Sunrise Communications Holdings S.A.

Interim Financial Report for the twelve-month period ended December 31, 2014

Financial and operational KPIs

Financial KPIs	January 1 - December 31, 2014	January 1 - December 31, 2013	October 1 - December 31, 2014	October 1 - December 31, 2013
Revenue (CHFk)				
Mobile	1'358'497	1'265'673	367'891	322'888
Landline services	521'064	557'957	137'986	143'211
thereof voice hubbing	*162'979*	*149'426*	46'773	39'438
Landline internet	203'998	197'615	50'527	50'769
Total revenue	**2'083'559**	**2'021'245**	**556'404**	**516'868**
Revenue (excluding hubbing)	*1'920'580*	*1'871'819*	*509'631*	*477'430*
EBITDA[1] (CHFk)	**639'963**	**613'545**	**167'393**	**151'063**
% margin	30.7%	30.4%	30.1%	29.2%
% margin (excluding voice hubbing)	33.3%	32.8%	32.8%	31.6%
Operational KPIs				
Subscriber base (in '000)				
Mobile total	**2'464.8**	**2'491.0**		
Postpaid	1'319.9	1'258.0		
Prepaid	1'144.9	1'233.0		
Landline total	**831.6**	**859.0**		
Retail voice	397.6	436.7		
Internet	326.9	348.0		
IPTV	107.1	74.3		
LTM Churn (%)				
Postpaid mobile	14.6%	14.3%		
Landline	18.3%	17.3%		
ARPU (CHF)				
Mobile blended	**35.8**	**39.6**	**35.8**	**36.5**
Postpaid	53.9	59.7	53.3	56.1
Prepaid	16.2	17.3	16.0	16.9
Landline blended	**76.3**	**73.3**	**76.0**	**75.3**
Retail voice	39.8	41.6	38.8	41.5
Internet	39.5	37.3	39.3	38.3
Internet & IPTV blended	46.5	41.4	47.2	43.7
Employees				
FTEs	1'874.4	1'682.3		
Apprentices	111.0	100.0		

[1] EBITDA stands for: operating income before depreciation and amortization, net financial result and income tax expense.

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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 twelve-month period 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 - December 31, 2014.

Comparative figures for the twelve-month period ended December 31, 2014 are based on unaudited condensed consolidated interim financial statements of the Group for the twelve-month period ended 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.

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 as outlined in the audited consolidated financial report as of December 31, 2013 are unchanged. Nevertheless, "Freedom" had an impact on the following financial information:

- Mobile ARPU definition (refer to MD&A section "Principal factors affecting mobile services revenues")
- Shift of mobile device revenue from "sales of services" to "sales of goods" (refer to note 6)
- 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 14)

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 twelve-month period 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 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 twelve month period 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 twelve months ended December 31, 2014, a year-over-year decrease of CHF 36.9 million. Quarter-over-quarter, landline services revenue decreased from CHF 143.2 million to CHF 138.0 million or 3.6%.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 twelve months ended December 31, 2014. The increase in landline internet revenue is primarily attributable to the growth of the IPTV customer base. For the period from October 1 to December 31, 2014 landline internet revenue decreased slightly by 0.6% or CHF 0.3 million from CHF 50.8 million to CHF 50.5 million, compared to the same period in 2013.

Transmission costs and cost of goods sold

Transmission costs and cost of goods sold amounted to CHF 764.2 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 twelve-month period 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 the twelve-month 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 its condensed consolidated interim 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 period 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 Please refer to note 7 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 during the twelve-month period 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 the first twelve months 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 twelve-month period 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 as well as to changes in trade and other payables due to an outflow of Capex spent in the second half of 2013. Please refer to note 14 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 11 for further details).

Certain other contractual commitments

As of December 31, 2014 contractual and purchase commitments amounted to CHF 143.0 million consisting of future investments in property, plant and equipment and intangibles assets.

Purchase Price Allocation (PPA) & embedded derivatives

The acquisition of Sunrise Communications AG, which gave rise to a change of control, was accounted for using the acquisition method of accounting. As such, the cost of the acquisition is measured as the fair value of the assets transferred, liabilities incurred and the equity interests issued by the acquirer, including the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the acquirer's share of the identifiable net assets acquired is recorded as goodwill. The Group's valuation studies to allocate the purchase price to identifiable net assets were done in Q4'2010 and finalized in Q1'2011.

Following the refinancing transaction in July 2012, the Group recognized embedded derivatives in its financial statements. These embedded derivatives represent early redemption options related to financial instruments issued by the Group. The fair value of the embedded derivatives amounted to CHF 32.0 million as of December 31, 2014, an increase of CHF 9.3 million from CHF 22.7 million reported as of December 31, 2013. The change in fair value is reported in the financial statement caption "net financial items" in the table below. For clarification of the underlying operational performance, the following table shows the condensed consolidated interim statements of income excluding the fair value adjustments made in relation with the acquisition of Sunrise Communications AG and embedded derivatives.

