Annual Report 2015

Sunrise Communications Group AG

CORPORATE REPORT

FINANCIAL REPORT

That makes sense. Sunrise

Corporate Report 2015

That makes sense. Sunrise

Key Events 2015

February

On February 6, Sunrise starts trading on the SIX Swiss Exchange.

MTV mobile becomes the main sponsor of five open-air events in the summer.

Sunrise signs a cooperation agreement for the roll-out of several hundred 4G antenna locations in various cities in Switzerland.

March

Sunrise equips all Zurich airport taxis with free WiFi.

May

Sunrise enters into a strategic partnership with Microsoft and begins offering Microsoft OneDrive for Business as a cloud solution for companies.

June

Sunrise expands its access to the fiber networks of St.Gallisch-Appenzellische Kraftwerke AG, ftth fr AG Fribourg and IWB Basel.

July

Lorne Somerville is named the new Chairman of the Board of Directors after Dominik Koechlin passes away unexpectedly.

September

MTV mobile launches the Youniverse Channel by students for students.

Sunrise introduces the new Sunrise Internet Box, which supports speeds of up to 1 Gbit/s, setting new standards in the Swiss market.

Sunrise wins first place in the Private TV and Mobile Business Customer categories in a customer survey by Swiss magazine Bilanz.

Sunrise streamlines its organization and strengthens its customer focus.

October

Sunrise is awarded the Golden Headset in the Employee Focus category and comes in second place in the Customer Focus category.

November

Sunrise launches Sunrise Smart TV with over 230 channels, a recording function with 1,200 hours of storage capacity, Live Pause, ComeBack TV Agent and Mobile TV.

Europe’s leading telecom magazine connect names Sunrise the telecommunications company with the best customer care in Switzerland.

Sunrise introduces Roger Games by Sunrise, the first-ever mobile phone game series featuring tennis champion Roger Federer.

December

Sunrise is rated number one in mobile telephony by connect for the second year in a row.

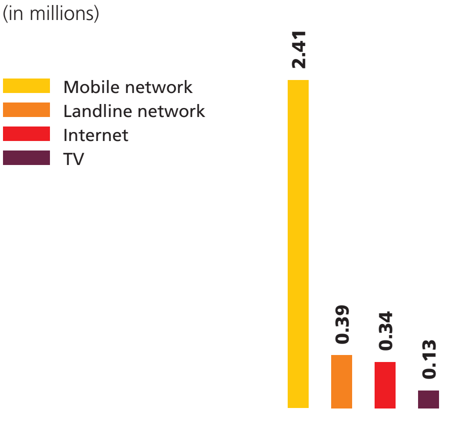
Overview

CHF million	2015	2014	CHANGE IN %
Financial KPIs			
Mobile services	1,304	1,350	(3.4)
Landline services (incl. voice)	472	521	(9.4)
Landline internet and TV	200	204	(1.8)
Total revenue	**1,976**	**2,075**	**(4.8)**
Adjusted EBITDA	627	638	(1.8)
Earnings per share (in CHF)	(2.62)	–	
Cash flow from operating activities	434	356	22.0
Capex	(276)	(356)	(22.5)
Net debt	1,639	2,905	(43.6)
Net debt/adj. EBITDA ratio	2.6×	4.6×	
Operational KPIs			
ARPU (CHF)			
Mobile postpaid (excl. installment)	47.6	52.3	(9.0)
Mobile postpaid (incl. installment)	54.1	53.8	0.6
Mobile prepaid	15.2	16.2	(6.0)
Landline retail voice	35.0	39.8	(12.0)
Landline internet	36.9	39.5	(6.4)
Landline internet and IPTV	45.9	46.5	(1.4)
Subscription base (in 000)			
Mobile postpaid	1,400	1,320	6.0
Mobile prepaid (3-month rule)	1,014	1,145	(11.4)
Mobile prepaid (12-month rule)	1,663	1,912	(13.0)
Landline retail voice	394	398	(0.8)
Landline internet	342	327	4.5
thereof coupled to IPTV	*134*	*107*	*25.0*
thereof without IPTV	*208*	*220*	*(5.5)*
Churn			
Mobile postpaid	14.2 %	14.6 %	
Landline total	13.7 %	18.3 %	
Employees			
FTEs	1,701	1,874	(9.3)
Apprentices	108	111	(2.7)
Customer recommendation rate (index, 2013 = 100 %, average)			
Customer experience development (NPS)	132.4 %	114.9 %	15.1

Facts & Figures

Customers by subscription type

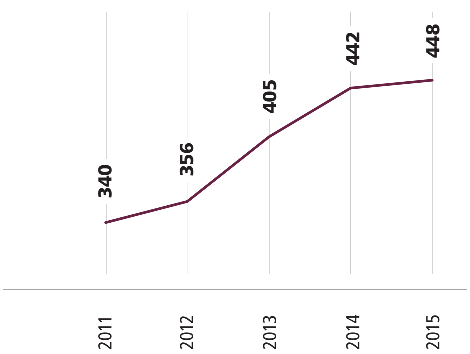
(in millions)



connect test results for Sunrise

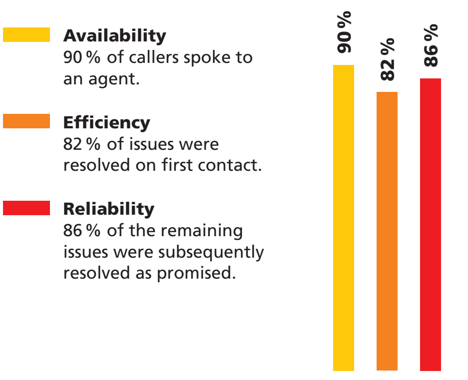
(in points)

Every year the independent telecom magazine connect tests mobile networks in Germany, Austria and Switzerland.



Customer service

Key performance indicators from January 1 to December 31, 2015.



www.sunrise.ch/customersatisfaction

3.283 MILLION

Customers

With almost 3.3 million customers, Sunrise is the leading alternative telecom provider in Switzerland, both in the mobile and landline network sectors. Additionally, Sunrise is the third largest provider of landline network, Internet and TV services.

1,701

Employees

30 % of the total number of 1,762 Sunrise employees (1,701 FTEs) are women. Approximately 41 % of Sunrise employees are citizens of countries other than Switzerland. Sunrise trains about 110 apprentices for positions in four apprenticeship programs.

90

Offices and retail stores

With 83 retail locations, Sunrise has a presence in all regions of Switzerland. The company is headquartered in Zurich and has additional business offices in Prilly, Kloten, Geneva, Bern, Basel and Lugano.

24/7

The reliable partner
Sunrise is there for its customers around the clock. The profiles of four of the company's customers demonstrate that Sunrise is an important part of their everyday lives: Rebecca Aellig, delivery staff, Post CH Ltd, a large Business Sunrise customer (see page 9); the Schafer family from Schattdorf, private customers who get all their telecom services from Sunrise (see page 19); Enes Biqkaj from Bülach, who benefits from special terms because he is under 30 (see page 25), and Martin Hauser, owner of Studio Martin Hauser, an entrepreneur who relies on Sunrise for his personal and professional telecom needs (see page 33).

Message to Shareholders

Libor Voncina
Chief Executive Officer (left)

Lorne Somerville
Chairman of the Board (right)

Dear Readers,
A commitment to quality and customer focus enabled Sunrise to maintain contracted customer growth last year in a competitive environment. In mobile postpaid, Sunrise recorded 80,000 net new customers (+6.0 %) and the number of TV subscribers increased by 27,000 year over year (+25.0 %). Revenue declined to CHF 1.976 billion, while EBITDA decreased to CHF 616 million, reflecting the impact in our highly competitive market of both the lower cost of our new tariffs and the significantly strong Swiss franc.

A Momentous Year

2015 was a momentous year for Sunrise, defined by our initial public offering (IPO) on February 6. CVC Capital Partner's (CVC) decision to list Sunrise on the SIX Swiss Exchange has increased both international awareness of the company and the strength of our brand in our home market. As a result, we were able to strengthen our market position throughout the course of the year, and were delighted to welcome Roger Federer on board as our Brand Ambassador. Although it was a year of change, our key values haven't changed: fairness, transparency and customer orientation are at the heart of our organization and will continue to drive our activities.

Our former Chairman Dominik Koechlin sadly passed away unexpectedly in July. He was the first independent member to join the board when CVC made its investment in Sunrise in October 2010. He served as our Chairman until last year, and successfully led Sunrise through its IPO. His passing is a tragic loss for us all, and we extend our most sincere condolences to his family.

Demanding Economic Environment
The economic landscape was challenging in 2015. In particular, the removal of the Swiss franc/euro exchange rate cap had significant consequences for the Swiss export industry in general and for Sunrise in specific which experienced a decline in hardware and hubbing revenue as a result. However, this also created an opportunity for Sunrise, as many businesses were reassessing their telecommunications costs and putting contracts out for bid again.

Changing Market Environment
For several years now, the rapidly growing popularity of smartphones has dominated the global mobile phone market, a trend also fueled by a continuous expansion of the product range. In Switzerland, data traffic volume has roughly doubled every year. In addition, users increasingly favor bundled offers that combine TV, mobile, landline and internet services, making convergent providers such as Sunrise an attractive option. Customers now look for simple, easy-to-use, comprehensive solutions. As such, we have continued to consolidate our residential and commercial product offers to include combined TV and broadband packages with flat rates.

Award-winning Customer Focus
Throughout 2015, Sunrise received wide recognition for its strong customer focus and won a significant number of notable awards in this area:
- The Swiss business magazine Bilanz assessed Sunrise in the areas of quality, innovation and flexibility and rated the company as the best mobile network and TV provider in Switzerland.
- In its December 2015 issue, the independent magazine connect published a provider service test which showed that Sunrise has the best customer service hotline of all mobile providers in Switzerland.
- This year, connect again gave the Sunrise mobile phone network a rating of "very good." And, for the second year running, we received recognition for having the best network for mobile telephony in the German-speaking countries (DACH region).
- The Swiss Contact Center Association honored Sunrise with a Golden Headset Award in the Employee Focus category and a certificate in Customer Focus.

Strong Customer Growth
Sunrise customers showed high levels of satisfaction with our products. The mobile postpaid customer base rose 6.0 % (equaling 80,000 net customer gains), and we ended the year with a total of 1.4 million subscribers. Sunrise Freedom continues to be our primary growth driver, and 756,000 Sunrise postpaid customers already opted for a Sunrise Freedom contract by the end of the year. Our new Sunrise Smart TV is also playing an important role in the company's success during the year. At the end of 2015, 134,000 customers had Sunrise TV subscriptions, with Christmas sales boosting the figure, which represents a net growth of 27,000 subscriptions (+25.0 %) in 2015. The landline sector had a strong year, with the total number of subscriptions leveling out in favor of a growing trend toward convergent offers. Our 4P customer base grew 16.8 % compared to the previous year.

