	(216'584)	(250'567)
Net financial items	(170'595)	(198'283)
Income / (loss) before income taxes	**7'869**	**(69'047)**

Note 9 Revenue

CHFk

	2014	2013
Mobile services	1'358'497	1'265'673
Landline services	521'064	557'957
thereof hubbing	*162'979*	*149'426*
Landline internet	203'998	197'615
Total	**2'083'559**	**2'021'245**

	2014	2013
Sales of goods [1)]	321'754	170'936
Sales of services	1'761'805	1'850'309
Total	**2'083'559**	**2'021'245**

[1)] The increase in sales of goods is mainly attributable to the new Freedom hardware sales

Mobile services includes revenues from voice and data traffic, subscription and connection fees for mobile devices and interconnection traffic as well as roaming revenues from the Group’s subscribers travelling abroad.

Landline telephony includes revenues from traffic, subscription and connection for PSTN/ISDN and Voice over Internet Protocol (VoIP) and other revenues from services, which primarily relates to business services.

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

Sales of goods includes sales of mobile devices and distribution and sales of ICT and telecommunication products in the e-business sector, as well as installation, operation and maintenance services for these products.

Note 10 Wages, salaries and pension costs

CHFk

	2014	2013
Wages and salaries	(211'372)	(194'824)
Pension expense	(18'284)	(15'751)
Other social security cost	(17'417)	(15'494)
Total	**(247'073)**	**(226'069)**
Of which capitalized as non-current assets	19'194	11'870
Total	**(227'879)**	**(214'199)**

Sunrise Communications AG is the operating entity of the Group. Remuneration for the management board and the board of directors is shown below:

Remuneration for the management board and the board of directors

CHFk

	Management board 2014	Board of directors 2014	Management board 2013	Board of directors 2013
Wages and salaries	(5'764)	(199)	(4'424)	(180)
Pension expense	(912)	-	(639)	-
Other social security cost	(454)	(15)	(335)	(15)
Total	**(7'130)**	**(214)**	**(5'398)**	**(195)**

Note 11 Depreciation, impairment losses and amortization

Depreciation, impairment losses and amortization recorded during the twelve-month period ending December 31, 2014 decreased year-over-year from CHF 484.3 million to CHF 461.5 million. The lower depreciation, impairment losses and amortization during the twelve months in 2014 was primarily driven by lower write-offs. The twelve-month period ending December 31, December 2013 included non-recurring write-offs of CHF 48.1 million related to the replacement of the mobile radio network with multi-standard radio equipment.

Note 12 Other income and other expenses

CHFk

Other income	2014	2013
Early termination fees	12'999	18'298
Sub-leases	4'904	4'976
Aperiodic settlements of charges for access services calculated using the prices of the Swiss regulator	2'295	1'203
Income related to the change of MSP	-	1'023
Reversal of accruals	4'978	3'949
Other	2'134	1'001
Total	**27'310**	**30'450**

Other expenses	2014	2013
Restructuring expenses	(80)	(1'444)
Provision related to contractual minimum commitments	(2'805)	-
Other	(883)	(842)
Total	**(3'768)**	**(2'286)**

Note 13 Net financial items

CHFk

	Interest	Fair value adjustments	Total financial income and (expenses) before foreign currency	Net foreign currency gains/(losses)	2014 Total
Income					
Cash and cash equivalents	54	-	54	1'575	1'629
Financial liabilities measured at amortized cost	-	-	-	30'134	30'134
Cash flow hedges and economic hedges	111'483	-	111'483	-	111'483
Embedded derivatives [1)]	-	9'261	9'261	-	9'261
Other	3'126	-	3'126	847	3'973
Total income	**114'663**	**9'261**	**123'924**	**32'556**	**156'480**
Expenses					
Financial liabilities measured at amortized cost	(168'227)	-	(168'227)	-	(168'227)
Cash flow hedges and economic hedges	(113'072)	(31'241)	(144'313)	-	(144'313)
Other	(14'535)	-	(14'535)	-	(14'535)
Total expenses	**(295'834)**	**(31'241)**	**(327'075)**	**-**	**(327'075)**
Net financial items	**(181'171)**	**(21'980)**	**(203'151)**	**32'556**	**(170'595)**

[1)] “Embedded derivatives” represent early redemption options related to financial instruments issued by the Group.

Note 13 Net financial items (continued)

					2013
	Interest	Fair value adjustments	Total financial income and (expenses) before foreign currency	Net foreign currency gains/(losses)	Total
Income					
Cash and cash equivalents	670	-	670	841	1'511
Cash flow hedges and economic hedges	113'235	27'946	141'181	-	141'181
Interest rate derivatives	19	833	852	-	852
Other	1'446	-	1'446	-	1'446
Total income	**115'370**	**28'779**	**144'149**	**841**	**144'990**
Expenses					
Financial liabilities measured at amortized cost	(179'974)	-	(179'974)	(23'518)	(203'492)
Cash flow hedges and economic hedges	(113'572)	-	(113'572)	-	(113'572)
Interest rate derivatives	(791)	-	(791)	-	(791)
Embedded derivatives [1)]	-	(9'692)	(9'692)	-	(9'692)
Other	(15'685)	-	(15'685)	(41)	(15'726)
Total expenses	**(310'022)**	**(9'692)**	**(319'714)**	**(23'559)**	**(343'273)**
Net financial items	**(194'652)**	**19'087**	**(175'565)**	**(22'718)**	**(198'283)**

[1)] “Embedded derivatives” represent early redemption options related to financial instruments issued by the Group.

Note 14 Income taxes

CHFk

	2014	2013
Current income tax expense	(31'983)	(13'108)
Adjustments recognized for current tax of prior periods	4'912	(5'066)
Deferred tax (expense) / income	10'784	5'331
Total income tax expense recognized in statement of income	**(16'287)**	**(12'843)**
Expected tax expense at weighted average applicable tax rate of 21.0% (2013: 21.0%)	(1'653)	14'500
Non-deductible items	(23'124)	(22'728)
Tax exempt income	2'093	
Changes in previously not recognized tax loss carry forward	1'437	-
Adjustments recognized for current tax of prior periods	4'912	(5'066)
Other effects	48	451
Total income tax expense recognized in statement of income	**(16'287)**	**(12'843)**

Note 14 Income taxes (continued)

Specification of deferred taxes CHFk

	Deferred tax assets / (liabilities) net, as of January 1, 2014	Deferred tax (expense) / income	Deferred tax through OCI	Modification of scope in consolidation 2)	Deferred tax assets / (liabilities) net, as of December 31, 2014
Intangible assets 1)	(288'208)	20'195	-	-	(268'013)
Carryforward tax loss	-	1'249	-	-	1'249
Customer acquisition costs	30'352	(9'460)	-	-	20'892
Property, plant and equipment	(4'124)	761	-	-	(3'363)
Deferred income	2'604	(311)	-	-	2'293
Hedging instruments debt	363'351	1'485	-	-	361'866
Hedging instruments swap	(363'351)	(1'485)	-	-	(361'866)
Employee benefit obligations	12'056	148	8'134	-	20'338
Other	110	(1'798)	-	-	(1'688)
Total	**(247'209)**	**10'784**	**8'134**	**-**	**(228'291)**

	Deferred tax assets / (liabilities) net, as of January 1, 2013	Deferred tax (expense) / income	Deferred tax through OCI	Modification of scope in consolidation 2)	Deferred tax assets / (liabilities) net, as of December 31, 2013
Intangible assets 1)	(292'010)	9'987	-	(6'185)	(288'208)
Customer acquisition costs	36'229	(5'877)	-	-	30'352
Property, plant and equipment	(4'582)	458	-	-	(4'124)
Deferred income	2'845	(241)	-	-	2'604
Hedging instruments debt	357'533	5'818	-	-	363'351
Hedging instruments swap	(357'533)	(5'818)	-	-	(363'351)
Employee benefit obligations	15'774	879	(4'812)	215	12'056
Other	(51)	124	37	-	110
Total	**(241'795)**	**5'331**	**(4'775)**	**(5'970)**	**(247'209)**

1) This deferred tax liability arises primarily from the intangible assets recognized during PPA of Sunrise Communications AG, such as customer base and brands and will not trigger any cash outflow in the future.