Effect of fair value adjustments resulting from the acquisition of Sunrise Communications AG & embedded derivatives on the condensed consolidated interim statements of income

	January 1 - December 31, 2014 Before FV adjustments & embedded derivatives	January 1 - December 31, 2014 Impact of FV adjustments & embedded derivatives	January 1 - December 31, 2014 Including FV adjustments & embedded derivatives
Revenue	**2'084'403**	**(844)**	**2'083'559**
Transmission costs and cost of goods sold	(762'363)	-	(762'363)
Other operating expenses	(476'896)	-	(476'896)
Wages, salaries and pension costs	(227'879)	-	(227'879)
Total operating expenses before other income and expenses, depreciation and amortization	**(1'467'138)**	-	**(1'467'138)**
Other income	27'310	-	27'310
Other expenses	(3'768)	-	(3'768)
Income before depreciation and amortization, net financial items and income taxes	**640'807**	**(844)**	**639'963**
Depreciation and amortization	(309'690)	(151'809)	(461'499)
Operating income	**331'117**	**(152'653)**	**178'464**
Fair value adjustments on embedded derivatives	-	9'261	9'261
Other net financial items	(179'856)	-	(179'856)
Total Net financial items	**(179'856)**	**9'261**	**(170'595)**
Income before income taxes	**151'261**	(143'392)	**7'869**
Income taxes	(23'636)	7'349	(16'287)
Net income	**127'625**	**(136'043)**	**(8'418)**

This table has been added for reasons of clarification on the operational performance of the Group.

Principal factors affecting mobile services revenues

Mobile subscriber base, Churn and ARPU

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

Mobile subscriber base		'000
	December 31, 2014	December 31, 2013
Subscribers at end of period	2'464.8	2'491.0
Growth over prior period	*(1.1)%*	
Of which:		
Prepaid(1)(3)	1'144.9	1'233.0
Postpaid(1)(2)	1'319.9	1'258.0
Primary(4)	1'120.1	1'067.2
Secondary(4)	199.8	190.8

(1) Excludes MVNO subscriptions and machine-to-machine SIM cards but includes reseller-originated and *yallo* subscriptions.
(2) Postpaid mobile subscriptions are counted in our subscription base as long as they have an active contract.
(3) Prepaid mobile subscriptions are counted in our subscription base if they have had an activity event, such as a usage or refill, within the last 91 days.
(4) Primary postpaid subscriptions are rate plans customers are using as the main subscription, whereas secondary postpaid subscriptions are rate plans used by customers in addition to their main subscription (*e.g.*, multi-SIM or data-SIM used for tablet mobile data usage).

Mobile subscription base has slightly decreased, from 2'491.0 thousand subscriptions as of December 31, 2013 to 2'464.8 thousand as of December 31, 2014, excluding MVNOs but including reseller-originated and *yallo*, *Ortel* and *Lebara* subscriptions.

The total number of postpaid mobile subscriptions increased during the year by 61.9 thousand, or 4.9%, from 1'258.0 thousand as of December 31, 2013 to 1,319.9 thousand as of December 31. The increase was primarily driven by the newly introduced product *Freedom* as well as the Company's competitive flat-rate and mobile data plans and attractive hardware offerings. The continuous growth of mobile data traffic is also reflected in the increase of secondary subscriptions (*e.g.*, multi-SIM and data-SIM) used by customers in addition to their primary subscription.

The total number of the prepaid mobile subscriptions decreased by 88.1 thousand or 7.1%, from December 31, 2013 to 1'144.9 thousands as of December 31, 2014. The decrease is mainly attributable to a lower number of gross additions from one of the Company's indirect sales channels and the loss of lower value subscribers from discontinued offerings. At the same time, postpaid flat-rate plans provide similar cost control as prepaid mobile subscriptions, while the recently introduced *Freedom* product provides high flexibility to customers by offering to terminate the service rate plan upon one month's notice,. In combination, these factors have been driving prepaid to postpaid migration.

The total mobile market share, excluding MVNOs and applying the 12-month rule for prepaid customers, decreased marginally to 27.3% as of September 30, 2014 (latest available data), from 27.7% as of December 31, 2013. As of December 31, 2014, prepaid and postpaid subscriptions comprised approximately 53% and 47% respectively of Sunrise's mobile subscription base.

Mobile Postpaid Churn[1] %

	January 1 - December 31, 2014	January 1 - December 31, 2013
Mobile Churn		
Postpaid mobile churn	*14.6%*	*14.3%*

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

"Churn" refers to the percentage of subscription deactivations during a given period. Churn affects other key performance indicators, including total subscriptions. The Company deems mobile postpaid subscriptions to have churned when customers voluntarily terminate their mobile subscription with the Company (and either move to a different provider or choose not to have a mobile service) or if the Company terminate its subscriptions for a misuse of services, fraud or default on payment. Postpaid mobile subscriptions are deemed to have churned as well if the customers have switched their postpaid subscription to a prepaid subscription with Sunrise using their same mobile number (postpaid to prepaid conversion). Mobile churn is calculated by dividing the gross decrease in the number of mobile subscriptions for a period by the average number of subscriptions during that period.

The postpaid mobile churn rate for the financial year ended December 31, 2014 showed a marginal increase to 14.6% compared to the financial year 2013.This increase is mainly a result of discontinuing rollover contracts in the first quarter of 2014 and introducing the *Freedom* mobile postpaid portfolio without fixed contract terms, the risk of churning subscriptions has increased and Sunrise may be more susceptible to losing customers to its competitors.