2015 was a successful year for Business Sunrise. We have partnered with several leading companies, including Cofely, Strabag and SR Technics.

> **2015 WAS A SIGNIFICANT YEAR FOR SUNRISE, DEFINED BY THE IPO IN FEBRUARY.**
>
> LORNE SOMERVILLE,
> CHAIRMAN OF THE BOARD

> **IN 2015, SUNRISE RECEIVED WIDE RECOGNITION FOR ITS STRONG CUSTOMER FOCUS.**
>
> LIBOR VONCINA,
> CHIEF EXECUTIVE OFFICER

Data Growth Driving Network Investments
With changing customer behavior and growing data volumes, operators must ensure that they have a first-rate network by aligning their landline and mobile phone infrastructures with high-speed broadband services. In 2015, Sunrise continued to invest in the expansion and improvement of its network infrastructure and is providing LTE to 98 % of the Swiss population. Thanks to our cooperation with Swiss Fibre Net AG, the joint venture of local energy providers in Switzerland, and local utilities and Swisscom, we offer fiber-to-the-home service to our customers.

Simplification through Digitalization
Sunrise embarked on a large-scale organizational transformation in 2015. As a consequence, the company reduced its headcount by 160. Our efforts are ultimately aimed at effectively streamlining and digitalizing the company's activities, making them easier to navigate and more intuitive for our customers.

2015 was a significant and successful year for Sunrise thanks to the unwavering trust of our customers and the loyalty of our stakeholders. We would also like to thank all Sunrise employees for their commitment to the company's vision and values, and for putting them into action every day.

Lorne Somerville
Chairman of the Board

Libor Voncina
Chief Executive Officer

Corporate Report

In response to a challenging economic environment, Sunrise has continued to adjust and refine its corporate strategy. With new and innovative products and a sustained network infrastructure expansion, Sunrise has been able to position itself as the leading, full-service competitor in the Swiss market.

Business Activities

Sunrise provides mobile voice and data, landline voice and landline internet and IPTV (Internet Protocol Television) services to residential customers, business customers and other carriers across Switzerland through an integrated nationwide landline and mobile network.

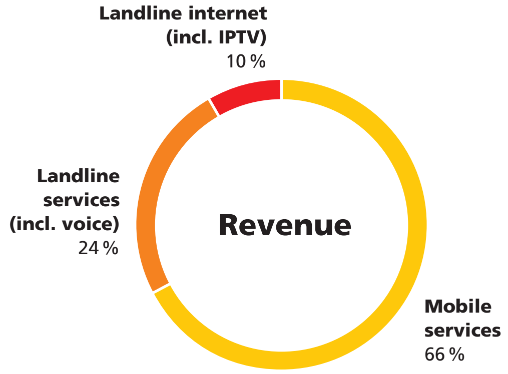
Residential Customers
Sunrise offers residential customers mobile telephony, landline, internet and TV services from a single source. Mobile voice and data services are provided on both a postpaid and prepaid basis. Sunrise offerings are tailored to meet the demand for high-speed connectivity while offering competitive, easy-to-use products, such as plug and play solutions and bundling options for retail voice, internet, IPTV and mobile products.

Business Customers
For business customers, Sunrise offers a comprehensive range of products and services, from mobile offerings to landline voice, internet and data services, system integration and managed services. The specific needs of corporate customers are met with tailor-made offerings which provide added flexibility.

Wholesale
Wholesale operations provides mobile voice and data and internet services to other national and international carriers. Sunrise offers voice hubbing services based on excess capacity on the proprietary landline network.

Revenue

By subscription type



Sunrise Strategy

The Sunrise strategy is to leverage its strong market position as the leading fully integrated private provider in order to drive growth and create value through a combination of the following five key strategies.

1 Increase market share

Achieve market share gains by leveraging the multi-brand strategy, competitive positioning and attractive offerings

Sunrise expects its successful multi-brand strategy to win over residential customers across the quality mass market (with the core Sunrise brand), and the young and youth (MTV mobile), budget and ethno market segments (yallo, Ortel and Lebara).

Sunrise is targeting the residential market in general through segmented and customized product offerings. Given the distinct appeal that the Sunrise brand and the well-recognized MTV mobile (the only youth-specific brand in the Swiss market), yallo, Ortel and Lebara brands have demonstrated in their respective segments, Sunrise is strongly focused on developing these brands by further expanding their differentiating characteristics as well as their market share. This strategy is complemented by a mobile virtual network operator and reseller approach (such as ALDI SUISSE mobile), which allows Sunrise to address further niche segments.

Sunrise supports its competitive positioning by offering innovative services that address the preferences of Swiss consumers. The current marketing strategy aims at showcasing the Sunrise brand as "your partner for simple and smart telecom solutions" based on the three pillars of the brand, the company values of fairness, transparency and customer orientation, reflecting its commitment to delivering a best-in-class convergent experience.

Sunrise has been investing in marketing to support its brand positioning, which has generated strong momentum for the Sunrise brand and all brand drivers. To help accelerate the brand strategy, Roger Federer was named Sunrise Brand Ambassador in 2014. Since then Sunrise has significantly improved its brand consideration and recognition.

The business segment is also targeted with the core Sunrise brand but with a customized product portfolio and distribution strategy for each type of business based on its needs. Sunrise is leveraging and developing its services effectively to strengthen the product portfolio and serve the needs of enterprises. The value proposition will be enhanced by creating a clear and lean service portfolio to launch targeted marketing initiatives and optimize the distribution footprint. Sunrise is driving growth in small and home offices and small enterprises by leveraging the visibility and strength of the medium and large enterprise business.

2 Focus on convergence

Secure and leverage the existing customer base with integrated convergent offerings

In line with Swiss consumer preferences, Sunrise is focusing on convergence for growth and profitability. Sunrise capitalizes on its position as a full-service, integrated provider of mobile, landline, internet and IPTV (Internet Protocol Television) services in the Swiss market by continuing to cross-sell and upsell these products and services through transparent, easy-to-understand and flexible convergent offerings.

For business customers, the company is leveraging its combined mobile, landline and integration service offerings to increase the number of digital value-added services.

3 Strengthen the foundation for growth

Deliver high-quality service and a superior customer experience supported by digital initiatives to strengthen the foundation for the company's sustainable growth

As a customer-centric organization, Sunrise maintains a high level of customer satisfaction. It strives to increase customer loyalty and strengthen customer relationships through a superior customer experience.

Sunrise will continue to evaluate the feedback it receives on all interactions with customers and the personal feedback from employees, and make structural improvements through customer feedback as a key part of its strategy to further improve the quality of its services and customer experience. Sunrise aims to maintain its focus on customer care by working with key partners, investing in training and coaching, upgrading service levels for all customers and providing differentiated customer care for high-value and business customers.

To meet increasing customer expectations in a digitalizing world, Sunrise will significantly improve its digital capabilities. Current digital initiatives are aimed at increasing market share and profits while providing the best digital customer service experience by deploying state-of-the-art self-directed services to simplify its customers' digital journeys.

4 Maintain state-of-the-art infrastructure

Leverage the superior frequency spectrum position and continue to invest in a state-of-the-art network infrastructure to maintain a competitive advantage and capitalize on future growth opportunities

Sunrise will continue to leverage and maintain a state-of-the-art mobile and landline network infrastructure in order to provide customers with a reliable high-speed network throughout Switzerland, ensure a best-in-class customer experience and capitalize on future growth opportunities in convergence and data.

In the landline area, Sunrise will build on its own infrastructure with a strong LLU (Local Loop Unbundling) and backbone transmission to provide customers with innovative, fast and high-quality voice and data transmission. Sunrise will continue to leverage its LLU network in Switzerland to develop its asset-light landline strategy and increase VDSL (Very High Speed Digital Subscriber Line) and fiber coverage through partnerships with Swisscom, local utilities and Swiss Fibre Net AG, the joint venture of local energy providers in Switzerland.

5 Increase profitability and cash flow

Enhance profitability and cash flow by adhering to lean and cost-effective management of the company

Sunrise improves its profitability and cash flow by optimizing operating costs and, by normalizing capital expenditures and reducing financing costs after the initial public offering. Operating costs will be optimized through a number of measures, such as strict controls on cash outflows, improved distribution capabilities, more rigorous price and sales management, tighter management of subscription acquisition and retention costs and increased control of workforce expenditures supported by a continuous assessment of further outsourcing opportunities.

24/7

Connected everywhere

7:15 AM

My delivery team works in several different locations, so our team leader is giving the briefing via telephone today.

7:30 AM

All relevant and up-to-date delivery information relating to my round (e.g. forwarding orders) is uploaded to my scanner on a daily basis.

8:45 AM

A customer confirms receipt of her letter via the scanner.

9:10 AM

I record the registered parcel using the scanner before delivery.

10:50 AM

I scan the barcode on the mailbox to confirm that I have emptied it.

1:00 PM

Back at the post office – just before I finish work – I enter the changes of address directly into the scanner.

10:10 AM

My district is rural Bäretswil and its hamlets in Zurich Oberland. The Sunrise network enables me to be contacted even in the furthermost corners of my journey.

Thanks to Sunrise, my scanner is always online when I am out on my route. "The scanner is one of my most important work tools. It needs to be ready for use and connected at all times. It tells Swiss Post which mailboxes I've emptied or which registered letters I've delivered. I can pass on address corrections directly via my scanner. Sunrise accompanies me when I deliver mail to every valley, over every hill and in every hamlet – six days a week and in all weather conditions. I rely on the network, and I know I'm in good hands with Sunrise."

Rebecca Aellig, delivery staff, Post CH Ltd, Bäretswil

Since the beginning of 2015, Swiss Post has been gradually switching its landlines and mobile phones to the Sunrise network. The delivery staff's mobile devices now also operate via Sunrise.

Swiss Post uses Sunrise Business voice, a Sunrise service for medium and large companies, for its landline telephones. The PostMobile subscription is a mobile phone solution specifically tailored to the company. The same goes for data traffic via tablets with the Swiss Post tablet subscription. The mail carriers' scanners are equipped with Swiss Post Scanner Data. Swiss Post Scanner Voice is also envisaged for use in future.

SWISS POST SCANNER DATA

The Swiss Post Scanner Data subscription enables scanners to be connected to the Sunrise high-speed internet at all times and practically anywhere in Switzerland. Sunrise is supporting Swiss Post's digitalization efforts by using the Internet of Things.