2) This modification arises from employee benefits and intangible assets such as customer base and brand and will not trigger any cash outflow in the future. They were recognized during PPA of YOL Communications GmbH and YOL Services AG.

The deferred tax liabilities are recognized in the statement of financial position in non-current deferred tax liabilities. The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to offset current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities related to income taxes levied by the same tax authority.

As of December 31, 2014 the Group has CHF 5.9 million of tax losses (expiring in 2019) to carry forward in a subsidiary (2013: CHF 6.7 million). The Group has recognized a deferred tax asset of CHF1.2 million in 2014 related to these loss carry forwards, all amounts are expected to be recoverable. Currently the group has no unrecognized tax losses. (2013: CHF 6.7 million).

At 31 December 2014, there was no recognized deferred tax liability (2013: CHF nil) for taxes that would be payable on the unremitted earnings of certain of the Group’s subsidiaries.

Note 15 Intangible assets

CHFk

2014	Goodwill	Subscriber bases	Other rights, software, licenses and brands	Intangibles under constructions	Total
Cost as of January 1	1'147'769	1'334'683	927'885	18'389	3'428'726
Additions	-	-	79'592	64'343	143'935
Transferred to / (from) other items [1)]	-	-	67'517	(61'301)	6'216
Assets disposed of or fully amortized during the period	-	-	(4'012)	-	(4'012)
Cost as of December 31	**1'147'769**	**1'334'683**	**1'070'982**	**21'431**	**3'574'865**
Accumulated amortization and write-downs as of January 1	-	(421'955)	(217'802)	-	(639'757)
Amortization for the period	-	(138'645)	(106'270)	-	(244'915)
Assets disposed of or fully amortized during the period	-	-	4'012	-	4'012
Accumulated amortization and write-downs as of December 31	**-**	**(560'600)**	**(320'060)**	**-**	**(880'660)**
Net carrying value as of December 31	**1'147'769**	**774'083**	**750'922**	**21'431**	**2'694'205**

[1)] Transfer includes correction of an addition made within tangible asset instead of intangible assets in the amount of CHF 6.2 million.

2013	Goodwill	Subscriber bases	Other rights, software, licenses and brands	Intangibles under constructions	Total
Cost as of January 1	1'064'983	1'309'383	866'350	18'729	3'259'445
Additions	82'786	25'300	9'834	55'196	173'116
Transferred to / (from) other items	-	-	55'536	(55'536)	-
Assets disposed of or fully amortized during the period	-	-	(3'835)	-	(3'835)
Cost as of December 31	**1'147'769**	**1'334'683**	**927'885**	**18'389**	**3'428'726**
Accumulated amortization and write-downs as of January 1	-	(286'121)	(123'729)	-	(409'850)
Amortization for the period	-	(135'834)	(97'908)	-	(233'742)
Assets disposed of or fully amortized during the period	-	-	3'835	-	3'835
Accumulated amortization and write-downs as of December 31	**-**	**(421'955)**	**(217'802)**	**-**	**(639'757)**
Net carrying value as of December 31	**1'147'769**	**912'728**	**710'083**	**18'389**	**2'788'969**

Note 15 Intangible assets (continued)

In 2014 and 2013 no write-downs for impairment of other rights, software, licenses and brands were recognized.

In the year ended December 31, 2014 internal cost capitalized amounted to CHF 9.1 million (2013: CHF 8.6 million).

Additions from 3rd party in 2014 include a one-time investment for the use of wholesale broadband connectivity services from Swisscom of CHF 74.0 million (2013: CHF nil) of which CHF 29.7 million were without cash effect.

No interest was capitalized during the years ended December 31, 2014 and December 31, 2013.

The carrying value of pledged intangible assets as of December 31, 2014 amounted to CHF 112.2 million (2013: CHF 131.7 million).

The carrying value of intangible assets not yet started to be amortized is CHF 21.4 million for the year ended December 31, 2014 and mainly comprises assets under construction (2013: CHF 18.4 million).

Impairment tests for goodwill
Goodwill is allocated from the acquisition date to the Group's Cash-Generating Units ("CGU"). For the Group, the cash-generating units consist of the operating segments "Residential", "Business" and "Wholesale", and the impairment test is carried out on these CGUs in the fourth quarter in 2014. An operating segment-level summary of the goodwill allocation is presented below:

	2014	**2013**
Residential	889'268	889'268
Business	190'029	190'029
Wholesale	68'472	68'472
Total goodwill	**1'147'769**	**1'147'769**

Goodwill of CHF 82.8 million resulting from the acquisition of YOL Communications GmbH and YOL Services AG in 2013 has been fully allocated to the residential segment based on their business models.

Goodwill has an indefinite useful life, and is therefore analyzed for impairment on an annual basis. In 2014, there are no other recorded intangible assets with indefinite useful lives (2013: CHF nil). The recoverable amount of all CGUs has been determined based on its value-in-use, using a Discounted Cash Flow (DCF) method. The basis for the calculation of the DCF model is the Group's business plan approved by the board of directors. The detailed planning horizon of the plan covers three years. The extrapolation of free cash flows beyond the three year planning period was calculated assuming a long-term growth rate of 1% (2013: 1%). The discount rate is determined as the Weighted Average Cost of Capital before tax (WACC) of the Group, and amounts to 6.3% (2013:6.6%). Management determined budgeted gross margin and the growth rates based on past performance and its expectations of market development. As of the impairment test date, the recoverable amount at all cash-generating units was higher than their carrying amounts. The sensitivity analysis shows that a reasonably possible change in the key assumptions would not result in the carrying amount exceeding the recoverable amount for any of the three CGUs

Note 16 Property, plant and equipment

CHFk

	Telecommunications installations	Other installations	Property, plant and equipment under construction	2014 Total
Cost as of January 1	1'267'079	86'633	105'802	1'459'514
Additions	54'975	574	202'839	258'388
Transferred to / (from) other items [1)]	200'402	24'045	(230'663)	(6'216)
Assets disposed of during the period	(38'911)	(3'978)	-	(42'889)
Cost as of December 31	**1'483'545**	**107'274**	**77'978**	**1'668'797**
Accumulated depreciation and write-downs as of January 1	(497'956)	(45'131)	-	(543'087)
Depreciation for the period	(182'725)	(19'560)	-	(202'285)
Impairment losses	(14'038)	(261)	-	(14'299)
Assets disposed of during the period	38'911	3'978	-	42'889
Accumulated depreciation and write-downs as of December 31	**(655'808)**	**(60'974)**	**-**	**(716'782)**
Net carrying value as of December 31	**827'737**	**46'300**	**77'978**	**952'015**
Carrying value of finance leases[1)] as of December 31	**18'909**	**-**	**-**	**18'909**

[1)] Transfer includes correction of an addition made within tangible asset instead of intangible assets in the amount of CHF 6.2 million.

	Telecommunications installations	Other installations	Property, plant and equipment under construction	2013 Total
Cost as of January 1	1'152'693	65'336	97'377	1'315'406
Additions	800	280	230'673	231'753
Transferred to / (from) other items	192'619	29'629	(222'248)	-
Assets disposed of during the period	(79'033)	(8'612)	-	(87'645)
Cost as of December 31	**1'267'079**	**86'633**	**105'802**	**1'459'514**
Accumulated depreciation and write-downs as of January 1	(349'560)	(29'889)	-	(379'449)
Depreciation for the period	(168'501)	(17'691)	-	(186'192)
Impairment losses	(58'212)	(6'163)	-	(64'375)
Assets disposed of during the period	78'317	8'612	-	86'929
Accumulated depreciation and write-downs as of December 31	**(497'956)**	**(45'131)**	**-**	**(543'087)**
Net carrying value as of December 31	**769'123**	**41'502**	**105'802**	**916'427**
Carrying value of finance leases[1)] as of December 31	**23'052**	**-**	**-**	**23'052**

In 2013, the Group recognized CHF 64.4 million write-downs for impairment. They were primarily attributable to the replacements of the mobile radio network with multi standard radio equipment (see note 11).