Mobile ARPU CHF/month

	January 1 - December 31, 2014	January 1 - December 31, 2013	October 1 - December 31, 2014	October 1 - December 31, 2013
Total mobile blended ARPU[1]	35.8	39.6	35.8	36.5
Increase / (decrease) over prior period	*(9.6)%*		*(1.9)%*	
Postpaid	53.9	59.7	53.3	56.1
Increase / (decrease) over prior period	*(9.7)%*		*(5.0)%*	
Prepaid	16.2	17.3	16.0	16.9
Increase / (decrease) over prior period	*(6.4)%*		*(5.3)%*	

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

Mobile ARPU consists of revenues generated from monthly subscription fees, usage fees for services that are incremental to the services allocated within the monthly subscription fees, MTR paid to the Company by other operators for calls terminated on Sunrise's mobile network and installments paid by customers subscribed to a mobile device plan in addition to a service plan (Sunrise *Freedom* offering).

Total Mobile Blended ARPU decreased over the reported periods significantly by CHF 3.8, or 9.6 %, to CHF 35.8 for the financial year ended December 31, 2014, from CHF 39.6 for the financial year ended December 31, 2013. The Company attributes this significant decrease to dilutive effects from the acquisition of YOL Communications GmbH and YOL Services AGI in July 2013 as well as customers moving to lower rate plans after Swisscom's introduction of new flat-rate postpaid mobile plans, which significantly lowered the monthly price of Swisscom's previous high-end rate plans and as a response resulted in the introduction of lower tariffs by Sunrise. However, with the backbook repricing after introducing lower rates in the summer of 2012 almost complete, Total Mobile Blended ARPU has stabilized and only decreased by CHF 0.7 or 1.9% for the three-month period ended December 31, 2014 compared to the same period in prior year.

Mobile Postpaid ARPU had decreased by CHF 5.8, or 9.7%, to CHF 53.9 for the financial year ended December 31, 2014, from CHF 59.7 for the financial year ended December 31, 2013. Comparing the three-month periods ending December 31, 2014 and 2013 the decrease amounts to CHF 2.8 or 5.0%. This significant decrease is primarily attributable to customer's migrating their subscriptions to rate plans with lower prices in reaction to market prices that declined significantly in Mobile Prepaid ARPU decreased by CHF 1.1, or 6.4%, from CHF 17.3 for the financial year ended December 31, 2013 to CHF 16.2 for the financial year ended December 31, 2014. Mobile Prepaid ARPU also decreased by CHF 0.9 or 5.3% for the three-month period ending December 31, 2014 compared to the three-month period ending December 31, 2013.This decrease is primarily attributable to a change in the prepaid customer's mix (high value customer with demand for mobile data and smartphones migrating to postpaid) and introduced lower prices in response to Swisscom's introduction of new flat-rate postpaid mobile plans, which significantly lowered the monthly price of Swisscom's previous high-end rate plans. The acquisition of Ortel and Lebara, two MVNOs with a strong position in the ethnic segment in July 2013 partially mitigated the impact of prepaid to postpaid migration but did not reverse the trend. During the year 2014 high-value prepaid customers continued to migrate to postpaid offerings.

Change in ARPU definition as of April 1, 2014

With the introduction of the new mobile portfolio "Freedom", the Group changed the definition of the mobile ARPU as of April 1, 2014 to enable like-for-like comparison with previous period.

The Freedom portfolio decouples mobile devices from the service rate plan. As a result, the customer has two contracts with Sunrise, one for the service rate plan and one for the installment plan for the mobile device. Revenue from the service rate plan is recognized as service revenue whereas revenue from sold mobile devices is recognized as hardware revenue.

In order to make the ARPUs comparable to previous periods (see table below), the revenue for the ARPU calculation is defined as total service and termination revenue plus total monthly installments for device plans in the period divided by the average number of mobile subscribers in the period.

Example of comparing old Sunrise Now Max with new Sunrise Now Freedom

Monthly mobile postpaid revenue in CHF	**Old [1)]**	**New [2)]**	
Service revenue	129.-	100.-	
Billed installments for hardware plan	0.-	29.-	
Revenue for ARPU calculation up to March 30, 2014	129.-	100.-	not comparable
Revenue for ARPU calculation as of April 1, 2014	129.-	129.-	like-for-like

[1)] Sunrise Now Max with a susidized phone with a CHF 1 upfront payment
[2)] Sunrise Freedom Max with a phone costing CHF 697 (CHF 1 upfront payment and 24 monthly installments of CHF 29)

Mobile termination rates

The applicable mobile termination rates for the first six months of 2013 were CHF 0.07 per minute for mobile calls terminating on Swisscom's mobile network and CHF 0.0875 per minute for mobile calls terminating on either Orange's network or Sunrise's own network. From July 1, 2013 until June 30, 2014 the applicable mobile termination rates for calls terminating on Swisscom's mobile network amount to CHF 0.065 per minute and those for calls terminating on Orange's and Sunrise's own network amount to CHF 0.0825 per minute. Starting from July 1, 2014 the applicable mobile termination rates for calls terminating on Swisscom's mobile network amount to CHF 0.0625 per minute and those for calls terminating on Orange's and Sunrise's own network amount to CHF 0.0775 per minute.

Principal factors affecting landline services revenues

Mobile subscriber base, Churn and ARPU

The table below sets forth selected subscriber data for the landline retail voice subscribers.

Landline subscriber base[1]	December 31, 2014	December 31, 2013 ('000)
Retail voice	397.6	436.7
Increase / (decrease) over prior period	*(9.0)%*	
Internet	326.9	348.0
Increase / (decrease) over prior period	*(6.1)%*	
IPTV	107.1	74.3
Increase / (decrease) over prior period	*44.1%*	

(2) In the retail voice business, subscriptions of customers using the Company's landline voice services via a network pre-fix dial-in are reported based on activity within the last month.