SUNRISE BUSINESS VOICE

Swiss Post AG uses Sunrise Business voice for landline calling. The product is a customized solution that connects Swiss Post's IP phone system to the Sunrise network.

Environment

The increase in the Swiss franc's value in January of 2015 and the resulting economic slow-down have created challenging market conditions. Nevertheless, the quality of telecommunications services in Switzerland remains very strong.

Economic Environment
The 2015 macroeconomic situation in Switzerland was mainly driven by the pronounced strengthening of the Swiss franc in January following the removal of the currency peg by the Swiss National Bank. As of December 31, 2015, the CHF had strengthened 9.5 % against the EUR and weakened −0.8 % against the USD year-over-year (Deutsche Bank, London Branch).

The company's predominantly CHF-denominated residential subscription base limits its exposure to exchange rate volatility. Nevertheless, changes in exchange rates must be taken into account, as certain business activities are conducted in cooperation with international operators effecting revenues, cost of goods and services and operational and capital expenditure. These activities include roaming and other international fee-based services as well as the purchase of hardware, network and other technological equipment and services. Exchange rates also have an impact on customer decisions to buy mobile devices abroad or in Switzerland and as such can impact Sunrise mobile phones revenue. Sunrise reduced its currency exposure in February 2015 by having refinanced its debt in CHF versus EUR previously. Swiss gross domestic product growth was solid at around 1 % in 2015 but lower than the 1.9 % growth achieved in 2014 (IMF World Economic Outlook – October 2015 – projection for 2016). With Switzerland being an export-oriented country, the stronger CHF was one of the main reasons for this tempered growth.

Regarding inflation, currency appreciation led to a −1.1 % decline in consumer prices in 2015 compared to no change in 2014. Deflation is expected to continue into 2016. (IMF World Economic Outlook – October 2015 – projection for 2016).

Industry and Competitive Environment
In February 2015, following approval from the Federal Communications Commission, Apax Partners sold Orange Switzerland to NJJ Capital (Xavier Niel's holding company). In April the company was rebranded to Salt.

The largest mobile network operator (MNO) in Switzerland is Swisscom (publicly traded and 51.0 % owned by the Swiss Confederation as of December 2015) followed by challengers Sunrise and Salt. Each of the three MNOs has its own nationwide network infrastructure with a spectrum license granted until 2028. In addition to the MNOs, there are branded wholesale resellers on all three mobile networks. Other market participants, so-called mobile virtual network operators, use the infrastructure of MNOs for their services.

Mobile network quality in Switzerland is of a high standard, with the network of all three MNOs rated "very good" by independent network tester connect. In 2015 Sunrise achieved the strongest network improvement. The Sunrise network was ranked best in the subcategory "mobile voice telephony."

Sunrise has a state-of-the-art mobile network that is being continuously expanded with the customer in mind.

Landline voice is based primarily on the analog and digital access lines of the telephone network and the access lines of cable network operators. Swisscom is the largest provider of landline voice telephony in Switzerland, followed by upc cablecom. Unbundling has made access lines available to providers including Sunrise.

In September 2015, the Swiss magazine Bilanz ranked Sunrise as the top landline telephony provider among the companies mentioned above.

In Switzerland, landline broadband internet connections can be established via various access technologies, including DSL (Digital Subscriber Line), cable modem and fiber. Swisscom leads the Swiss broadband internet market, followed by upc cablecom and Sunrise.

Sunrise is the largest LLU (Local Loop Unbundling) provider in Switzerland with approximately 85 % household coverage through its own network of more than 600 points of presence. To meet increasing demand for higher bandwidth services and IPTV (Internet Protocol Television), Sunrise additionally renewed an agreement with Swisscom which allows Sunrise to have cost-effective access to all fiber- and copper-based access technologies, i.e., VDSL (Very High Speed Digital Subscriber Line). Sunrise also has partnerships with Swiss Fibre Net AG, the joint venture of local energy providers in Switzerland, and local utilities providing the company with access to their fiber networks. The Swiss magazine Bilanz ranked Sunrise ahead of Swisscom and upc cablecom in the Internet Service Provider category in September 2015.

Cable remains the most widely used multi-channel TV distribution platform in Switzerland, although its market share has declined in recent years. upc cablecom and Swisscom are the two leaders in the Swiss television market, serving slightly more than half the market. The rest of the market remains fragmented between local cable companies, satellite and DTT (Digital Terrestrial Television) providers. Having entered the TV market as recently as 2012, Sunrise successfully launched an improved IPTV offering in November 2015. The Swiss magazine Bilanz ranked Sunrise as the best TV product in Switzerland in September 2015.

Products, Services and Sales Channels

For Sunrise, innovation is the way to maintain customer satisfaction and ensure success in an environment of changing needs and demands. Sunrise pursued this philosophy throughout 2015, launching innovative products based on the three pillars of the brand: fairness, transparency and customer orientation.

Mobile Offerings
Mobile service offerings include mobile voice and data services and other value-added services such as international telephony, roaming and device insurance as well as access to Sunrise TV products via mobile devices. Sunrise also offers mobile phones, tablets and other hardware devices.

Sunrise Freedom
The Sunrise Freedom portfolio targets the mass market, which represents the highest-value customers. With the launch of the Sunrise Freedom rate plans in April 2014, Sunrise introduced uncoupled service and mobile phone plans without a fixed contract term. Customers can adjust their subscriptions at no cost any time their needs change. Sunrise Freedom fully supports the three Sunrise brand pillars by providing fairness, transparency and customer orientation. Sunrise was the first mobile network operator (MNO) to launch this concept in the Swiss market.

With high-usage customers in mind, the company launched Sunrise Freedom super max in August 2015, a transparent product that offers unlimited calling and texting, not just in Switzerland, but abroad as well, with unrestricted high-speed 4G data in Switzerland and 1 GB of free monthly data usage abroad.

Sunrise Freedom Share Data
To meet the growing demand for mobile internet access, Sunrise launched Freedom share data in February 2015, allowing customers to use the high-speed data volume included in their Freedom mobile subscription on another device equipped with a second SIM card for CHF 5 per month. Customers can also sign up for an additional hardware plan for a second device. This innovative product is unique in the Swiss market.

MTV mobile
In September 2010, Sunrise successfully launched the MTV mobile rate plans based on an agreement with MTV. MTV mobile provides relevant products to the young and youth segment up to the qualifying age of 30 and is the only youth-specific telecommunications brand in the Swiss market. MTV mobile Freedom follows the same flexible principles as Sunrise Freedom and has been highly successful. The offer is attractively positioned in all postpaid youth segments and is supported by attractive benefits relevant to the age group, such as favorable terms for the use of WhatsApp and the Swiss Half-Fare Card on the SBB railway system.

In response to the increasing demand for higher volumes of data for mobile internet use in the young & youth market, MTV mobile Freedom max was launched in August 2015. The plan offers unlimited high-speed data use, including unlimited calls to all networks in Switzerland, unlimited SMS and MMS, unlimited calls to Europe and North America and 200 MB of internet surfing abroad plus 200 MB of WhatsApp usage abroad.

Roaming

Sunrise offers a wide range of fair and flexible roaming solutions that allow customers to pay for roaming only when they actually need it and keep costs under control with the Sunrise Roaming Cockpit.

In April 2015, Sunrise launched a comprehensive and attractive range of products and services for travelers. In addition to significant price reductions on all travel data packages and travel talk options, roaming options were extended with Sunrise travel days, all-inclusive packages (for 7 or 30 consecutive days) with unlimited calls/SMS and large data volumes.

yallo Postpaid Plans

In March 2015, Sunrise relaunched yallo postpaid plans in response to increasing smartphone penetration and data consumption in the budget and ethno markets. Each of the three rate plans is specifically tailored to cover the needs of its respective target group.

Innovation in harmony with company values

All product innovations are based on the values of fairness, transparency and customer orientation.

yallo Flat includes unlimited calls to all networks in Switzerland and to 41 European countries as well as 1 GB data at 4G speed. This rate plan is also available as yallo PostPaid, which offers extra benefits and is available exclusively at Swiss post offices. yallo Europe includes unlimited calls to 41 European countries and 500 MB data at 4G speed. yallo Balkan includes unlimited calls to all networks in Switzerland, 1 GB data at 4G speed and 200 minutes to European and select Balkan countries.

In 2015, Sunrise launched its first marketing campaign with Roger Federer as its new Brand Ambassador. He is the ideal representative for Sunrise, with his sense of fairness and sportsmanship perfectly expressing the company values.

In November 2015, the company launched Sunrise Smart TV with more than 230 channels, including a recording function, Live Pause, ComeBack TV Agent, and mobile TV for up to five hardware devices.

Prepaid Offerings

Prepaid subscribers may choose from rate plans that allow for the prepaid credit to be deducted on a per-unit, per-day or per-month basis. Sunrise offers prepaid voice and data services under a broad range of brands (Sunrise, MTV, ALDI SUISSE mobile, yallo, Ortel and Lebara) to appeal to different market segments and their varying needs. With all brands, the company offers a wide range of customized options, including calling, SMS, data and roaming as well as combinations thereof for a basic monthly fee. With increasing smartphone penetration and data consumption, prepaid is declining and there is a shift from pre- to postpaid subscriptions.

In August 2015, Sunrise and MTV mobile launched new prepaid offerings with a cost-control feature dubbed airbag and two new prepaid options. With the new Sunrise Prepaid airbag plan, customers pay only for the first two minutes of a call, and with MTV mobile WhatsApp pre, they pay a maximum of 75 cents per day for mobile internet usage. The two new prepaid options Sunrise Prepaid budget 10 and Sunrise Prepaid budget 15 are particularly appealing to regular users, providing a certain number of calls, SMS messages to all Swiss networks and megabytes of mobile internet surfing at 4G speeds.

Devices and Accessories

Sunrise offers its customers a broad selection of mobile devices and related accessories sourced from a number of well-known suppliers and distributors, including Apple, Samsung, HTC, Huawei, Beats, etc. Sunrise continuously seeks to improve the quality and range of its mobile devices and accessories offerings to take advantage of new technological developments and mobile device features.

Landline Voice, Internet and IPTV Offerings

Sunrise provides landline voice, internet and Internet Protocol Television services (IPTV) to both residential and business customers. Sunrise provides these services through its LLU (Local Loop Unbundling) infrastructure or indirectly through the Swisscom CPS (Carrier Preselection), VDSL (Very High Speed Digital Subscriber Line) and fiber networks or via Swiss Fibre Net AG and local utilities for fiber access. It is thus able to provide a full product portfolio to meet the demand for high-speed connectivity.