In the period ended December 31, 2014 capitalized internal cost amounted to CHF 10.1 million (2013: CHF 3.3 million). In 2013 and 2014 no interest was capitalized. Additions from 3rd parties include CHF 5.4 million (2013: CHF 2.3 million) increase in asset retirement obligation without cash effect. The Group has recourse guarantee obligations for payment and performance in connection with lease contracts (refer to note 34).

Note 17 Trade and other receivables

CHFk

	2014	2013
Trade receivables	440'380	311'114
Allowances for uncollectible amounts	(71'621)	(51'347)
Trade receivables, net	**368'759**	**259'767**
Other receivables	9'085	21'538
Total	**377'844**	**281'305**
Of which current	325'604	281'305
Of which non-current	52'240	-

	2014	2013
Allowances for uncollectible amounts as of January 1	(51'347)	(49'860)
Allowances for uncollectible amounts	(20'274)	(1'487)
Allowances for uncollectible amounts as of December 31	**(71'621)**	**(51'347)**

	2014 days*	2013 days*	2014 CHF	2013 CHF
Neither past due nor impaired			264'272	186'505
Past due but not impaired			1'555	8'329
Current			79'280	65'775
Receivables past due	1-36	1-31	16'233	9'085
Receivables past due	37-67	32-61	6'214	2'632
Receivables past due	68-98	62-91	2'088	2'720
Receivables past due more than	99	91	8'202	6'259
Total			**377'844**	**281'305**

* refer to note 6.

In 2014 the Company decided to adjust the aging buckets for overdue accounts receivables by increasing the length of the buckets as well as adding two more buckets for receivable overdue more than 99 days. For further information please see note 6. The total net amount of trade receivables past due as of December 31, 2014 amounted to CHF 34.3 million (2013: CHF 29.0 million). Other classes within receivables do not contain impaired assets. The carrying value of pledged receivables amounted to CHF 365.3 million (2013: CHF 272.4 million) as of December 31, 2014.

As of December 31, 2014 net receivables of CHF 1.6 million (2013: CHF 8.3 million) were past due but not impaired. These mainly relate to a number of independent businesses, wholesale and residential customers for whom there is no recent history of default.

Note 18 Prepaid expenses

CHFk

	2014	2013
Prepaid lease payments	3'082	3'218
Other prepaid expenses	7'237	7'429
Total	**10'319**	**10'647**
Of which current	8'553	9'047
Of which non-current	1'766	1'600

Note 19 Inventories

CHFk

	2014	2013
Finished goods and merchandise	25'055	28'750
Work in progress	8'728	9'510
Total	**33'783**	**38'260**

Write-downs of inventories on the net realizable value amounted to CHF 3.2 million in 2014 (2013: CHF 1.9 million). The carrying amount of inventories recognized as an expense in “transmission costs and costs of goods sold” and “other operating expenses” amounted to CHF 196.7 million (2013: CHF 238.1 million). No inventories were expected to be sold after more than one year.

Note 20 Equity

CHFk

	Number of shares	Nominal value (CHF)	2014	2013
Class A shares	90'000'000	0.01	900	900
Class B shares	10'000'000	0.01	100	100
Share premium			125'876	125'876
Series A PECs *)	62'589'067'221	0.01	625'890	625'890
Series B PECs *)	7'550'384'405	0.01	75'504	75'504
Total common shares, share premium and PECs *)			**828'270**	**828'270**

*) Preferred Equity Certificates

Share capital

The total authorized and issued number of ordinary shares comprises 100’000’000 shares with a nominal value of CHF 0.01 each.

Series A and B PEC interest payments

In March and September 2014 Sunrise Communications Holdings S.A. paid accrued interest in the total amount of CHF 55.6 million (CHF 27.8 million each) to Mobile Challenger Intermediate Group S.A. who subsequently used the above repayments to pay the EUR and CHF tranches of the accrued interest on the PIK toggle notes for the six-month periods ended on March 17, 2014 and September 15, 2014, in the total amount of EUR 24.0 million and CHF 26.2 million respectively (EUR 12.0 million and CHF 13.1 million per payment date).

Valuation reserve

Valuation reserve comprises fair value changes of derivative instruments that qualify as cash flow hedges. The fair value changes are recognized net of tax.

Accumulated deficit

Actuarial gains and losses, net of taxes, and the result for the current period and earnings or losses carried forward are recognized in accumulated deficit.

Note 21 Employee benefit obligations

The Group provides retirement benefits to its employees as required by Swiss law by means of a pension fund which is a separate legal entity and a pension plan operated by an external insurance company. The pension fund operates a basic pension plan for all staff and a supplemental plan for employees having an insured annual salary of more than CHF 150'000. All Swiss plans qualify as defined benefit plans under IAS 19. Future pension benefits are based primarily on years of credited service and on contributions made by the employee and employer over the service period which vary according to age as a percentage of insured salary. The rate of annual interest credited to employees' accounts on the balance representing the minimum amount required under the pension law is defined by the Swiss government. In addition the conversion factor used to convert the accumulated capital on retirement into an annual pension is also defined by the Swiss government. In the case of overfunding it may be possible to a limited extent to reduce the level of contributions by both employer and employee. A distribution of excess funds from the pension fund to the Group is not possible.

These defined benefit plans expose the Group to actuarial risks, such as currency risk, interest rate risk and market (investment) risk.

Pension (costs) / income resulting from defined benefit plans CHFk

	2014	2013
Current service costs	(17'620)	(19'335)
Interest cost on benefit obligation	(1'027)	(1'272)
Past service costs	(49)	-
Penison costs recognized in the statement of income	**(18'696)**	**(20'607)**

Assets and obligations CHFk

	2014	2013
Fair value of plan assets	(281'468)	(226'644)
Defined benefit obligation	378'312	284'053
Employee benefit obligations recognized in the statement of financial position as of December 31	**96'844**	**57'409**
Movement in defined benefit obligations		
Balance as of January 1	284'053	296'870
(Reduction)/Addition of subsidiaries	(562)	3'116
Included in the statement of income		
- Current service cost	17'620	19'335
- Past service cost	49	-
- Interest cost on defined benefit obligation	6'209	5'686
Included in other comprehensive income		
Actuarial (gain) / loss arising from:		
- demographic assumptions	143	-
- Financial assumptions	52'386	(8'184)
- Experience adjustment	4'852	(6'897)
Other		
Employee contributions	12'095	10'508
Benefits paid / transferred	1'467	(36'381)
Balance as of December 31	**378'312**	**284'053**
Thereof business combination	-	2'693

Note 21 Employee benefit obligations (continued)

Assets and obligations (continued)

CHFk

	2014	2013
Movement in fair value of plan assets		
Balance as of January 1	(226'644)	(221'750)
Reduction/(Addition) of subsidiaries	379	(2'503)
Included in the statement of income		
- Interest income	(5'182)	(4'414)
Included in other comprehensive income		
- Return on plan assets excluding interest income	(18'653)	(7'248)
Other		
Company contributions	(17'806)	(16'600)
Employee contributions	(12'095)	(10'510)
Benefits paid	(1'467)	36'381
Balance as of December 31	**(281'468)**	**(226'644)**
Thereof business combination	-	(2'047)

Asset allocation of plan assets

CHFk

	2014 quoted prices	2014 unquoted prices	2013 quoted prices	2013 unquoted prices
Cash and cash equivalents	657	-	6'803	9'433
Equity securities	-	101'404	-	73'555
Debt securities	-	127'498	-	99'925
Real estate	56	35'571	45	21'134
Other	-	16'283	-	15'749
Total	**713**	**280'755**	**6'848**	**219'796**

Plan assets do not include any property used by Group companies as of December 31, 2014. Further the defined benefit plans do not hold any shares of Sunrise Communications Holdings S.A.