The total number of retail voice subscriptions decreased by approximately 39.1 thousand, or 9.0%, as of December 31, 2014 to 397.6 thousand from 436.7 thousand as of December 31, 2013. The decrease is primarily attributable to the departure of retail voice-only CPS customers and the migration to VoIP, including customers acquired as part of the acquisition of Tele2 Switzerland (now operating as TelCommunication Services AG) in 2008 as well as customers churning from the retail voice network or customers substituting their landline services with mobile services.

The total number of landline internet subscriptions decreased by 21.1 thousand, or 6.1%, as of December 31, 2014 to 326.9 thousand from 348.0 thousand as of December 31, 2013. In contrary the subscription base of IPTV shows a growth path over the reported period and reached 107.1 thousands as of December 31, 2014, an increase of 32.8 thousand subscribers compared to December 31, 2013. IPTV service was launched in January 2012 and steadily increased ever since. Internet-only and voice-internet bundles declined while *Sunrise TV* customers (which bundle voice-internet and IPTV) contributed to stabilizing the subscription base.

Landline Churn[1]	January 1 - December 31, 2014	January 1 - December 31, 2013 (%)
Landline Churn		
Total	*18.3%*	*17.3%*

The landline churn rate for the financial year ended December 31, 2014 of 18.3% was 1% point above the financial year ended December 31, 2013. The increase in the churn in the financial year 2014 was primarily attributable to landline internet offering that was not fully competitive in terms of price and speed. Churn is primarily influenced by the quality of services and prices as compared to Sunrise's competitors.

Landline ARPU[1] CHF / month

	January 1 - December 31, 2014	January 1 - December 31, 2013	October 1 - December 31, 2014	October 1 - December 31, 2013
Total Landline blended	76.3	73.3	76.0	75.3
Increase / (decreae) over prior period	*4.1%*		*0.9%*	
Retail voice[2]	39.8	41.6	38.8	41.5
Increase / (decreae) over prior period	*(4.3)%*		*(6.6)%*	
Internet	39.5	37.3	39.3	38.3
Increase / (decreae) over prior period	*5.9%*		*2.7%*	
Internet & IPTV blended	46.5	41.4	47.2	43.7
Increase / (decreae) over prior period	*12.3%*		*8.1%*	

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

(2) Landline retail voice ARPU is defined as the total retail voice revenue in the period divided by the average number of subscriptions in the period, which is subsequently divided by the number of months in the period. The average number of subscriptions in a period is calculated by adding together the number of subscriptions at the beginning and end of each month during the period, dividing by two and then averaging the results from all months during the period. Total landline blended ARPU takes into account the total landline revenue and total landline subscriptions, whereas Retail Voice, Internet and Internet & IPTV blended ARPU is based on the Retail Voice, Internet or Internet & IPTV revenue and subscriptions, respectively.

Internet and Internet & IPTV blended ARPUs have shown a positive trend over the past year. Landline Blended ARPU increased from CHF 73.3 in the financial year ended December 31, 2013 by CHF 3.0, or 4.1%, to CHF 76.3 in the financial year ended December 31, 2014. The positive trend is primarily attributable to the increasing customer demand for higher speed and therefore a higher share of xDSL customers within the subscription base.

Retail voice ARPU decreased over the reported period by CHF 2.1, or 4.3%, from CHF 41.6 in the financial year ended December 31, 2013 to CHF 39.5 in the financial year ended December 31, 2014. The decrease is primarily due to the reduction in voice volumes due to accelerating fixed-to-mobile substitution and growth of VoIP.

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 note 12). 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 November 2014 Sunrise announced that Jesper Ovesen joined the Board of Directors of Sunrise Communications AG.

In December 2014 it was announced that Hans-Jörg Denzler who fulfilled the position of Chief Business Development Officer (CBDO) will leave the Company as of December 31, 2014.

Material contractual arrangements

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 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.

Credit ratings

There were no changes to the Group's credit rating in the 4th quarter of the year ending December 31, 2014.

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

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 4th quarter ended December 31, 2014.

Sunrise Communications Holdings S.A.

Condensed consolidated interim financial statements for the twelve-month period ended December 31, 2014 (unaudited)

Condensed consolidated interim statements of income CHFk

	Note	January 1 - December 31, 2014 Unaudited	January 1 - December 31, 2013 Unaudited	October 1 - December 31, 2014 Unaudited	October 1 - December 31, 2013 Unaudited
Revenue	**5,6**	**2'083'559**	**2'021'245**	**556'404**	**516'868**
Transmission costs and cost of goods sold		(762'363)	(666'199)	(227'832)	(183'644)
Other operating expenses		(476'896)	(555'466)	(108'934)	(138'345)
Wages, salaries and pension costs		(227'879)	(214'199)	(59'322)	(53'605)
Total operating expenses before other income and expenses, depreciation and amortization		**(1'467'138)**	**(1'435'864)**	**(396'088)**	**(375'594)**
Other income	7	27'310	30'450	10'138	9'098
Other expenses	7	(3'768)	(2'286)	(3'061)	691
Income before depreciation and amortization, net financial items and income taxes		**639'963**	**613'545**	**167'393**	**151'063**
Amortization	8	(244'915)	(233'742)	(66'177)	(59'859)
Depreciation and impairment losses	8	(216'584)	(250'567)	(65'889)	(55'158)
Operating income		**178'464**	**129'236**	**35'327**	**36'046**
Foreign currency gains / (losses), net		32'556	(22'718)	5'427	(3'676)
Financial income		123'924	144'149	27'697	35'212
Financial expenses		(327'075)	(319'714)	(119'009)	(75'692)
Net financial items	**10**	**(170'595)**	**(198'283)**	**(85'885)**	**(44'156)**
Income / (loss) before income taxes		**7'869**	**(69'047)**	**(50'558)**	**(8'110)**
Income taxes		(16'287)	(12'843)	1'505	(3'224)
Net loss		**(8'418)**	**(81'890)**	**(49'053)**	**(11'334)**
Net loss attributable to equity holders of the parent company		**(8'418)**	**(81'890)**	**(49'053)**	**(11'334)**