Landline Voice

Sunrise offers local, national, landline-to-mobile, international and advanced voice services (such as Integrated Services Digital Network access (ISDN)) to residential and business customers throughout Switzerland. Sunrise provides public switched telephone network access and ISDN access throughout Switzerland.

Internet and IPTV

Sunrise Home and MTV home are flexible, modularly structured products that allow customers to choose the best combination of landline voice, internet and TV services for their specific needs. Sunrise Home fully supports the brand pillars of fairness, transparency and customer orientation by allowing customers to pay only for services they actually use and that make sense for them. Each customized product package can be quickly modified at no cost any time the customer's needs change.

With Sunrise TV, 2012 saw the launch of the latest generation of TV entertainment. Since then, Sunrise TV has provided customers with a number of innovative services that have transformed television into a completely new experience. These include such popular time-shifting features as ComeBack TV and Live Pause. Sunrise TV offers a large variety of TV channels including HD. In April 2015, Sunrise TV added Hot from the US, an exciting feature that lets users watch the most popular American TV hit series just 48 hours after their initial broadcast in the US.

Sunrise Smart TV offers a host of new features. With the new Sunrise TV app, the whole family can now watch different channels on TV and on up to five smartphones or tablets at the same time – at home or on the move. Even while abroad, Sunrise TV gives you access to all ComeBack TV content and stored recordings via Wi-Fi. With the Sunrise TV app, users can quickly and easily find their favorite shows and transfer them straight to their television sets via the Push2TV function. The cloud-based recording function also lets you record any ComeBack TV shows you may have missed over the past seven days. The new Sunrise ComeBack TV Agent is a unique search function that helps users easily find shows that suit their interests from the wide selection of programming on ComeBack TV.

Sunrise continues to win over business customers

In 2015, Sunrise continuously gained new customers in the business segment. Sunrise has identified two main reasons for this positive trend:

– innovative, customized products with a very strong price/performance ratio
– strong customer focus supported by very high Net Promoter Scores (NPS)

In 2015, Sunrise began providing comprehensive telecommunications services for Cofely, Coop Rechtsschutz, the Geneva cantonal police, Strabag and SR Technics. These new additions show the progress Sunrise is making in gaining market share in the business-to-business segment. The list of new customers also includes companies such as Maestrani, Flumroc, Rhätische Bahn, SBB and organizations like UNICEF and IATA.

In 2014, Sunrise won a bid from the Swiss Post to provide all mobile and traditional landline network voice services. To make the operational transition as smooth as possible, Sunrise and Post management agreed to implement the project in phases.

Plans call for landline connections at all Post locations in Switzerland to be switched to the Sunrise network. Additionally, 15,000 mobile phones will be migrated to Sunrise, and 22,000 scanners will be equipped with SIM cards. Effective August 10, 2015, PostBus Switzerland Ltd switched all employee mobile phones to Sunrise. Inter-vehicle communications, including free Wi-Fi and the operations control system, will be migrated at a later date.

PostFinance was so impressed by the quality of service offered by Sunrise that it decided to equip all its tablets with Sunrise services as well.

The University of Basel has put Sunrise in charge of its future telephony infrastructure. Sunrise won the public bid for the project and is installing a new, IP-based telephony solution. Landline calls at the University, which has about 4,000 voice ports (telephone lines), will be routed over the institution's existing LAN network.

Microsoft has named Business Sunrise a Gold competency partner in the Unified Communications segment. In addition, Business Sunrise has repeatedly been awarded Premium Partner Status by Alcatel-Lucent Enterprise and Gold Partner Status by Cisco. Also, Sunrise was named Collaboration Partner of the Year for 2015 by Cisco.

Business Offerings
Business Sunrise offers business customers a complete range of mobile, landline network, internet and data services. Its customers include small and medium-sized businesses as well as large-scale companies.

For the small office/home office (SoHo) segment, Sunrise offers the standard Sunrise Office portfolio with flexible, modular products that allow customers to select the best combination of landline voice and internet services for their specific needs. For more demanding business requirements, Sunrise also offers advanced corporate data services provided in addition to the standard services. These include direct internet access, security, messaging and other value-added services for business customers (IP VPN, customized M2M solutions, etc.).

The ISO 9001-certified Integrations department at Business Sunrise offers customized solutions in the areas of voice, data and security to large-scale customers.

Mobile offerings for business customers follow a flat-rate approach. A broad set of options allows contracts to be tailored to a customer's specific needs. The standard Sunrise Freedom portfolio is geared mainly toward the SoHo segment. The specific needs of larger companies are met by Business flat rate offerings or Business mobile evolution, a customizable package that provides added flexibility.

In April 2015, Microsoft OneDrive for Business was launched as an innovative solution to one of the most important issues associated with the cloud: security. OneDrive for Business (as a component of Office 365) is a storage location where working files are stored, synchronized and shared. The product is offered in cooperation with Microsoft and is an example of the modular approach Business Sunrise takes: Customers can select the services that precisely meet their needs, so they only pay for what they really need.

Through its strategic partnership with Microsoft, Sunrise offers its business customers products from the Office 365 portfolio along with a comprehensive cloud solution that meets the highest requirements and standards.

ISO certified services

The Sunrise information security management system is certified (ISO 27001) and so is its Integrations department quality management system (ISO 9001).

Sunrise has dedicated account management teams for its medium and large enterprise customers, while SoHo and small enterprise customers are mainly supported by sales partners (indirect channels) and the company's own retail stores.

Microsoft has named Business Sunrise a Gold competency partner in the Unified Communications segment. In addition, Business Sunrise has repeatedly been awarded Premium Partner Status by Alcatel-Lucent Enterprise and Gold Partner Status by Cisco. Also, Sunrise was named Collaboration Partner of the Year for 2015 by Cisco.

Sales Channels
Sunrise distributes its products and services through direct and indirect channels. Direct distribution occurs through self-branded company stores, self-branded mobile centers, websites, web chat, mobile app, direct mail and telephone sales via call centers (inbound and outbound). As of December 31, 2015, Sunrise had 94 self-branded points of sale.

Indirect channels range from nationwide chains such as Mobilezone (the largest independent telecommunications retailer in Switzerland), Swiss Post, Media Markt, Interdiscount and Fust to regional Sunrise Premium Partners and dealers. Indirect channels provide approximately 2,500 points of sale throughout Switzerland.

A comprehensive and target-segment-specific distribution network with approximately 1,500 points of sale offers services for the Ethno segment under the Lebara, Ortel and yallo brands.

Information Security
The Sunrise ISO 27001 certification (information security management system) ensures company-wide information security which includes all offices, employees and operational processes handling customer information and communications as well as the technology infrastructure and services used for the processing, storing and transmission of customer information and communication. The certification includes residential and business customer data.

24/7

Full convergence at home

8:00 AM

I am not going to work today, so I take my time having breakfast and read the newspaper on my tablet.

11:30 AM

I call my girlfriends while I'm cooking and straightening up the house.

12:15 PM

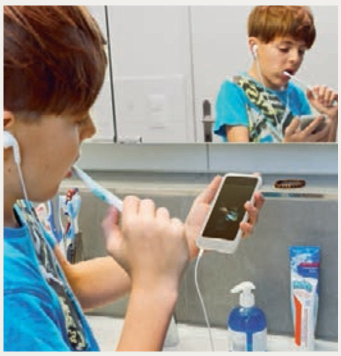
A ski race is on television, so we make an exception and eat in front of the TV set to root for our favorite skiers.

5:00 PM

Climbing class is over. We send our parents an SMS to pick us up.

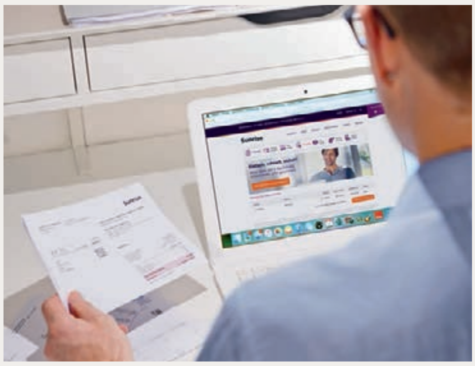
8:30 PM

Every night I pick out a three-minute song from YouTube. This helps me brush my teeth long enough.



9:30 PM

Once the kids are in bed, I do some work and pay bills with e-banking.



12:47 PM

We spend a lot of time outdoors – either walking, biking or skiing. We take pictures on our outings and then share them with friends on Facebook.

Sunrise always offers us exactly what we need and want. "Although our two kids still don't regularly use mobile phones, this will soon change. Sunrise gives us the flexibility, which is perfect for our household. We can sign up for products that are designed to meet our own personal needs. We only use and pay for what we need at the time. This helps our household budget, as does the combination discount for mobile subscriptions and landline network products."

Nils, Melanie, Lena and Kilian Schafer

The Schafer family values the flexibility of Sunrise products. Since there are no minimum contract durations, they can always change their current subscriptions to suit their needs.

The four of them share three mobile phones. When they are on the go, they mostly make calls and surf with Sunrise Freedom start. Or, they make calls with Sunrise phone comfort from their landline phone. To send SMS messages, the Schafers also use yallo. Nils got a tablet with the Take Away start subscription as a present from his godfather. At home the Schafer family uses Sunrise internet start to surf the Internet at up to 20 Mbit/s. When they watch TV with Sunrise TV start, everyone finds a channel they like.

TV START
Their television subscription includes 230+ channels, 30 hours of ComeBack TV, 60 hours of Cloud Recording, Live Pause, program information, Video on Demand and more than 70 radio stations. Sunrise TV can be used on up to five hardware devices at the same time.

PHONE COMFORT
Sunrise phone comfort, the landline network subscription, allows unlimited calls to all landline and mobile networks in Switzerland.

YALLO PREPAID
yallo prepaid provides maximum cost control for calls, SMS messages, roaming and mobile surfing in Switzerland. Calls to other yallo numbers are at a discounted rate.

Customer Orientation

Sunrise embraces three pivotal values that clearly make it unique: Fairness, transparency and customer orientation. Not only does Sunrise, along with all of its employees, live by these values in its day-to-day business, it also incorporates them into the design and innovation of its products and the expansion of its network, as well as into the continuous improvement of its customer service.

Customer Experience Program

In 2013, Sunrise launched a company-wide, multi-year program dedicated to substantially improving the customer experience across multiple customer touch points. Through the Net Promoter Score (NPS) program, Sunrise was able to continuously identify areas in need of improvement and ensure the successful implementation of improved customer service. NPS is a powerful and simple metric for measuring customer loyalty and advocacy. The NPS score is obtained through a simple customer survey administered immediately after defined customer interactions take place with Sunrise and is supported through follow-up measures such as direct calls to customers to identify specific issues and causes for customer dissatisfaction. Sunrise has substantially improved its NPS score for its customer touch points as well as its products and services.