Periodically, an Asset-Liability Matching (ALM) study is performed by the pension fund’s asset manager in which the consequences of the strategic investment policies are analyzed. The strategic investment policy of the pension fund can be summarized as follows: A strategic asset mix comprising 27.5% - 42.5% equity securities, 40.5% - 51.5% government bonds, 11%-19% real estate and 0.8% - 7.2% other investments.

Principal actuarial assumptions

%

	2014	2013
Discount rate	1.13	2.25
Future salary increases	2.00	2.00

As of December 31, 2014, the weighted – average duration of the defined benefit obligation was 16.2 years (2013: 13.9 years).

For 2015, the projected Group’s contributions to its pension funds amount to CHF 16.9 million.

Note 21 Employee benefit obligations (continued)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Sensitivity analysis		CHFk
Effect on defined benefit obligation as of December 31, 2014	Increase	Decrease
Discount rate (1% movement)	(57'171)	78'461
Future salary increases (1% movement)	12'770	(11'381)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

Note 22 Borrowings

CHFk

	Nominal value at inception	Foreign exchange movement [1]	Capitalized debt issuance cost including discounts and premium [1]	Loan and finance lease repayments	2014 Carrying value	2013 Carrying value
Floating rate						
Floating Rate Notes - EUR	200'570	231	(2'331)	-	198'470	201'877
Revolving Credit Facility - CHF [5]	95'000	-	-	(21'503)	73'497	95'000
Fixed rate						
Senior Secured Notes - CHF [2]	300'000	-	(6'113)	-	293'887	292'111
Senior Secured Notes - CHF [3]	370'000	-	(4'345)	-	365'655	364'317
Senior Secured Notes - EUR [4]	658'641	(62'251)	(6'091)	-	590'299	600'792
Senior Notes - EUR	755'942	(81'396)	(17'152)	-	657'394	667'547
Total loans and notes	**2'380'153**	**(143'416)**	**(36'032)**	**(21'503)**	**2'179'202**	**2'221'644**
Other						
Debt relating to finance leases	-	-	-	(5'586)	29'859	35'445
Total borrowings					**2'209'061**	**2'257'089**
Of which current					24'724	40'991
Of which non-current					2'184'337	2'216'098

[1] Since issuance of the borrowings.

[2] Issued October 14, 2010.

[3] Issued July 19, 2012.

[4] Including a tap offering of EUR 125.0 million aggregate principal amount of its existing 7% fixed rates senior secured notes.

[5] Please refer to note 24 for further information.

The Group incurred significant Euro denominated borrowings in connection with the acquisition of Sunrise Communications AG and the subsequent refinancing transaction during 2012. The Group has entered into cross currency interest rate swaps to economically convert its Euro denominated borrowings into Swiss Franc denominated borrowings. The executed swap exchange rates mirror the exchange rates realized by the Group when the borrowings were received. Further details on the Group's accounting for derivatives are set out in note 4 and note 23.

The revolving credit facility is drawn by CHF 73.5 million of December 31, 2014 (2013: CHF 95.0 million). The revolving credit facility contains operational and financial covenants which have been tested. The respective financial covenant report has been approved by the board of directors on March 24, 2015.

The ancillary facility of CHF 15.0 million is currently not drawn but reserved (refer to note 24). Liabilities relating to finance leases are related primarily to lease agreements of fibre networks.

Note 23 Derivatives CHFk

Derivative financial instruments are reported in the consolidated statement of financial position as follows:

	2014 Notional Amount	2013 Notional amount	2014 Fair value assets 5)	2014 Fair value liabilities 5)	2013 Fair value assets 5)	2013 Fair value liabilities 5)
Cross currency interest rate swaps – fixed rate borrowings 1)	1'256'198	1'256'198	-	(143'944)	-	(124'968)
Total cash flow hedges	**1'256'198**	**1'256'198**	**-**	**(143'944)**	**-**	**(124'968)**
Cross currency interest rate swaps – fixed rate borrowings 2)	161'878	161'878	-	(12'165)	-	(9'165)
Cross currency interest rate swaps – variable rate borrowings 3)	202'922	200'567	-	(1'936)	3'014	-
Total economic hedges	**364'800**	**362'445**	**-**	**(14'101)**	**3'014**	**(9'165)**
Interest rate swap 6)	-	100'000	-	-	-	-
Total interest rate derivatives	**-**	**100'000**	**-**	**-**	**-**	**-**
Embedded derivatives 4)	-	-	31'973	-	22'712	-
Total embedded derivatives	-	-	**31'973**	**-**	**22'712**	-
Total derivatives			**31'973**	**(158'045)**	**25'726**	**(134'133)**

1) Cross currency interest rate swaps related to senior secured notes EUR 371 million and senior notes EUR 561 million.
2) Cross currency interest rate swaps related to senior secured notes EUR 125 million.
3) Cross currency interest rate swap related to senior secured floating rate notes EUR 167 million (also refer to details provided below).
4) Embedded derivatives represent early redemption options related to financial instruments issued by the Group.
5) For fair value estimation please refer to note 24, G: Fair value estimation.
6) Interest rate swap has matured as of December 31, 2013.

CHFk

The change in the fair value of derivatives in the period can be summarized as:	2014	2013
Cash flow hedges – movement in hedge reserve	(23'290)	20'179
Cash flow hedges – ineffectiveness	-	121
Economic hedges	(7'951)	7'646
Total impact of hedging derivatives in the statement of income (note 13)	**(31'241)**	**27'946**
Impact of interest rate derivatives in the statement of income (note 13)	-	833
Impact of embedded derivatives in the statement of income (note 13)	9'261	(9'692)
Total impact of derivatives in the statement of income (note 13)	**(21'980)**	**19'087**

The Group renewed an existing cross currency principal and interest rate swap agreement on EUR 167 million of notes payable, bearing interest at EURIBOR +4.75%, due December 2017. The Group pays CHF LIBOR +4.785%. The swap has a maturity date as of March 31, 2015. The Group did not apply hedge accounting to this instrument and classified the cross currency interest rate swap as held for trading. The fair value movements are recognized in the statement of income (refer to note 13 “net financial items”).

The amount recognized in other comprehensive income relating to cash flow hedges amounted to CHF 4.3 million in 2014 and CHF 15.1 million in 2013. The movement between the balances at the end of 2013 and 2014 was recycled to the income statement which was partially offset by the movement of the respective financial liability in 2014 caused by changes in the foreign currency rate.

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months. All the Group’s derivatives are classified as non-current as of December 31, 2014.

Note 23 Derivatives (continued)

Cross currency interest rate swaps – fixed rate borrowings

The Group has entered into cross currency principal and interest rate swap agreements on EUR 371.0 million of notes payable, bearing interest at 7.0%, due December 2017, and on EUR 561.0 million of notes payable, bearing interest at 8.5%, due December 2018.

As part of the refinancing transaction in July 2012 and the redemption of term loan agreements, the Group restructured existing cross currency principal and interest rate swaps agreements and entered into new cross currency principal and interest rate swaps agreements on EUR 125 million of notes payable, bearing interest at 7% due December 2017. The swaps are designated as partial term cash flow hedges and have a maturity of December 31, 2015.