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

Condensed consolidated interim statements of comprehensive (loss)/ income

CHFk

	January 1 - December 31, 2014 Unaudited	January 1 - December 31, 2013 Unaudited	October 1 - December 31, 2014 Unaudited	October 1 - December 31, 2013 Unaudited
Net loss	**(8'418)**	**(81'890)**	**(49'053)**	**(11'334)**
Actuarial (losses) / gains related to defined benefit pension plans	(38'734)	22'915	(20'410)	16'134
Income tax effect	8'134	(4'812)	4'286	(3'388)
Net other comprehensive (loss) / income not to be reclassified to profit and loss in subsquent periods	**(30'600)**	**18'103**	**(16'124)**	**12'746**
Cash flow hedge gains	4'316	15'125	(2'731)	2'210
Income tax effect	-	37	-	-
Net other comprehensive income to be reclassified to profit and loss in subsquent periods	**4'316**	**15'162**	**(2'731)**	**2'210**
Other comprehensive (loss)/ income, net of tax	**(26'284)**	**33'265**	**(18'855)**	**14'956**
Total comprehensive (loss) / income	**(34'702)**	**(48'625)**	**(67'908)**	**3'622**
Comprehensive (loss) / income attributable to equity holders of the parent company	**(34'702)**	**(48'625)**	**(67'908)**	**3'622**

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

Condensed consolidated interim statements of financial position

Assets CHFk

	Note	December 31, 2014 Unaudited	December 31, 2013 Unaudited
Non-current assets			
Intangible assets		2'694'205	2'788'969
Property, plant and equipment		952'015	916'427
Derivative financial assets	12	31'973	25'726
Non-current portion of trade and other receivables	16	52'240	-
Non-current portion of prepaid expenses		1'766	1'600
Other non-current assets		153	200
Total non-current assets		**3'732'352**	**3'732'922**
Current assets			
Inventories		33'783	38'260
Current portion of trade and other receivables		325'604	281'305
Current portion of prepaid expenses		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 condensed consolidated interim financial statements.

Condensed consolidated interim statements of financial position (continued)

Equity and liabilities CHFk

	Note	December 31, 2014 Unaudited	December 31, 2013 Unaudited
Equity			
Common shares, share premium and PECs	9	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	11	2'160'828	2'186'644
Non-current portion of financial leases	11	23'509	29'454
Non-current portion of trade and other payables	16	137'278	207'420
Deferred tax liabilities		228'291	247'209
Non-current portion of provisions		122'323	114'101
Employee benefit obligations		96'844	57'409
Derivative financial liabilities	12	158'045	134'133
Non-current portion of deferred income		14'603	15'430
Total non-current liabilities		**2'941'721**	**2'991'800**
Current liabilities			
Current portion of loans and notes	11	18'374	35'000
Current portion of financial leases	11	6'350	5'991
Current portion of trade and other payables	16	557'375	398'796
Income tax payable		10'790	4'991
Current portion of provisions		29'321	22'198
Current portion of deferred income		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 condensed consolidated interim financial statements.

Condensed consolidated interim statements of cash flow CHFk

	Note	January 1 - December 31, 2014 Unaudited	January 1 - December 31, 2013 Unaudited	October 1 - December 31, 2014 Unaudited	October 1 - December 31, 2013 Unaudited
Income / (loss) before income taxes		**7'869**	**(69'047)**	**(50'558)**	**(8'110)**
Amortization	8	244'915	233'742	66'177	59'859
Depreciation	8	216'584	250'567	65'889	55'158
Gain on disposal of property, plant and		(206)	123	(12)	126
Movement in pension		(766)	2'343	(154)	935
Movement in provisions		(1'973)	(9'437)	(1'321)	(982)
Change in net working capital	14	(52'559)	66'513	29'798	51'314
Cash flow from operating activities before net financial items and tax		**413'864**	**474'804**	**109'819**	**158'300**
Financial income	10	(123'924)	(144'149)	(27'697)	(35'212)
Financial expense	10	327'075	319'714	119'009	75'692
Foreign currency (losses) / gain, net		(30'298)	23'402	(3'499)	4'149
Interest received		202'087	115'458	97'401	54'451
Interest paid		(367'721)	(287'938)	(176'421)	(133'458)
Corporate income and withholding tax (paid) / received		(8'851)	(14'511)	(15'342)	5'486
Total cash flow from operating activities		**412'232**	**486'780**	**103'270**	**129'408**
Acquisition of a subsidiary, net of cash acquired	15	-	(95'662)	-	-
Purchase of property, plant and equipment		(250'581)	(221'143)	(74'355)	(65'347)
Purchase of intangible assets		(105'898)	(60'242)	(24'542)	(39'445)
Sale of property, plant and equipment		206	594	12	50
Total cash flow used in investing activities		**(356'273)**	**(376'453)**	**(98'885)**	**(104'742)**
Redemption of PECs incl. interest paid	9	(55'451)	(47'548)	-	-
Proceeds from long-term loans and notes	11	20'000	95'000	-	-
Repayments of long-term loans and notes	11	(41'503)	(175'000)	(6'503)	-
Repayments of capital leases	11	(5'586)	(5'023)	(1'161)	(1'584)
Proceeds from settlement of swaps		2'355	-	-	-
Other financing activities		(6'483)	-	(2'252)	-
Total cash flow used in financing activities		**(86'668)**	**(132'571)**	**(9'916)**	**(1'584)**
Total cash flow		**(30'709)**	**(22'244)**	**(5'531)**	**23'082**
Cash and cash equivalents as of January 1		149'198	170'601	-	-
Cash and cash equivalents as of October 1		-	-	125'200	125'783
Foreign currency impact on cash		1'576	841	396	333
Cash and cash equivalents as of December 31		**120'065**	**149'198**	**120'065**	**149'198**