Superior Customer Satisfaction

Customer orientation is also reflected in customer service that is focused on operational excellence. Sunrise offers support across all products and services including sales, administration, dealer support and technical support for both mobile and landline products. The customer care organization provides services through dedicated call centers and written correspondence as well as an online chat service. A centralized customer care unit has in-house capabilities but also outsources certain services. In-house capabilities are used primarily where specialized knowledge and back-office functions are necessary.

The Sunrise customer service accessibility and resolution rates have substantially improved. Since February 2014, performance indicators on Sunrise call centers that are updated weekly are available on the company's website. Sunrise was the first operator in the Swiss market to make this type of data available.

As evidence of the quality of its customer service, the December 2015 edition of connect, Europe's leading telecommunications magazine, named the Sunrise customer care hotline the best among all Swiss mobile network operators.

In October 2015, Sunrise was recognized for its efforts in customer care at the Swiss Contact Day Awards Night, where it won the Golden Headset Award – the highest accolade given by the Swiss Contact Center Association – in the Employee Focus category, along with a certificate in the Customer Focus category behind winner Nestlé.

That makes sense

Sunrise embraces three pivotal values that clearly make it unique:

- Fairness
- Transparency
- Customer orientation

Network

The network infrastructure is the foundation of all Sunrise services. In order to meet the growing demand for broadband services and further increase customer satisfaction, Sunrise made continuous and sizeable investments in this network to enhance and expand it.

Network Infrastructure

Sunrise provides mobile services over its own network using GSM/GPRS/EDGE, UMTS/HSPA and LTE/LTE-A technologies. On the landline side, Sunrise leverages more than 600 points of presence in its fully-invested local loop unbundled network (LLU), covering approximately 85 % of households in Switzerland. Sunrise benefits from a 10,800 km long, Swiss-wide, state-of-the-art fiber optic network. The company has full access to the most advanced, next-generation fiber optic technologies such as vectoring, fiber-to-the-street, fiber-to-the-building and fiber-to-the-home thanks to its long-term agreement with Swisscom and the strategic collaboration with Swiss Fibre Net AG (SFN), the joint venture of local energy providers in Switzerland, as well as with the local utilities.

In 2015, Sunrise focused its efforts on supporting, managing and developing its network infrastructure. Specific investments were carried out to further improve network quality, availability, stability and security. Expansion of LTE technology continued, with coverage of 98 % reached by the end of 2015. Growing data traffic and demand for mobile and landline broadband services as well as maintaining and expanding the customer experience are key drivers for the company's network activities.

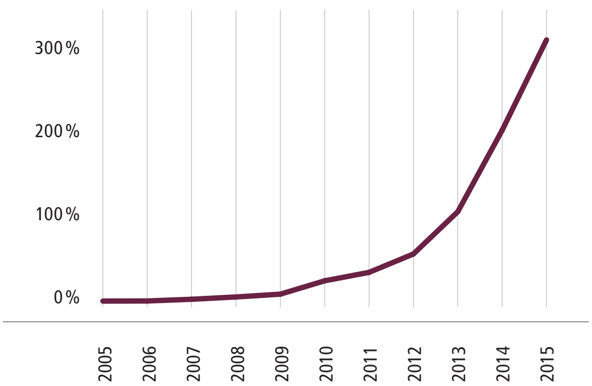
Mobile

To improve its infrastructure, Sunrise has partnered with Huawei, one of the leading technology companies in the world. Huawei supports Sunrise with its latest technology as a showcase for the European market. To accommodate the exponential growth in data traffic, Sunrise is continuously enlarging its bandwidth capacities. In the area of mobile infrastructure, Sunrise significantly increased its 4G/LTE coverage over the last year from 85 % to 98 % by the end of 2015 allowing Sunrise to provide customers with mobile bandwidths of up to 150 Mbps. Sunrise already introduced LTE Advanced with speeds of up to 225 Mbps.

Together with Salt, Sunrise conducted a pilot project that included an analysis of how network sharing could potentially work.

Data traffic in %

Immense increase in data traffic over the past ten years.



Sunrise further expanded its 3G network and maximized indoor coverage by using the lower 900 MHz frequency. Sunrise also introduced the very latest features such as crystal voice and optimizations in call setup procedures, leading to improvements in speech quality and call setup time.

A network app launched in May 2015 allows Sunrise customers to provide direct feedback about their experience with the Sunrise mobile network. The input is forwarded immediately to the network planning and optimization department, allowing Sunrise to respond to problems in real time. By the end of 2015, Sunrise had received 5,200 feedback submissions and 25,100 proactively triggered Speedtest submissions from customers, from which various improvements were implemented.

For the second time in a row, the independent magazine connect recognized Sunrise, Switzerland's largest private telecommunications provider, as having the best network for mobile telephony. In the mobile telephony category, Sunrise outperformed not just the other Swiss mobile operators but all providers in Germany and Austria as well. The Sunrise mobile network earned an overall score of "very good" in the three-country comparison, landing in second place closely behind Swisscom.

Sunrise 4G/LTE coverage

(as of December 2015)

The strong focus on network expansion means that Sunrise now provides 98 % of Swiss residents with 4G high-speed internet for mobile usage.

Our customers as mobile network testers

Our customers continuously help enhance our mobile network through use of the mobile network app.

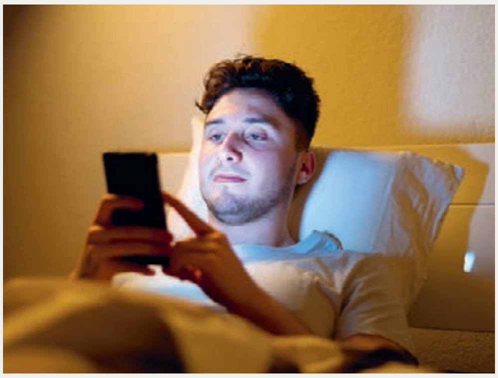
Landline
Sunrise significantly increased its fiber optic footprint in 2015 by strengthening its strategic collaborations with SFN, ewz Zurich and iwb Basel. By using the partners' infrastructure to complement its own network, Sunrise is able to provide fiber optic access across Switzerland with ever-growing coverage. By harmonizing and centralizing processes and platforms with SFN and local utilities, Sunrise has reduced lead times and increased customer satisfaction and loyalty. Thanks to the availability of all access technologies (copper, fiber and vectoring), Sunrise is able to provide all internet and TV services throughout Switzerland.

Core
By further upgrading its core network with the latest technology, Sunrise is ensuring a future-ready end-to-end network for its customers. Its core network is the "intelligence" or "brain" behind its mobile and landline services. Migration of the network to All IP and the merging of two separate Core Network technologies into a single one supporting all mobile and landline services were key focus areas. Sunrise introduced the IP Multimedia System (IMS) solution to replace its legacy core platforms. IMS supports various access modes and offers an array of different security functions, ensuring a highly reliable, geo-redundant solution for both Sunrise residential and business customers. All Sunrise landline and virtual IP PBX (Private Branch Exchange) business customers have been seamlessly migrated to the IMS solution.

24/7
Online all the time

6:45 AM

As soon as I wake up in the morning,
I check my WhatsApp messages.



12:30 PM

I check my e-mails several times a day.

1:10 PM

My Mom calls to find out if I will be home for dinner.

8:00 PM

I often meet my friends online and we play video games together.

5:10 PM

When I am on the go, I watch movies on YouTube.

10:00 PM

I use the internet to teach myself how to play the piano. I also like to make electronic music, which I publish online.

Sunrise links me to the whole world. "I can't imagine being without the internet, even for one day. I am constantly online on my smartphone. When I am on the go, I listen to music or watch movies. And of course, I'm in touch with my friends all the time. I am even using the internet to learn how to make music. Thanks to the Sunrise offers, my parents can rest assured that their month-end costs are not any higher than planned. And, I can always surf at the highest speed; even WhatsApp use abroad is included."

Enes Biqkaj, IT Specialist, Bülach

Since the Biqkaj family gets all their telecommunications services from Sunrise, they benefit from the Sunrise advantage: a 10 % combination discount on all products.

Enes Biqkaj is under thirty, so he benefits from an MTV mobile subscription for his smartphone. At home, Sunrise internet comfort gives him the surfing speed he needs for his music projects and for playing games online. Thanks to his Sunrise Take Away subscription, he even qualifies for unlimited surfing on his tablet. His parents mainly use phone start on their landline telephone and Sunrise TV comfort to watch television.

MTV MOBILE FREEDOM SWISS
MTV mobile Freedom swiss includes unlimited WhatsApp messaging, surfing, SMS/MMS messages to all Swiss networks, calls on Sunrise Mobile/MTV mobile and 100 MB for WhatsApp messaging abroad. It also includes an SBB half-tax subscription at a 50 % discount.

SUNRISE TAKE AWAY CLASSIC
Take Away classic includes unlimited high-speed mobile surfing in Switzerland at speeds of up to 1 GB, plus 25 MB for surfing abroad (region 1).

INTERNET COMFORT
The landline network subscription for at home, with download and upload speeds of up to 100 Mbit/s.

Regulatory Environment

As a mobile and landline operator in Switzerland, Sunrise is subject to regulation and supervision by various Swiss national authorities, including The Federal Communications Commission (ComCom) and the Federal Office of Communications.

Regulatory Framework
The relevant regulatory framework is set forth primarily in the Swiss Federal Telecommunications Act (FMG) and associated regulations (such as the Swiss Federal Ordinance on Telecommunications Services, FDV), but also in the Swiss Cartel Act, the Swiss Federal Act on the Surveillance of Postal and Telecommunications Traffic (BÜPF), the Swiss Federal Radio and Television Act and related ordinances. There are some conceptual differences between Swiss and EU telecommunications regulations, the most important being ex-post regulation in Switzerland as opposed to ex-ante regulation applicable in the EU, the technology-based “last mile” system in Switzerland, which grants access at long run incremental cost (LRIC) conditions only to the incumbent’s copper infrastructure, and the lack of regulation for end-consumer pricing on international mobile roaming in Switzerland.

The fact that EU regulations do not apply to Swiss operators has led certain operators in the EU to increase the termination rates charged to Swiss operators for voice traffic originating in Switzerland to price levels higher than those applicable to operators located within the EU; this is the subject of ongoing negotiations and arbitration.

Revision of the Swiss Telecommunications Act
The FMG sets forth the general framework for the transmission of information by means of landline and mobile telecommunications.