Hedge ineffectiveness is recognized in “net financial items”. There has not been any ineffective portion arising from cash flow hedges recognized in the profit or loss in 2014 (2013: loss of CHFk 121). From April 1, 2013 the Group discontinued hedge accounting for this instrument and classified the cross currency interest rate swap as held for trading with any change in fair value being recorded in the statement of profit and loss for the respective period.

Cross currency interest rate swaps – variable rate borrowings

As part of the refinancing transaction in July 2012, the Group restructured existing cross currency principal and interest rate swaps agreements and entered into new cross currency principal and interest rate swaps agreements on EUR 167 million of notes payable, bearing interest at EURIBOR +4.75%, due December 2017. The Group pays CHF LIBOR +5.8025%. The swap has a maturity date as of September 30, 2014. The Group did not apply hedge accounting to this instrument and classified the cross currency interest rate swap as held for trading. The fair value movements are recognized in the statement of income (refer to note 13 “net financial items”).

Interest rate cap

The Group entered into an option contract to hedge the interest rate on its term loan facilities. For a fixed premium it has purchased the right to receive interest based on CHF LIBOR when CHF LIBOR exceeds a strike price of 0.75%. The instrument effectively caps the Group’s variable interest rate exposure on its variable interest rate facilities. This instrument reached maturity on June 30, 2013. The Group did not apply hedge accounting to this instrument and classified the cross currency interest rate swap as held for trading. The fair value movements are recognized in the statement of income (refer to note 13 “net financial items”).

Interest rate swaps

Interest rate swaps are recognized in the statement of financial position at their fair value, reflecting the estimated amount the Group would receive or pay if forced to settle these contracts at the year-end using market interest rates.

The Group has entered into an interest rate swap agreement to receive interest based on CHF LIBOR and to pay interest at the rate of 0.78%. The Group did not apply hedge accounting to this instrument and classified the cross currency interest rate swap as held for trading. The fair value movements are recognized in the statement of income (refer to note 13 “net financial items”). At the reporting date, this instrument reached maturity.

Note 24 Financial instruments

The financial assets of the Group primarily include cash and cash equivalents, trade and other receivables, other non-current assets and derivative assets. The Group's financial liabilities primarily comprise trade and other payables, derivative liabilities, loans and notes, financial leases and other liabilities. Furthermore, the Group uses derivatives (mainly cross currency interest rate swaps) to manage and hedge its interest and currency risks resulting from operations and financing activities.

in CHFk	Loans and receivables	Financial liabilities measured at amortized cost	Derivatives used for hedging	Derivatives held for trading	2014 Total
Non-current financial assets					
Derivative financial assets	-	-	-	31'973	31'973
Other non-current assets	153	-	-	-	153
Non-current portion of trade and other receivables	52'240				52'240
Total non-current financial assets	**52'393**	**-**	**-**	**31'973**	**84'366**
Current financial assets					
Current portion of trade and other receivables	321'046	-	-	-	321'046
Cash and cash equivalents	120'065	-	-	-	120'065
Total current financial assets	**441'111**	**-**	**-**	**-**	**441'111**
Total financial assets	**493'504**	**-**	**-**	**31'973**	**525'477**
Non-current financial liabilities					
Non-current portion of loans and notes	-	(2'160'828)	-	-	(2'160'828)
Non-current portion of financial leases	-	(23'509)	-	-	(23'509)
Non-current portion of trade payables and other payables	-	(137'278)	-	-	(137'278)
Derivative financial liabilities	-	-	(143'944)	(14'101)	(158'045)
Total non-current financial liabilities	**-**	**(2'321'615)**	**(143'944)**	**(14'101)**	**(2'479'660)**
Current financial liabilities					
Current portion of loans and notes	-	(18'374)	-	-	(18'374)
Current portion of financial leases	-	(6'350)	-	-	(6'350)
Current portion of trade payables and other payables	-	(557'375)	-	-	(557'375)
Other current liabilities	-	(1'163)	-	-	(1'163)
Total current financial liabilities	**-**	**(583'262)**	**-**	**-**	**(583'262)**
Total financial liabilities	**-**	**(2'904'877)**	**(143'944)**	**(14'101)**	**(3'062'922)**
Total	**493'504**	**(2'904'877)**	**(143'944)**	**17'872**	**(2'537'445)**

Note 24 Financial instruments (continued)

in CHFk	Loans and receivables	Financial liabilities measured at amortized cost	Derivatives used for hedging	Derivatives held for trading	2013 Total
Non-current financial assets					
Derivative financial assets	-	-	-	25'726	25'726
Other non-current assets	200	-	-	-	200
Total non-current financial assets	**200**	**-**	**-**	**25'726**	**25'926**
Current financial assets					
Trade receivables and other receivables	281'305	-	-	-	281'305
Cash and cash equivalents	149'198	-	-	-	149'198
Total current financial assets	**430'503**	**-**	**-**	**-**	**430'503**
Total financial assets	**430'703**	**-**	**-**	**25'726**	**456'429**
Non-current financial liabilities					
Non-current portion of loans and notes	-	(2'186'644)	-	-	(2'186'644)
Non-current portion of financial leases	-	(29'454)	-	-	(29'454)
Non-current portion of trade payables and other payables	-	(207'420)	-	-	(207'420)
Derivative financial liabilities	-	-	(124'968)	(9'165)	(134'133)
Total non-current financial liabilities	**-**	**(2'423'518)**	**(124'968)**	**(9'165)**	**(2'557'651)**
Current financial liabilities					
Current portion of loans and notes		(35'000)			(35'000)
Current portion of financial leases	-	(5'991)	-	-	(5'991)
Current portion of trade payables and other payables	-	(398'796)	-	-	(398'796)
Other current liabilities	-	(1'705)	-	-	(1'705)
Total current financial liabilities	**-**	**(441'492)**	**-**	**-**	**(441'492)**
Total financial liabilities	**-**	**(2'865'010)**	**(124'968)**	**(9'165)**	**(2'999'143)**
Total	**430'703**	**(2'865'010)**	**(124'968)**	**16'561**	**(2'542'714)**

Financial risk management

The Group operates a centralized risk management system which distinguishes between strategic and operating risks. The Group's overall risk management program focuses on the unpredictability of financial markets 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 (including currency and interest rate risk), credit risk and liquidity risk. The Group uses derivative financial instruments such as cross currency interest rate swaps and interest rate swaps to hedge certain risk exposures. However, the Group does not enter into derivative or other financial transactions which are unrelated to its operating business risks.

The Group's financial risk management is governed by policies approved by key management personnel. These polices provide principles for overall risk management as well as policies covering specific areas such as interest rate risk.

Note 24 Financial instruments (continued)

A: Foreign-currency exposures

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's financing activities (borrowings denominated in Euros) as well as to future commercial transactions denominated in foreign currencies and to the Group's operating activities (when revenue and expenses are denominated in a currency different from presentation currency of the Group).

It is the Group's policy to fully hedge its foreign currency exposure related to financial borrowings denominated in another currency than the functional currency of the respective Group entity by using cross currency interest rate swaps.

The following table shows the impact of a reasonably possible change in Euro against the Swiss Franc, with all other variables held constant. The impact on Group's profit after tax is mainly driven by foreign exchange gains/losses of Euro denominated cash and cash equivalents, trade and other receivables as well as trade and other payables. The potential impact on Group's other comprehensive income results from fair value movements of cross currency interest rate swaps designated as cash flow hedges. The Group has no other material exposure to foreign currencies.

Foreign currency sensitivity — CHFk

	Net exposure		Change in %	Effect on profit before tax	
	2014	2013		2014	2013
EUR / CHF	(2'273)	5'085	+/- 10%	(227)	509

B: Interest rate risk

The Group's interest rate risk mainly arises from 3rd party borrowings. The Group issued floating rate notes and fixed rated borrowings through its senior secured notes and senior notes. Borrowings issued at variable interest rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Under the terms of the senior revolving credit facility, the Group is required to hedge at least 66.67% of outstanding borrowings for a period of three years. As a result the Group hedged its exposure to variable interest rates using interest rate derivatives. As of December 31, 2014, 88.3% (2013: 81.6%) of the Group's borrowings are either hedged using interest rate derivatives or bear interest at a fixed rate. The Group economically hedged its cash flow interest rate exposure with respect to the floating rate notes but did not apply hedge accounting.