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

Notes to condensed consolidated interim 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. 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 technologies. In connection with the provision of services Sunrise resells handsets manufactured by 3rd party suppliers.

These condensed consolidated interim financial statements were authorized for issue by the Group's board of directors on March 23, 2015.

Note 2 Basis of preparation

These financial statements are the condensed consolidated interim financial statements of Sunrise Communication Holdings S.A. as of and for the twelve months ended December 31, 2014. They have been prepared in accordance with IAS 34, "Interim financial reporting" – as adopted by the European Union. These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2013.

Foreign currency translation

These condensed consolidated interim financial statements are presented in CHF which is the functional currency of the parent company and each of its subsidiaries.

The following table 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 3 Accounting estimates and judgments, changes in accounting estimates and presentation

The preparation of the condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Those estimates affect mainly provisions, goodwill impairment tests, employee benefit obligations, allowance for doubtful receivables, embedded derivatives and taxes. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the period ended December 31, 2013 except for the change disclosed below:

Note 3 Accounting estimates and judgments, changes in accounting estimates and presentation (continued)

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 4 New accounting standards

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

Note 5 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 result 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.

Note 5 Segment reporting (continued)

Activities CHFk

	Residential		Business		Wholesale[1]		Head Office activities		Total	
	January 1 - December 31, 2014 Unaudited	January 1 - December 31, 2013 Unaudited	January 1 - December 31, 2014 Unaudited	January 1 - December 31, 2013 Unaudited	January 1 - December 31, 2014 Unaudited	January 1 - December 31, 2013 Unaudited	January 1 - December 31, 2014 Unaudited	January 1 - December 31, 2013 Unaudited	January 1 - December 31, 2014 Unaudited	January 1 - December 31, 2013 Unaudited
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

Activities CHFk

	Residential		Business		Wholesale[1]		Head Office activities		Total	
	October 1 - December 31, 2014 Unaudited	October 1 - December 31, 2013 Unaudited	October 1 - December 31, 2014 Unaudited	October 1 - December 31, 2013 Unaudited	October 1 - December 31, 2014 Unaudited	October 1 - December 31, 2013 Unaudited	October 1 - December 31, 2014 Unaudited	October 1 - December 31, 2013 Unaudited	October 1 - December 31, 2014 Unaudited	October 1 - December 31, 2013 Unaudited
Revenue										
External customers	394'728	358'433	83'001	88'804	71'350	61'942	7'325	7'689	556'404	516'868
Inter-segment revenue	-	-	-	-	15'065	14'926	-	-	15'065	14'926
Total	**394'728**	**358'433**	**83'001**	**88'804**	**86'415**	**76'868**	**7'325**	**7'689**	**571'469**	**531'794**
Transmission costs and costs of goods sold										
External customers	(137'877)	(96'336)	(29'149)	(33'960)	(60'851)	(53'351)	45	3	(227'832)	(183'644)
Inter-segment costs	(15'065)	(14'926)	-	-	-	-	-	-	(15'065)	(14'926)
Total	**(152'942)**	**(111'262)**	**(29'149)**	**(33'960)**	**(60'851)**	**(53'351)**	**45**	**3**	**(242'897)**	**(198'570)**
Other operating expenses	(38'396)	(70'762)	(7'673)	(8'294)	(1'042)	(1'070)	(61'823)	(58'219)	(108'934)	(138'345)
Wages, salaries and pension costs	(14'978)	(14'168)	(14'266)	(14'250)	(851)	(1'580)	(29'227)	(23'607)	(59'322)	(53'605)
Other income	227	198	(1)	-	-	-	9'912	8'900	10'138	9'098
Other expenses	445	-	-	-	-	-	(3'506)	691	(3'061)	691
EBITDA	**189'084**	**162'439**	**31'912**	**32'300**	**23'671**	**20'867**	**(77'274)**	**(64'543)**	**167'393**	**151'063**

[1)] Including hubbing revenue of CHFk 46'773 generated in Q4 2014 and CHFk 39'438 generated in Q4 2013

Note 5 Segment reporting (continued)