In 2012, the Swiss Federal Council (Bundesrat) announced that it would commission the administration to prepare a draft revision of the FMG. In December 2015, the Federal Council published its draft of the new FMG. In its first phase, the revision envisions changes such a youth and consumer protection requirements, transparency requirements regarding network neutrality as well as the introduction of an ex officio regime and elements of ex-ante. The revision also proposes facilitating the sharing of mobile networks through frequency pooling. The introduction of a technology-neutral access system will be addressed in a second phase. The consultation phase will end in March 2016. Sunrise requests the introduction of instruments for fiber access regulation already in the first phase of the revision. The Federal Council should cover the last-mile fiber optics market within the existing framework in the event the market fails to do so.

Revised Swiss Federal Ordinance on Telecommunications Services
Under Swiss law, last-mile access to the incumbent’s copper infrastructure must be granted at cost-based prices. The provisions of the FDV were revised in 2013, with the changes becoming effective on July 1, 2014. The calculation is based on LRIC with replacement costs for modern equivalent assets. As of January 1, 2014, costs are based on a modern fiber and IP infrastructure (next generation

network and access). Pending legal cases based on the new legislation are expected to clarify a number of technical issues.

Microwave Transmission Fees
Microwave links are used to transmit mobile data between the antenna and the operator's station without the use of cable. Based on two political initiatives, the Federal Council approved the revision of the Ordinance on Fees in the Telecommunications Sector in October 2015. Fees paid by mobile telephony operators for using microwave frequencies will be reduced effective January 1, 2016.

Universal Service Requirements
The provision of universal services requires ComCom to grant a license for a limited time under specific conditions. Such a license was granted to Swisscom for the period from 2008 to 2017. The Swiss Federal Council resolved to double the required speed for uploads and downloads effective January 1, 2015. To date, Swisscom has not yet requested compensation for providing universal services, but the risk remains. A draft for the new period starting in 2018 was issued in September 2015 for consultation. The Federal Council is again proposing an increase in minimum required data speeds and maximum prices for various services.

Copyright Protection
In December 2015, the Federal Council submitted the draft of a new copyright protection law for consultation which focuses on providers' obligations to restrict access to websites illegally offering copyrighted content and to send warnings to customers sharing content through peer-to-peer services. The consultation phase will end on March 31, 2016.

Surveillance of Telecommunications Services
Telecommunications providers must comply with the BÜPF. They are required to maintain their own infrastructure for adequate surveillance and be capable of running surveillance operations at any time. An amendment expanding providers' obligations is currently pending in parliamentary deliberations. A revision of the Intelligence Agencies Act imposing comprehensive surveillance obligations has already been passed by parliament but is still subject to a referendum vote.

Clearly defined regulatory framework

Swiss telecommunications providers are subject to regulation and oversight by government authorities.

Environmental Protection from Radio Emissions
The Swiss Ordinance for Protection from Non-Ionizing Radiation requires Swiss operators to comply with stricter safety limits than in the European Union. In February 2015, upon request by political initiatives, the Federal Council issued a report on options for expanding capacity in mobile communication networks. Increasing safety limits and simplifying compliance procedures are two possible measures mentioned in the report. The parliament is in charge of recommending possible actions for improving the framework for future networks based on the findings of the report.

International Roaming
Switzerland does not regulate roaming. Two political motions requesting maximum rates for inbound and outbound calls, SMS messages and data transfers abroad were rejected by parliament in March 2015. However, measures such as increased transparency and instruments allowing the Federal Council to limit consumer prices were proposed in the 2015 draft of the new FMG.

Network Neutrality
In March 2015, the Parliament rejected a pending motion calling for the legal enforcement of network neutrality. In its 2015 draft of the new FMG, the Swiss Federal Council limits its proposal to the introduction of transparency requirements for differentiated services and subsequent monitoring of market developments to evaluate future regulation if necessary. Based on a code of conduct signed by Sunrise, Swisscom, Salt, upc cablecom and Suissedigital, the operators established a conciliation body effective September 2015.

Employees

As of December 31, 2015, Sunrise had 1,762 employees (1,701 full-time equivalents) in all areas of Switzerland. Although they are scattered across many Sunrise locations, what unites them is the unique Sunrise corporate culture anchored in the values of fairness, transparency and customer orientation.

As of December 31, 2015 Sunrise had 1,701 full-time employees in Switzerland. Compared with the previous year, the number of full-time positions decreased by 173. This reduction in workforce was primarily the result of the organizational changes announced on September 22, 2015. Employees are spread across the Zurich headquarters, business offices in Prilly, Kloten, Geneva, Bern, Basel and Lugano and 83 point of sale locations throughout Switzerland.

Women account for 30 % of the Sunrise workforce, with a higher proportion of female employees in the Corporate Center and Finance units. 16.5 % of employees hold management positions, 15 % of whom are women. Top management comprises approximately 104 employees, with women accounting for 14 %. The average age of Sunrise employees is 37.6 years. Employees work at Sunrise for an average of 6.2 years.

Approximately 41 % of Sunrise employees are citizens of countries other than Switzerland. This diversity is reflected in the company's daily operations, where multiple languages are spoken and an international, open-minded work environment prevails. Sunrise has chosen German and English as its corporate languages.

Employee Development

Sunrise trains about 110 apprentices for positions as business managers, retail associates, IT specialists and customer service professionals. In general, Sunrise offers continued employment to nearly 60 % of apprentices upon completion of their training.

When hiring new employees, Sunrise gives priority to candidates who have relevant expertise and who, in addition, uphold and support the Sunrise values of fairness, transparency and customer orientation. Thanks to a recently revised recruiting process, this concept has become an integral part of candidate selection.

Sunrise places great value on the continuing development of its employees and the organization. In this context, Sunrise focuses on corporate strategy, corporate values and management principles. The regular employee evaluation process allows Sunrise to manage and lead employees based on performance criteria. Employees receive regular feedback on their performance and progress and get the support they need to reach specific goals. To accomplish this, a company-wide process is in place. Personal employee development is divided into three pillars:

- Management development curriculum for management employees
- Project management training for employees working in a project-driven environment
- Various individual continuing education opportunities, such as language or IT training, for all employees

In addition, employees have access to a computer-based learning management system for in-house training and continuing education. Sunrise Academy, the company's Training and Development department, is continually developing new learning modules and training courses; most recently, it created a career path for employees in sales with clearly defined career steps.

If its in-house training resources do not meet employee training needs, Sunrise turns to external training programs.

Sunrise trains more than 100 apprentices for positions in four apprenticeship programs.

Occupational Safety and Health
In 2015, Sunrise adopted a company-wide occupational safety and health concept based on the directives of the Federal Coordination Commission for Occupational Safety. Sunrise revised its training concepts and safety devices for network locations, office buildings and Sunrise retail shops. Employee training included an emergency action plan for shop staff, first-aid training for office workers and climbing and rescue courses for network employees. In addition, Sunrise continues to review safety and climbing equipment at mobile sites and has adapted fire-fighting equipment to comply with new regulations issued in 2015.

Employees as shareholders

Approximately 30 % of the Sunrise employees benefit from the employee participation program launched as part of the IPO. This means they are part owners of the company.

Collective Bargaining Agreement (CBA)
Since January 1, 2013, Sunrise has had a collective bargaining agreement in place that covers the majority of its employees. The CBA enables Sunrise to implement work regulations that extend beyond legal minimum requirements. Sunrise has a positive and close working relationship both with employee representatives and with syndicom, the external trade union. Employee representatives and management discuss current topics during regular meetings and jointly review and implement collaborative solutions.

Initial Public Offering (IPO)
Sunrise places great value on an environment where employees feel a sense of shared responsibility for the company's performance. This is partly facilitated through the performance evaluation process, but is also strongly enhanced by the employee stock option plan launched as part of the IPO. In connection with the IPO in February 2015, all employees had the opportunity to purchase a limited number of company shares at a reduced price.

Values
At Sunrise, the corporate values of fairness, transparency and customer orientation are lived. Within their respective teams but also on a company-wide basis, employees regularly examine these values and discuss their practical implementation both inside and outside of the company.

Corporate Responsibility

Corporate responsibility is a priority at Sunrise. Ecological and social criteria based on principles of sustainability are factored into all of the company's business decisions.

Sustainability Management
In December of 2014, Sunrise adopted a Corporate Responsibility Guideline that established company-wide environmental and social responsibility standards. The supply chain was examined more closely in 2015, and a set of environmental and social responsibility criteria based on the Electronic Industry Citizenship Coalition Code of Conduct was incorporated into new supplier contracts. Alongside these principles, documentation and processes for supplier evaluations were developed. A system is in place for conducting on-site reviews of the social, ethical and environmental issues faced by suppliers exposed to high risks, and for implementing any necessary improvements.

Community
Sunrise supports a variety of local community initiatives. For example, employees participated in the national Clean Up Day in September 2015 by removing trash from the region around Lake Katzensee in Zurich.

Under an industry-wide agreement, Sunrise also actively supports youth media protection, focusing on preventive measures and awareness programs. An ongoing dialogue with various stakeholders allows these measures and programs to be continuously adapted to the fast-changing environment.

Environment
In the environmental sector, Sunrise focuses on energy and energy efficiency, and has been participating for over a decade in the voluntary energy efficiency program of the Swiss Federal government. By implementing energy-saving measures over the past three years, Sunrise has boosted its energy efficiency by almost 10 %. Network operation accounts for more than 80 % of total electricity consumption. Energy savings have been achieved in this sector particularly by installing more efficient heating, ventilation and air conditioning systems in data centers and by consolidating and increasing the efficiency of the hardware units in the mobile radio network. Sunrise supports the use of smart and efficient LED lighting technology in its buildings. Despite a tremendous increase in data usage and network performance, total energy consumption fell slightly over the past four years.

Sunrise is also actively involved in recycling. Following a successful six-month pilot phase, a take-back program for mobile phones and tablets was launched in the spring of 2015.

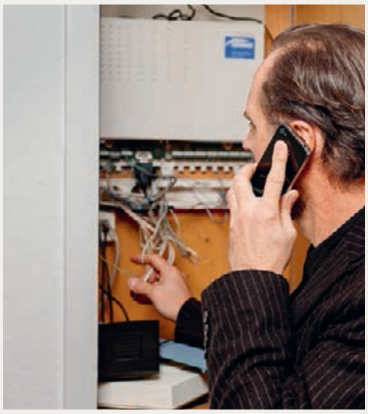
24/7
Always well-advised

8:10 AM
I am redesigning the interior of a home. I send the blueprints to the builder.

11:40 AM
The furniture manufacturer calls me from Italy to let me know that the sleeper sofa I designed will be delivered next week.