The following table shows the impact of a reasonably possible change in interest rates on the Group's borrowings (considering the impact of hedge accounting). With all other variables held constant, the Group's profit before tax is affected by lower/higher interest rate expenses on floating rate notes offset by the change in fair value of the respective interest rate derivatives.

Interest rate sensitivity — CHFk

	Increase / decrease in basis points	Effect on profit before tax	
		2014	2013
CHF interest rates	+ 10%	(204)	(306)
CHF interest rates	- 10%	31	57

Cash flow forecasting is performed by Group treasury. Group treasury performs rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs and to service its borrowings while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the group does not breach borrowing limits or covenants on any of its borrowing facilities. The cash forecasting takes into consideration the Group's debt financing plans and covenant compliance.

Note 24 Financial instruments (continued)

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows. All interest payments and repayments of financial liabilities are based on contractual agreements. Interest payments on floating-rate instruments are determined using zero-coupon rates.

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Maturity profiles (CHFk) as of December 31					2014
	< 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Trade payables and other payables	(557'375)	(137'278)	-	-	(694'653)
Borrowings - notional	(18'374)	-	(2'160'828)	-	(2'179'202)
Borrowings - interest	(155'384)	(155'384)	(214'695)	-	(525'463)
Financial leases	(6'350)	(6'767)	(13'527)	(3'215)	(29'859)
Derivative liabilties	-	-	(158'045)	-	(158'045)
Other current liabilities	(1'163)	-	-	-	(1'163)
Total financial liabilities	**(738'646)**	**(299'429)**	**(2'547'095)**	**(3'215)**	**(3'588'385)**

Maturity profiles (CHFk) as of December 31					2013
	< 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Trade payables and other payables	(398'796)	(103'710)	(103'710)	-	(606'216)
Borrowings - notional	(35'000)	-	(2'186'644)	-	(2'221'644)
Borrowings - interest	-	(155'384)	(525'463)	-	(680'847)
Financial leases	(5'991)	(6'350)	(20'294)	(2'810)	(35'445)
Derivative liabilties	-	-	(134'133)	-	(134'133)
Other current liabilities	(1'705)	-	-	-	(1'705)
Total financial liabilities	**(441'492)**	**(265'444)**	**(2'970'244)**	**(2'810)**	**(3'679'990)**

The table above shows the net discounted cash flows. However, the derivative liabilities shown in the table above may be settled gross or net. The table underneath shows the corresponding reconciliation of those amounts excluding interest to their carrying amounts.

Maturity profiles (CHFk) as of December 31	< 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
2014					
Notional amounts receivable	-	-	1'471'738	-	1'471'738
Notional amounts payable	-	-	(1'620'998)	-	(1'620'998)
2013					
Notional amounts receivable	-	-	1'502'325	-	1'502'325
Notional amounts payable	-	-	(1'618'643)	-	(1'618'643)

Note 24 Financial instruments (continued)

D: Undrawn credit lines

The Group had the following uncommitted borrowing facilities (in CHFk)

	2014	2013
Senior Revolving Credit Facility (Senior RCF) and acquisition facility	142'402	140'000
Ancillary facility	15'000	15'000
Total	**157'402**	**155'000**

On October 2, 2014 Sunrise received consent from its lender to amend the revolving credit facility agreement (RCF) to, among other things:

- Reduce the RCF from CHF 250.0 million to CHF 230.9 million
- Re-price the margin applicable to the revolving credit facility from 4.25% p.a. to 3.75% p.a., with 25 basis point step-downs (to 2.75% p.a.) at the same leverage levels as applied prior to the amendments
- Extend the termination date of the revolving credit facility from December 31, 2016 to December 31, 2017
- Introduce a “springing” threshold for purposes of the leverage financial covenant, such that the leverage covenant is not tested unless the drawn amount of the revolving credit facility is greater than 40% of the relevant total commitments
- Replace the leverage covenant ratchet with a flat 5.50:1 leverage test
- Remove the interest cover ratio financial covenant

As part of the amendment, Sunrise repaid CHF 6.5 million to reduce the utilized RCF amount from CHF 80.0 million to CHF 73.5 million

The committed and undrawn Senior RCF of CHF 142.4 million bears commitment fees of 1.3% per annum (2013: 1.8%). Any amount drawn under this facility bears a coupon of CHF LIBOR + 3.25% per annum (2013: + 4.5%).

The ancillary facility of CHF 15 million is currently not drawn down but bears a facility fee of 0.675% per annum (2013: 0.675%). The Group has CHF 13.6 million (2013: CHF 11.8 million) in guarantees outstanding under this Ancillary facility on which a fee of 2.16% per annum (2013: 2.16%) is charged.

E: Credit risks

Credit risks arise when a customer or counterparty may fail to perform its contractual obligations. The maximum exposure to credit risk is represented by the carrying value of each financial asset, including derivative financial instruments, in the consolidated statement of financial position.

The credit risk arising from supplying telecommunication services is handled by assessing the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board of directors. The Group periodically assesses the financial reliability of its customer and their credit limits.

Concentrations of credit risk with respect to trade receivables are limited due to the Group’s wide distribution of customers (see note 17 for detailed information on receivables). On a regular basis, trade accounts receivable are sold without recourse.

The Group is exposed to credit risk in the event of non-performance by its counterparties on its interest rate and cross currency interest rate swap contracts. Credit risk arising from financial transactions is managed through diversification. The Group does not expect any counterparties to fail to meet their obligations, given their high credit rating. The market positions with each counter party are monitored to ensure an adequate diversification of risk.

Sunrise's cash and cash equivalents comprise primarily short-term bank deposits with mainly Swiss banks, having a high credit rating. Sunrise Communications AG and its subsidiaries have, as part of the senior revolving credit facilities agreement, pledged their bank accounts.

Note 24 Financial instruments (continued)

F: Capital management

The Group's objectives when managing capital are to secure the Group's ongoing financial needs to continue as going concern as well as to cater for its growth targets in order to provide returns to shareholders and to maintain a cost-efficient and risk-optimized capital structure.

The Group's managed capital structure consists of equity (as disclosed in note 20), current and non-current borrowings (see note 22) less cash and cash equivalents.

In order to maintain this capital structure, the Group manages its liquidity to ensure it is able to service its borrowings. The group monitors its capital on an ongoing basis using the covenants defined by the senior revolving credit facilities agreement.

G: Fair value estimation

The fair value of current financial assets and liabilities at amortized cost are 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 that have a significant effect on the recorded fair value that are not based on observable market data.

The table below shows a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the consolidated financial statements:

CHFk

	Measurement principle	2014 Fair value	2014 Carrying value	2013 Fair value	2013 Carrying value
Cash[1)]	Amortized cost	120'065	120'065	149'198	149'198
Trade and other receivables[1)]	Amortized cost	373'286	373'286	281'305	281'305
Other non-current assets[1)]	Amortized cost	153	153	200	200
Derivatives - held for trading	Fair value - Level 2	31'973	31'973	25'726	25'726
Total financial assets		**525'477**	**525'477**	**456'429**	**456'429**
Trade payables and other payables[1)]	Amortized cost	(694'653)	(694'653)	(606'216)	(606'216)
Loans and notes[2)]	Amortized cost	(2'215'769)	(2'179'202)	(2'308'037)	(2'221'644)
Financial leases[1)]	Amortized cost	(29'859)	(29'859)	(35'445)	(35'445)
Derivatives - held for trading	Fair value - Level 2	(14'101)	(14'101)	(9'165)	(9'165)
Derivatives - held for hedging	Fair value - Level 2	(143'944)	(143'944)	(124'968)	(124'968)
Other current liabilities[1)]	Amortized cost	(1'163)	(1'163)	(1'705)	(1'705)
Total financial liabilities		**(3'099'489)**	**(3'062'922)**	**(3'085'536)**	**(2'999'143)**

[1)] Carrying amount approximates the estimated fair value due to the short-term nature of the financial instruments.