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

	January 1 - December 31, 2014 Unaudited	January 1 - December 31, 2013 Unaudited	October 1 - December 31, 2014 Unaudited	October 1 - December 31, 2013 Unaudited
EBITDA from reportable segments	639'963	613'545	167'393	151'063
Unallocated:				
Amortization	(244'915)	(233'742)	(66'177)	(59'859)
Depreciation	(216'584)	(250'567)	(65'889)	(55'158)
Net financial items	(170'595)	(198'283)	(85'885)	(44'156)
Income / (loss) before income taxes	**7'869**	**(69'047)**	**(50'558)**	**(8'110)**

Note 6 Revenue

CHFk

	January 1 - December 31, 2014 Unaudited	January 1 - December 31, 2013 Unaudited	October 1 - December 31, 2014 Unaudited	October 1 - December 31, 2013 Unaudited
Mobile services	1'358'497	1'265'673	367'891	322'888
Landline services	521'064	557'957	137'986	143'211
thereof hubbing	*162'979*	*149'426*	*46'773*	*39'438*
Landline internet	203'998	197'615	50'527	50'769
Total	**2'083'559**	**2'021'245**	**556'404**	**516'868**

	January 1 - December 31, 2014 Unaudited	January 1 - December 31, 2013 Unaudited	October 1 - December 31, 2014 Unaudited	October 1 - December 31, 2013 Unaudited
Sales of goods [1)]	321'754	170'936	120'536	63'648
Sales of services	1'761'805	1'850'309	435'868	453'220
Total	**2'083'559**	**2'021'245**	**556'404**	**516'868**

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

Note 7 Other income and other expenses

CHFk

Other income	January 1 - December 31, 2014 Unaudited	January 1 - December 31, 2013 Unaudited	October 1 - December 31, 2014 Unaudited	October 1 - December 31, 2013 Unaudited
Early termination fees	12'999	18'298	3'338	4'317
Sub-leases	4'904	4'976	1'406	886
Aperiodic settlements of charges for access services calculated using the prices of the Swiss regulator	2'295	1'203	-	1'203
Income related to the change of MSP	-	1'023	-	(257)
Reversal of accruals	4'978	3'949	4'978	2'349
Other	2'134	1'001	416	600
Total	**27'310**	**30'450**	**10'138**	**9'098**

CHFk

Other expenses	January 1 - December 31, 2014 Unaudited	January 1 - December 31, 2013 Unaudited	October 1 - December 31, 2014 Unaudited	October 1 - December 31, 2013 Unaudited
Restructuring expenses*	(80)	(1'444)	-	282
Aperiodic settlements of charges for access services calculated using the prices of the Swiss regulator*	-	-	-	1'008
Provision related to contractual minimum commitments	(2'805)		(2'805)	
Other	(883)	(842)	(256)	(599)
Total	**(3'768)**	**(2'286)**	**(3'061)**	**691**

* Reversal of provision / accruals from prior periods in Q'4 2013.

Note 8 Depreciation and amortization

Depreciation 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 higher depreciation and amortization during the twelve months in 2013 was primarily driven by non-recurring write-offs of CHF 48.1 million related to the replacement of the mobile radio network with multi standard radio equipment as of December 31, 2013.

Note 9 Equity

CHFk

	Number of shares	Nominal value (CHF)	December 31, 2014 Unaudited	December 31, 2013 Unaudited
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 10 Net financial items

CHFk

	Interest	Fair value adjustments	Total financial income and (expenses) before foreign currency	Net foreign currency gains/(losses)	January 1 - December 31, 2014 Unaudited 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)**

	Interest	Fair value adjustments	Total financial income and (expenses) before foreign currency	Net foreign currency gains/(losses)	January 1 - December 31, 2013 Unaudited 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	-	(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 (refer to note 3).

Note 10 Net financial items (continued) CHFk

	Interest	Fair value adjustments	Total financial income and (expenses) before foreign currency	Net foreign currency gains/(losses)	October 1 - December 31, 2014 Unaudited Total
Income					
Cash and cash equivalents	28	-	28	394	422
Financial liabilities measured at amortized cost	-	-	-	4'670	4'670
Cash flow hedges and economic hedges	27'556	-	27'556	-	27'556
Other	113	-	113	363	476
Total income	**27'697**	**-**	**27'697**	**5'427**	**33'124**
Expenses					
Financial liabilities measured at amortized cost	(42'028)	-	(42'028)	-	(42'028)
Cash flow hedges and economic hedges	(27'918)	(5'115)	(33'033)	-	(33'033)
Embedded derivatives [1)]	-	(39'604)	(39'604)	-	(39'604)
Other	(4'344)	-	(4'344)	-	(4'344)
Total expenses	**(74'290)**	**(44'719)**	**(119'009)**	**-**	**(119'009)**
Net financial items	**(46'593)**	**(44'719)**	**(91'312)**	**5'427**	**(85'885)**

	Interest	Fair value adjustments	Total financial income and (expenses) before foreign currency	Net foreign currency gains/(losses)	October 1 - December 31, 2013 Unaudited Total
Income					
Cash and cash equivalents	315	-	315	331	646
Cash flow hedges and economic hedges	28'290	4'961	33'251	-	33'251
Interest rate derivatives	6	194	200	-	200
Other	1'446	-	1'446	150	1'596
Total income	**30'057**	**5'155**	**35'212**	**481**	**35'693**
Expenses					
Cash and cash equivalents	-	-	-	(283)	(283)
Financial liabilities measured at amortized cost	(43'062)	-	(43'062)	(4'157)	(47'219)
Cash flow hedges and economic hedges	(28'419)	-	(28'419)	-	(28'419)
Interest rate derivatives	(199)	-	(199)	-	(199)
Embedded derivatives [1)]	-	(758)	(758)	-	(758)
Other	(3'254)	-	(3'254)	-	(3'254)
Total expenses	**(74'934)**	**(758)**	**(75'692)**	**(4'157)**	**(79'849)**
Net financial items	**(44'877)**	**4'397**	**(40'480)**	**(3'676)**	**(44'156)**

[1)] “Embedded derivatives” represent early redemption options related to financial instruments issued by the Group (refer to note 3).