3:10 PM
At the construction site for my new showroom, I document any irregularities and send photos to the tradespeople.

4:45 PM
Since I save all construction site photos to the cloud, I can access them from everywhere.



5:10 PM
I use my old phone with a second SIM card as my construction site mobile phone.

7:20 PM
I talk with the builder about plans for the interior design concept of a new home.

2:00 PM

I design furniture and develop interior design concepts. Of course, I should always be reachable, even during the creative phase of a project.

Sunrise always has offers that meet my needs. "I am a self-employed entrepreneur, and I am happy that with Sunrise, I can get everything from a single source. For my personal as well as my business needs. The solutions keep pace with my requirements. I have several hardware devices; I am on the go a lot, and I travel internationally. The cloud solution for my data, for example, really gives me what I want. And when I have a question, I get fast and competent advice from the Sunrise call center."

Martin Hauser, Studio Martin Hauser, Zollikon

Martin Hauser likes to have just one contact person when it comes to telecommunications. That's why he gets all his products from Sunrise. He contacts customer service for information on new offers and new ways to save money.

Martin Hauser relies on Sunrise – for his personal as well as his professional telecommunications needs. For most of the phone calls he makes, he relies on his Sunrise Freedom relax subscription, but he also has a landline network connection through Sunrise Office. Thanks to Sunrise Business DSL, his internet connection has a static IP address. This allows him to connect remotely to his server as well. When he has no WiFi access, he surfs on his tablet with Sunrise Take Away classic.

SUNRISE REWARDS
We at Sunrise like to say "thank you" to our customers, and they benefit: For example, from a free product option, such as travel talk. With travel talk, you can make calls throughout the world from outside of Switzerland – and that at reduced minute and SMS rates.

SUNRISE MULTICARD
The ideal offer for mobile users who use multiple hardware at once. Several SIM cards are tied to the same phone number, which means they can be used simultaneously.

SUNRISE INDOOR BOX
Barriers such as walls, buildings, trees, etc., between users and transmitting antennas can weaken the receiving signal. Since the Sunrise indoor box enhances the Sunrise mobile broadband network inside buildings, you get better reception at home.

Corporate Governance

Corporate governance at Sunrise Communications Group AG is ensured through the activities of the Board of Directors, the Chief Executive Officer and the Group Management Board in accordance with the Articles of Incorporation and the Organizational Regulations of Sunrise Communications Group AG. Sunrise Communications Group AG complies with all applicable legal requirements and discloses its corporate governance pursuant to the Corporate Governance Directive of September 1, 2014, issued by the SIX Swiss Exchange.

Corporate Governance

1 Group Structure and Shareholders

1.1 Group Structure

Sunrise Communications Group AG is organized as a stock corporation with limited liability under Swiss company law. It was founded on January 13, 2015, and was registered on January 14, 2015, with the commercial register of the Canton of Zurich under the company registration number CHE-343.774.206. The registered office of Sunrise Communications Group AG is at Binzmühlestrasse 130, 8050 Zurich, Switzerland. Business operations are conducted through the Sunrise group companies listed in Note 31 of the Consolidated Financial Statements. Share capital and voting rights of all group companies are listed in Note 3.4 of the Statutory Financial Statements. Sunrise Communications Group AG is the group's holding company and directly or indirectly owns all Sunrise group companies. Sunrise Communications AG, based in Zurich, Switzerland, is the main operating entity of the group.

1.2 Significant Shareholders

As of December 31, 2015, Sunrise Communications Group AG was notified of the following shareholdings totaling 3 % or more of the total share capital of Sunrise Communications Group AG:

NAME OF SHAREHOLDER	IN % OF TOTAL SHARE CAPITAL
CVC Capital Partners SICAV-FIS S.A., Luxembourg	25.27 %
Allianz SE, Munich	5.80 %
Hengistbury Investment Partners LLP, London	5.22 %
BNP Paribas S.A., Paris	3.28 %
Blue Mountain Credit Alternatives Masters Fund L.P., New York	3.17 %
Government of Singapore, Singapore	3.11 %

Disclosure notifications of significant shareholdings in Sunrise Communications Group AG that were filed in 2015 with Sunrise Communications Group AG and the SIX Swiss Exchange are available from the online publication platform of the SIX Swiss Exchange through the following database search page: www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

Sunrise Communications Group AG is not aware of any other person or institution which, as of December 31, 2015, directly or indirectly, on its own account or in concert with third parties, may have held 3 % or more of the Sunrise Communications Group AG share capital.

1.3 Cross Shareholdings

As of December 31, 2015, Sunrise Communications Group AG had no cross shareholdings with any other company.

2 Capital Structure

2.1 Capital

As of December 31, 2015, the share capital of Sunrise Communications Group AG amounted to CHF 45,000,000 divided into 45,000,000 fully paid-in registered shares with a nominal value of CHF 1.00 per share.

2.2 Authorized Share Capital

Sunrise Communications Group AG has authorized share capital in an amount not to exceed CHF 350,000 through the issuance of up to 350,000 fully paid-in registered shares with a nominal value of CHF 1.00 at any time until January 22, 2017. These registered shares are reserved exclusively for the purpose of the participation of employees as well as members of the Board of Directors and the executive management of Sunrise Communications Group AG or its subsidiaries pursuant to one or more regulations adopted by the Board of Directors. The shareholders' pre-emptive right is excluded. Increases in partial amounts are permitted. Further, an increase through initial subscription of the new shares by Sunrise Communications Group AG is permitted in accordance with Article 659 et seq. of the Swiss Code of Obligations. The Board of Directors determines the date of issue of new shares, their issue price, which may be below the market price, the type of contribution and the time of dividend entitlement. Any newly registered shares are subject to registration restrictions under Article 5 of the Articles of Incorporation following their acquisition.

2.3 Conditional Share Capital

As of December 31, 2015, Sunrise Communications Group AG had no conditional share capital.

2.4 Changes in Share Capital

Sunrise Communications Group AG was founded on January 13, 2015, with an initial issued share capital of CHF 100,000 divided into 100,000 fully paid-in registered shares with a nominal value of CHF 1.00 per share. On January 23, 2015, Sunrise Communications Group AG's share capital was increased from CHF 100,000 to CHF 25,000,000. In the capital increase, Sunrise Communications Group AG received by way of a contribution in kind and by way of a contribution to the reserves from capital contributions all 134,553,661 A ordinary shares in Mobile Challenger Intermediate Group S.A., Luxembourg, Grand-Duchy of Luxembourg, with a nominal value of CHF 0.01 each pursuant to a contribution agreement dated January 23, 2015, against issuance of 24,900,000 registered shares of Sunrise Communications Group AG with a nominal value of CHF 1.00 per share. On February 5, 2015, Sunrise Communications Group AG's share capital was increased from CHF 25,000,000 to CHF 45,000,000 in an ordinary capital increase of 20,000,000 registered shares of Sunrise Communications Group AG with a nominal value of CHF 1.00 per share against cash contributions in connection with the initial public offering of Sunrise Communications Group AG on February 6, 2015.

2.5 Shares

Sunrise Communications Group AG's shares are registered shares with a nominal value of CHF 1.00 per share and are fully paid-in. The shares are listed and traded on the SIX Swiss Exchange (Valor No. 26'729'122, ISIN CH0267291224, symbol: SRCG). The shares are issued as uncertificated securities (German: Wertrechte) within the meaning of Article 973c of the Swiss Code of Obligations and registered as intermediated securities (German: Bucheffekten) within the meaning of the Swiss Federal Intermediated Securities Act. Shareholders have no right to request the printing and delivery of share certificates or the conversion of the form in which shares are issued into another form. Shareholders may, however, at any time request from Sunrise Communications Group AG the delivery of an attestation certifying their current shareholdings.

2.6 Participation Certificates

As of December 31, 2015, Sunrise Communications Group AG had no participation certificates outstanding.

2.7 Profit-Sharing Certificates

As of December 31, 2015, Sunrise Communications Group AG had no profit sharing certificates outstanding.

2.8 Limitations on Transferability and Nominee Registrations

For as long as the shares are in uncertificated form (Wertrechte) and registered as intermediated securities (Bucheffekten), any transfer and collateralization of shares must be made in accordance with the Swiss Federal Intermediated Securities Act. If uncertificated shares are transferred by assignment, Sunrise Communications Group AG must be notified of the transfer in order for it to be considered valid. According to Article 5 (3) of the Articles of Incorporation, the Board of Directors may register nominees as shareholders with voting rights in the share register for up to a maximum of 3 % of the total share capital outstanding at the time. Nominees are persons who in their registration request do not explicitly declare that they hold the shares for their own account and with whom Sunrise Communications Group AG has entered into a respective agreement. The Board of Directors may register a nominee as a shareholder with voting rights in excess of such registration limitation provided the nominee discloses the names, addresses, nationalities and shareholdings of the persons for whom it holds 0.5 % or more of the total share capital outstanding at the time. In 2015, the Board of Directors registered Chase Nominees Ltd., London as a shareholder with voting rights in excess of such registration limitation.

2.9 Convertible Bonds and Options

As of December 31, 2015, Sunrise Communications Group AG had no convertible bonds or options regarding its shares outstanding. With respect to share-based compensation (including the right to receive a portion of the short-term incentive in the form of shares and the right to receive Performance Shares) please consult the Compensation Report (5 Group Management Board Compensation).

3 Board of Directors

3.1 Members of the Board of Directors

The Board of Directors currently consists of five non-executive members. No board member is or was a member of the management of Sunrise Communications Group AG or any of its subsidiaries throughout the last three financial years ending on December 31, 2015. There are no significant business relationships between any of the members of the Board of Directors and Sunrise Communications Group AG or any of its subsidiaries. The Board of Directors aims to nominate non-executive and independent members within the meaning of the Swiss Code of Best Practice for Corporate Governance to be elected by the Annual General Meeting as members of the Nomination and Compensation Committees. The Board of Directors may nominate members to be elected as members of the Nomination and Compensation Committees who are significant shareholders or represent significant shareholders of Sunrise Communications Group AG. According to Article 23 of the Articles of Incorporation, no member the Board of Directors may hold more than four additional mandates in listed companies and more than eight mandates in non-listed companies. For the purposes of such provision, mandates of a member of the Board of Directors in legal entities outside the Sunrise group which are under common control as well as mandates held by such a member in his or her capacity as a member of the supreme governing body or of the group management of a legal entity outside the Sunrise group or held upon instruction and on behalf of such a legal entity or legal entities controlled by it shall be deemed one mandate outside the Sunrise group.