[2)] The fair value of the borrowings for disclosure purposes is determined by using the quoted prices in an active market for identical liabilities

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 fair value an instrument are observable, the instrument is included in level 2.

There have been no transfers between the different hierarchy levels in 2014 and 2013.

Note 25 Deferred income

CHFk

	2014	2013
Deferred income form dark fibers	15'291	18'743
Deferred income from other telecommunication services	46'869	49'079
Total	**62'160**	**67'822**
Of which current	47'557	52'392
Of which non-current	14'603	15'430

Note 26 Provisions

CHFk

	Asset retirement obligations	Restructuring obligations	Other provisions	Total
Provisions as of January 1, 2014	115'299	965	20'035	136'299
Provisions made/(released) during the period*	2'014	80	31'166	33'260
Change in present value	8'773	-	-	8'773
Provisions used during the period	(449)	(721)	(24'391)	(25'561)
Unused provisions reversed during the period	(934)	(36)	(157)	(1'127)
Provisions as of December 31, 2014	**124'703**	**288**	**26'653**	**151'644**
Of which current	2'380	288	26'653	29'321
Of which non-current	122'323	-	-	122'323
Provisions as of January 1, 2013	117'690	10'197	17'697	145'584
Provisions made during the period	2'320	1'566	27'782	31'668
Change in present value	(3'088)	-	-	(3'088)
Provisions used during the period	(204)	(8'995)	(24'596)	(33'795)
Unused provisions reversed during the period	(1'419)	(1'803)	(848)	(4'070)
Provisions as of December 31, 2013	**115'299**	**965**	**20'035**	**136'299**
Of which current	1'198	965	20'035	22'198
Of which non-current	114'101	-	-	114'101

Provisions for asset retirement obligations relate to the future dismantling of mobile stations and restoration of property owned by third parties. Those leases generally contain provisions that require the Group to remove the asset and restore the sites to their original condition at the end of the lease term. The uncertainties relate primarily to the timing of the related cash outflows. The majority of these obligations are not expected to result in cash outflow until after 2015.

Restructuring costs expensed amounted to CHF 0.1 million (2013: CHF 1.6 million) and were recognized in other expenses.

Other provisions are related to bonuses for management and employees and legal claims. There are no provisions for legal claims as of December 31, 2014 and December 31, 2013.

Note 27 Trade and other payables

CHFk

	2014	2013
Trade payables	661'943	582'911
Interest payable	1'113	1'667
Other payables and accruals	31'597	21'638
Total	**694'653**	**606'216**
Of which current	557'375	398'796
Of which non-current	137'278	207'420

Note 28 Change in net working capital

CHFk

	2014	2013
Change in inventories	4'477	(1'668)
Change in trade and other receivables[1)]	(111'900)	32'754
Change in trade and other payables	45'715	31'266
Change in other items, net	9'149	4'161
Total	**(52'559)**	**66'513**

Net Working Capital (NWC) includes long- and short-term term prepaid expenses, deferred income and Freedom receivables. Changes in trade and other payables related to the mobile license and non-cash capital expenditures related to Indefeasible Rights of Use (IRUs) are excluded.

The significantly higher change in trade and other receivables in 2014 is mainly due to long-term receivables from Freedom (see MD&A section for further explanation).

Note 29 Business combinations

On July 1, 2013, Sunrise Communications AG acquired 100% of the common shares of YOL Communications GmbH (former Lebara GmbH), Switzerland, a company focusing on mobile prepaid services with strong customer needs for low cost international tariffs for calls from Switzerland to abroad. The combination of the Lebara brand with yallo will significantly strengthen Sunrises customer focus for prepaid mobile services.

On July 18, 2013, Sunrise Communications AG also acquired 100 % of the common shares of YOL Services AG (former Treternity Ortel Mobile AG), Switzerland, another company focusing on mobile prepaid services with strong customer needs for low cost international tariffs for calls from Switzerland to abroad. With this acquisition, Sunrise further strengthens its footprint in the multicultural segment.

The goodwill of CHF 82.8 million arising from the acquisitions is attributable to synergistic benefits identified by Sunrise Management, the value inherent in complementing the yallo offering and the value associated with the YOL Communications GmbH Group distribution channels and the YOL Communications GmbH and YOL Services AG workforce. Workforce is an intangible asset which could not be separately recognized under the requirements of IFRS 3 Business Combinations. The goodwill is not deductible for tax purposes.

The gross contractual amount for trade receivables due was CHF 5.5 million, of which none was expected to be uncollectable. There was no contingent consideration arrangement as part of the acquisition. In the period from the date of acquisition to December 31, 2013 the acquired subsidiaries have contributed CHF 26.2 million to revenue and a net gain in the amount of CHF 5.2 million to Sunrise Group’s net loss. Had YOL Communications GmbH and YOL Services AG been consolidated from January 1, 2013 the consolidated statement of income would show revenue of CHF 2’048.4 million and a net loss of CHF 88.8 million.

Note 29 Business combinations

The following table summarizes the consideration paid for YOL Communications GmbH, Switzerland and YOL Services AG, Switzerland and the fair value of the net assets acquired:

	CHFk
Cash consideration	**103'413**
Assignment of loan payable from the vendor to Sunrise	13'258
Total consideration	**116'671**
Cash and cash equivalents	(7'751)
Other current assets	(21'128)
Intangible assets & property, plant and equipment	(30'306)
Current liabilities	17'653
Non-current liabilities	7'646
Goodwill arising on acquisition	**82'785**

Note 30 Share-based payment

Certain managers and all employees of Sunrise Communications AG can participate in investment programs (management equity program and employee participation program) to align their interests with those of the shareholders. Mobile Challenger Group S.à r.l., through the Co-Investment Committee of New Dawn MEP HoldCo S.à r.l., sold equity instruments in New Dawn MEP Issuer Co. S.A. and New Dawn MEP EPP Issuer Co. S.A. to participating managers and employees of Sunrise Communications AG. Members of these programs have invested in those instruments at fair value, mirroring conditions of the current ultimate shareholder. Members will receive similar conditions as the current ultimate shareholder upon exit, while managers are subject to certain vesting conditions (minimum service period). The programs fall under the scope of IFRS 2 – Share-based payment, and qualify as equity settled plans at the Sunrise Communications Holdings S.A. level. No expense was recognized in the reporting period (2013: CHF nil) and there is no outstanding balance as of December 31, 2014 (2013: CHF nil) in relation to these programs. The shares sold to participants have been granted at fair value by selling existing shares and thus not diluting the investments of existing shareholders.