Note 11 Borrowings CHFk

	Nominal value at inception	Foreign exchange movement[1]	Capitalized debt issuance cost including discounts and premium[1]	Loan and finance lease proceeds/ (repayments), net	December 31, 2014 Carrying value Unaudited	December 31. 2013 Carrying value Unaudited
Floating rate						
Floating rate notes - EUR	200'570	231	(2'331)	-	198'470	201'877
Revolving credit facility - CHF	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.

The Group's borrowings are governed by a number of financial covenants specified in the revolving credit facility. The main covenants consist of a leverage ratio and an interest cover ratio. The Group performs quarterly covenant testing. The last covenant testing, performed as of December 31, 2014, showed that the Group was in compliance with the applicable financial covenants.

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 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
- 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. Also refer to the event after balance sheet date note.

Liabilities relating to finance leases are related primarily to lease agreements of fibre networks.

Note 12 Derivatives CHFk

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

	December 31, 2014 Notional amount	December 31, 2013 Notional amount	December 31, 2014 Fair value assets [5]	December 31, 2014 Fair value liabilities [5]	December 31, 2013 Fair value assets [5]	December 31, 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	**1'620'998**	**1'718'643**	**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 13
[6] Interest rate swap has matured as of December 31, 2013.

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 10 "net financial items").

	January 1 - December 31, 2014 Unaudited	January 1 - December 31, 2013 Unaudited	October 1 - December 31, 2014 Unaudited	October 1 - December 31, 2013 Unaudited
The change in the fair value of derivatives in the period can be summarized as:				
Cash flow hedges – movement in hedge reserve	(23'290)	20'179	(1'831)	1'690
Cash flow hedges – ineffectiveness	-	121	-	-
Economic hedges	(7'951)	7'646	(3'284)	3'271
Total impact of hedging derivatives in the statement of income (note 10)	**(31'241)**	**27'946**	**(5'115)**	**4'961**
Impact of interest rate derivatives in the statement of income (note 10)	-	833	-	194
Impact of embedded derivatives in the statement of income (note 10)	9'261	(9'692)	(39'604)	(758)
Total impact of derivatives in the statement of income (note 10)	**(21'980)**	**19'087**	**(44'719)**	**4'397**

Note 13 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 condensed consolidated interim financial statements:

CHFk

	Measurement principle	December 31, 2014 Fair value	December 31, 2014 Carrying value	December 31, 2013 Fair value	December 31, 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 during the twelve- month period ended December 31, 2014.

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Note 14 Change in net working capital

CHFk

	January 1 - December 31, 2014 Unaudited	January 1 - December 31, 2013 Unaudited	October 1 - December 31, 2014 Unaudited	October 1 - December 31, 2013 Unaudited
Change in inventories	4'477	(1'668)	9'745	(2'545)
Change in trade and other receivables	(111'900)	32'754	(34'596)	32'646
Change in trade and other payables	45'715	31'266	40'776	20'057
Change in other items, net	8'302	4'161	13'026	1'156
Total	**(53'406)**	**66'513**	**28'951**	**51'314**

The table above outlines cash relevant transactions which have been recognized in the caption "change in net working capital" in the condensed consolidated interim statement of cash flow of the Group (see page 18).

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 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 15 Business combination

On July 1, 2013, Sunrise Communications AG acquired 100% of the common shares of 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 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 multicultural communities.

No adjustment has been made to the initial purchase price allocation as disclosed in note 29 of the consolidated financial statements for the year ended December 31, 2013.

Note 16 Other balance sheet items

Non-current trade and other payables
As of December 31, 2014 this financial statement item mainly consists of the 3rd installment (due in 2016) related to the acquisition of the spectrum licenses in 2012 in the amount of CHF 103.0 as well as the 2nd and 3rd installments related to the investment into broadband connectivity services from Swisscom in the total amount of CHF 29.7 million.

In June 2014, the 2nd installment of CHF 103.0 million was reclassified to current trade and other payables as the due date is on June 30, 2015.

Non-current trade and other receivables
This financial statement item consists of the non-current portion of the trade receivables related to the new Freedom device plan.

Note 17 Dividend distribution

No dividend resolutions have been taken by the board of directors of Sunrise Communications Holdings SA – the ultimate parent of the group – or any other entity of the Group during the period under review (during the twelve-month period ended as of December 31, 2014)

Note 18 Contractual commitments

As of December 31, 2014 contractual and purchase commitments amounted to CHF 143.0 million consisting of future investments in property, plant and equipment and intangibles assets.

Note 19 Financial risk management

The Company did not identify any material financial risks in Q4 2014. The strong Swiss franc does 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 have been fully hedged.

Note 20 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. and Sunrise Communications International S.A. 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.

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 amounted to 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.