Note 31 Overview of Group companies as of December 31, 2014

Company name	Operating purpose	Registered Office	Currency	Voting rights	Consolidation method
Luxembourg					
Sunrise Communications Holdings S. A.	Holding	Luxembourg	CHF		
Sunrise Communications International S. A.	Subholding	Luxembourg	CHF	100	Full
Skylight S.à r.l.	Subholding	Luxembourg	CHF	100	Full
Switzerland					
Sunrise Communications AG	Telecommunication services	Zurich	CHF	100	Full
TelCommunication Services AG	Telecommunication services	Zurich	CHF	100	Full
YOL Communications GmbH	Telecommunication services	Zurich	CHF	100	Full
YOL Services AG	Telecommunication services	Zurich	CHF	100	Full

Note 32 Related parties

Name of related party	Nature of relationship	Domicil
Mobile Challenger Group S.à r.l.[1)]	Ultimate holding company	Luxembourg
New Dawn MEP HoldCo S.à r.l.	Subsidiary of ultimate holding company	Luxembourg
New Dawn MEP Issuer Co. S.A.	Subsidiary of New Dawn MEP Holder S.à r.l.	Luxembourg
New Dawn MEP EPP Issuer Co. S.A.	Subsidiary of New Dawn MEP Holder S.à r.l.	Luxembourg
Mobile Challenger Intermediate Group S.A.	100% shareholder of Sunrise Communications Holding S.A.	Luxembourg
Pensionskasse Sunrise	Pension fund	Zurich

[1)] Mobile Challenger Group S.à r.l. is owned by funds or limited partnerships managed or advised by CVC Capital Partners SICAV-FIS S.A. or any of its affiliates or direct or indirect subsidiaries (but excluding, in each case, any funds managed or advised by CVC Cordatus Limited or CVC Cordatus Group Limited).

As described in note 30, certain managers and employees of Sunrise Communications AG participate in a management equity program and employee participation program involving Sunrise Communications Holdings S.A.'s parent entities. The Sunrise Communications Holdings Group does not have any contractual or constructive obligation to the members with respect to these programs. The Sunrise Communications Holdings Group performs some ongoing administrative services related to the programs.

Key management of Sunrise Communications Holdings S.A. is composed of:

Name	Function
Board of directors	
Lorne R. Somerville	Director
Dr. Daniel Pindur	Director
Emanuela Brero	Director
Manuel Mouget	Director
Stefan Oostvogels	Director

Sunrise Communications AG (Main operating entity of the Group)

Board of directors	
Dr. Dominik Koechlin	President
Lorne Somerville	Vice president
Siddharth Patel	Member
Dr. Daniel Pindur	Member
Jean-Rémy Roussel	Member
Jesper Ovesen	Member
Management board	
Libor Voncina	Chief Executive Officer (CEO)
André Krause	Chief Financial Officer (CFO)
Elmar Grasser	Chief Chief Operating Officer (COO)
Hans Jörg Denzler	Chief Business Development Officer (CBDO)
Timm Degenhardt	Chief Marketing Officer (CMO)
Sebastian Prange	Chief Sales Officer (CSO)
Detlef Steinmetz	Chief Information Officer (CIO)
Massimiliano Nunziata	Chief Customer Experience Officer (CCE)
Markus Naef	Chief Commercial Officer Business (COO)

In March 2014 Sunrise Communications Holdings S.A. paid accrued interest in the amount of CHF 27.8 million to Mobile Challenger Intermediate Group S.A. who subsequently used the above repayments to pay the EUR and CHF tranches of the accrued interest on the PIK toggle notes for the six-month period ended on March 17, 2014, amounting to EUR 12.0 million and CHF 13.1 million respectively.

In September 2014 the Group paid another accrued interest amount of CHF 27.8 million to Mobile Challenger Intermediate Group S.A. who subsequently used the above repayments to pay the EUR and CHF tranches of the accrued interest on the PIK toggle notes for the six-month period ended on September 15, 2014, amounting to EUR 12.0 million and CHF 13.1 million respectively.

Note 33 Other financial commitments

CHFk

	2014	2013
Non-cancelable lease commitments for operating leases		
Rental expense relating to properties and mobile sites in the period of interminability	261'618	280'019
Lease commitments for machinery, equipment, computers and other equipment	32'418	29'284
Total	**294'036**	**309'303**
which can be specified as follows:		
Less than 6 months	53'039	45'209
Between 6 and 12 months	41'071	44'971
Between 1 and 2 years	50'264	51'959
Between 2 and 5 years	102'515	103'476
Over 5 years	47'148	63'688
Total	**294'037**	**309'303**
Total rental expense recognized for all operating leases		
Minimum lease payments	101'234	100'357
Sublease receipts	(4'904)	(4'976)
Total	**96'330**	**95'381**
Contractual and purchase commitments[1)]	142'974	76'249

[1)] Contractual and purchase commitments relate to investments in property, plant and equipment and intangibles assets.

Note 34 Contingencies

The Sunrise Group is party to certain pending lawsuits and cases pending with public authorities and complaints boards. Based on a legal assessment of the possible outcome of each of these lawsuits and cases, management is of the opinion that these will have no significant adverse effect on the Sunrise Group's financial position.

Under the terms of the senior revolving credit facility agreement, certain entities of the Group are guarantors. The maximum guarantee amounts to the value of the shares and the preferred equity certificates (note 20), trade receivables (note 17) and certain insurance claims, the material intellectual property rights (note 15) and cash and financial assets (note 24). The guarantee amounts to CHF 1'416.4 million as of December 31, 2014 (2013: CHF 1'364.2 million).

Note 35 Events after the balance sheet date

Revolving credit facility

On January 26, 2015 Sunrise repaid CHF 18.4 million of the revolving credit facility to reduce the drawn down amount to CHF 55.5 million.

Change in board of directors

Sunrise Communications Holdings S.A., Sunrise Communications International S.A. and Skylight S.à r.l. each announced that, with effect from January 23, 2015, Manuel Mouget, Daniel Pindur and Lorne R. Somerville have resigned from their positions as members of the board of directors. Libor Voncina and André Krause have been appointed as new board members and. Emanuela Brero and Stefan Oostvogels will continue their role as members of the respective boards.

With the establishment of Sunrise Communications Group AG as the ultimate holding company on January 23, 2015, the executive management of Sunrise Communications AG is delegated to the CEO who delegates parts of the executive management to the Group Management Board of Sunrise Communications Group AG. To the extent legally permissible, the board of directors of Sunrise Communications Group AG performs tasks reserved for the board of directors in accordance with the organizational regulations applicable to the entire group. In the context of establishing this group corporate governance, the board of directors of Sunrise Communications AG was amended and consists now of Dr. Dominik Koechlin, Libor Voncina and André Krause.

Note 35 Events after the balance sheet date (continued)

Initial Public Offering (IPO) and refinancing

On February 6, 2015, Sunrise Communications Group AG, the newly established ultimate holding company of Sunrise Communications Holdings S.A., has listed its shares (ticker symbol: SRCG) on the SIX Swiss Exchange and has commenced trading following its IPO.

On February 13, 2015, Sunrise Communications Group AG partially used the gross proceeds of approximately CHF 1,359 million from the initial public offering, together with CHF 1,000 million of drawdown under the new Term Loan B Facilities to reduce the indebtedness of the Group, pay transaction-related costs and fund cash to the balance sheet.

On February 18, 2015 the Group used the proceeds from the offering of CHF 500 million 2.125% senior secured notes due 2022, together with CHF 360 million of drawdown under the new Term Loan B Facilities and cash on balance sheet, to redeem in full the remaining indebtedness as well as to pay transaction-related costs. During the refinancing process the Group fully amortized the capitalized debt issuance cost of approximately CHF 36.0 million as of December 31, 2014. As a result of the aforementioned highly successful refinancing transactions, the Group reduced its weighted average cost of debt to 2.4% per annum.

Rating

Following the IPO and the refinancing transaction the rating services from Fitch, Moody’s and Standard & Poor’s (“S&P”) revised their corporate family rating for Sunrise Communications Holding SA to BB+, Ba2 and BB+ respectively. In addition the new notes and term loan facilities are rated now as BBB- by Fitch, Ba2 by Moody’s and BB+ by S&P rating services.

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Independent auditor's report

To the Sole Shareholder of
Sunrise Communications Holdings S.A.
20, avenue Monterey
L-2163 Luxembourg

Report on the consolidated financial statements

Following our appointment by the General Meeting of the Sole Shareholder dated 6 May 2014, we have audited the accompanying consolidated financial statements Sunrise Communications Holdings S.A., which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation and presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Sunrise Communications Holdings S.A. as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Jeannot Weyer

Luxembourg, 23 March 2015