The following mandates are not subject to these limitations:

- mandates in companies controlled by Sunrise Communications Group AG or which control Sunrise Communications Group AG
- mandates held at the request of Sunrise Communications Group AG or companies controlled by it, whereby no member of the Board of Directors may hold more than ten such mandates
- mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations, whereby no member of the Board of Directors may hold more than six such mandates.

"Mandates" within the meaning of Article 23 of the Articles of Incorporation are mandates in the supreme governing body of any legal entity that is required to be entered in the commercial register or corresponding foreign register of companies. No member of the Board of Directors exceeds any limits for additional mandates.

The composition of the Board of Directors during 2015 is set out on the following pages.

Lorne Somerville

Title and function
Chairman of the Board of Directors (since July 12, 2015)

Member of the Nomination and Compensation Committee

Non-Executive Member

Year of birth
1963

Nationality
British

Education
1995: MBA, International Institute for Management Development (IMD), Lausanne, Switzerland

1989: MA, Computer Science, University of Cambridge, UK

1986: BA, Computer Science, University of Cambridge, UK

Professional Background
Since 2008: CVC Capital Partners, London, UK (not listed), Partner and Global Head of TMT

2001–2008: UBS Investment Bank, Joint Global Head of Telecommunications and Head of the European Communications Group

1997–2001: Swisscom AG, Head of Swisscom International, Head of International Strategy & Acquisitions

Other activities and functions
Since 2014: Avast, Prague, Czech Republic (not listed), Member of the Board of Directors, Member of the Nomination and Compensation Committee

Since 2011: PT Link Net Tbk, Jakarta, Indonesia (listed), Member of the Board of Directors

Peter Schöpfer

Title and function
Vice-Chairman of the Board of Directors

Chairman of the Nomination and Compensation Committee

Non-Executive Member

Year of birth
1957

Nationality
Swiss

Education
2002: International MBA, University of Freiburg, Switzerland

Degree in Engineering and Information Technology, Bern University of Applied Sciences, Switzerland

Professional Background
Since 2006: Avaloq Group AG, Freienbach, Switzerland (not listed), Chief Marketing Officer

2000–2006: T-Systems, CEO and Country Manager, Brazil;
CEO and Country Manager, Switzerland; CEO Multilink

1986–2000: Swisscom AG, Bern, Switzerland, Head of Operations, Swisscom International, several other positions

Other activities and functions
Since 2011: Avaloq Group AG, Freienbach, Switzerland (not listed), executive Member of the Board of Directors

Dr. Dominik Koechlin

Title and function
Chairman of the Board of Directors (until July 12, 2015)

Member of the Nomination and Compensation Committee (until July 12, 2015)

Non-Executive Member

Year of birth
1959

Nationality
Swiss

Dominik Koechlin passed away on July 12, 2015.

Education
1989: MBA, INSEAD, Fontainebleau, France

1988: Dr. iur., University of Bern, Switzerland

Professional Background
2001–2015: Independent member of the boards of various companies

1996–2000: Swisscom AG (previously Telecom PTT), Bern, Switzerland, Member of the Executive Committee

1990: Ellipson AG, Basel, Switzerland, Founder

1986–1988: Bank Sarasin, Basel, Switzerland, Financial Analyst

Other activities and functions
Since 2013: economiesuisse, Switzerland, Member of the Board of Directors

Since 2008: Clariant AG, Switzerland (listed), Member of the Board of Directors

Since 2006: Avaloq Group AG, Freienbach, Switzerland (not listed), Member of the Board of Directors

Since 2001: LGT Group Foundation, Liechtenstein (not listed), Member of the Board of Trustees

Jesper Ovesen

Title and function
Member of the Board of Directors

Member of the Nomination and Compensation Committee (since July 12, 2015)

Chairman of the Audit Committee

Non-Executive Member

Year of birth
1957

Nationality
Danish

Education
State Authorized Public Accountant, Denmark

1985: MSc in Finance, Copenhagen Business School, Denmark

Professional Background
2011–2014: Nokia Siemens Network Group, Finland/Germany, Executive Chairman

2008–2011: TDC Group, Denmark, Chief Financial Officer

2007–2008: Kirkbi Group, investment company & owner of the Lego Group, Denmark/Switzerland, Chief Executive Officer

2004–2007: Lego Group, Denmark/Switzerland, Chief Financial Officer

1998–2004: Danske Bank Group, Denmark, Chief Financial Officer

1993–1998: Novo Nordisk Group, Denmark, Finance Director

1992–1993: Baltica Bank (under restructuring), Denmark, Chief Executive Officer

1988–1992: Baltica Holding, Insurance & Finance Group, Denmark, Finance Director

1982–1988: PwC, Denmark, Auditor

Other activities and functions
Since 2015: Lundbeck a/s, Denmark (listed), Member of the Board of Directors and Chairman of the Audit Committee

Since 2004: Scandinavian Enskilda Bank, Sweden (listed), Vice-Chairman of the Board of Directors and Member of the Risk & Capital Committee

Siddharth Patel

Title and function
Member of the Board of Directors and the Audit Committee

Non-Executive Member

Year of birth
1977

Nationality
British

Education
1998: MA, University of Oxford, UK

1995: BA in Philosophy, Politics & Economics, University of Oxford, UK

Professional Background
Since 2010: CVC Capital Partners, London, UK (not listed), Senior Managing Director, TMT

2000–2010: Apax Partners, London, UK, Senior Principal

1998–2000: Monitor Company, London, UK, Consultant

Other activities and functions
Since 2014: Avast, Prague, Czech Republic (not listed), Member of the Board of Directors

Since 2011: Raet (Greenbird Holdings), Amersfoort, The Netherlands (not listed), Member of the Board of Directors

Dr. Daniel Pindur

Title and function
Member of the Board of Directors and Audit Committee

Non-Executive Member

Year of birth
1978

Nationality
German

Education
2006: Doctorate degree (Dr. rer. pol.) in Finance, University of Ulm, Germany

2002: Graduate in Business Administration (Diplom-Kaufmann), WHU Vallendar, Germany; Master in Finance, SSE Stockholm, Sweden; Diplôme de l'ESC, EM Lyon, France

Professional Background
Since 2005: CVC Capital Partners, Frankfurt, Germany (not listed), Senior Managing Director

2002–2005: Goldman Sachs, Frankfurt, Germany, M&A

Other activities and functions
Since 2015: Douglas AG (not listed), Chairman of the Board of Directors

3.2 Election and Term of Office

	YEAR OF FIRST ELECTION	YEAR OF LAST ELECTION	AGM YEAR OF END OF TERM
Lorne Somerville	2015	2015	2016
Peter Schöpfer	2015	2015	2016
Jesper Ovesen	2015	2015	2016
Siddharth Patel	2015	2015	2016
Daniel Pindur	2015	2015	2016

The Articles of Incorporation of Sunrise Communications Group AG provide for the Board of Directors to comprise at least four and not more than nine members, including the Chairman of the Board of Directors, and for the Nomination and Compensation Committee to comprise at least three members of the Board of Directors. All members of the Board of Directors, the Chairman of the Board of Directors as well as the Chairman and all members of the Nomination and Compensation Committee are elected annually and individually by the Annual General Meeting (AGM) for a term of office of one year until the end of the next Annual General Meeting. Re-election is possible. If the post of Chairman of the Board of Directors or Chairman of the Nomination and Compensation Committee is vacant, the Board of Directors shall appoint a new Chairman of the Board of Directors or Chairman of the Nomination and Compensation Committee for the remaining term of office. The terms of office of the members of the Board of Directors is set out in the table above.

3.3 Internal Organizational Structure

3.3.1 Allocation of Tasks within the Board of Directors

The Board of Directors has established a Nomination and Compensation Committee and an Audit Committee through the enactment of Organizational Regulations for the Board of Directors as well as Organizational Regulations for both the Nomination and Compensation Committee and the Audit Committee. In their respective areas, the Committees are responsible for establishing policies, periodically reviewing their implementation, supervising business activities and preparing and executing resolutions of the Board of Directors. Except for the election of the Chairman of the Board of Directors and the Chairman and members of the Nomination and Compensation Committee by the shareholders' meeting, the Board of Directors organizes itself. It appoints a Vice-Chairman of the Board of Directors, a Chairman and members of the Audit Committee following the Annual General Meeting for a term of office of one year until the end of the next Annual General Meeting. Re-appointment is possible. The Audit Committee is composed of at least three members of the Board of Directors. The Chairman of the Board of Directors chairs the meetings of shareholders and presides over the Board of Directors. The Chairman has the following duties and powers: calling meetings of the Board of Directors and setting the agenda; supervising, complying with and implementing the resolutions of the Board of Directors; immediately informing all members of the Board of Directors in case of extraordinary events; handling information requests from other members of the Board of Directors; ensuring that, in urgent business matters where a regular Board resolution cannot be reasonably passed within the required time frame, all measures are taken to safeguard the interests of the Sunrise group; interacting with the CEO and other members of the Group Management Board outside of Board meetings; monitoring the implementation of measures decided by the Board of Directors; and representing the Board of Directors internally and externally. The Vice-Chairman assumes the powers and duties of the Chairman in the absence of the Chairman. The Chairman of the Nomination and Compensation Committee and the Chairman of the Audit Committee chair their respective Committees. The composition of the chair and Committees of the Board of Directors during 2015 was as follows:

CHAIRMAN AND VICE-CHAIRMAN	NOMINATION AND COMPENSATION COMMITTEE	AUDIT COMMITTEE
Lorne Somerville (Chairman since July 12, 2015, Vice-Chairman until July 12, 2015)	Peter Schöpfer (Chairman)	Jesper Ovesen (Chairman)
Peter Schöpfer (Vice-Chairman since July 12, 2015)	Lorne Somerville	Siddharth Patel
Dominik Koechlin (Chairman until July 12, 2015)	Jesper Ovesen (member since July 12, 2015)	Daniel Pindur
	Dominik Koechlin (member until July 12, 2015)	

3.3.2 Tasks and Areas of Responsibility of each Committee of the Board of Directors

The Nomination and Compensation Committee combines the functions of a nomination committee and a compensation committee and supports the Board of Directors in the fulfilment of its powers and duties as set forth in the law, the Articles of Incorporation and the Organizational Regulations with regard to the compensation and personnel policies of the Sunrise group. The Nomination and Compensation Committee prepares all relevant decisions of the Board of Directors related to the nomination, compensation and contracts of the members of the Board of Directors, the CEO and other members of the Group Management Board and defines the compensation and personnel policies of the Sunrise group. In particular, the Nomination and Compensation Committee has the following powers and duties:

- submitting proposals, in line with the maximum aggregate compensation limits approved by the shareholders' meeting, for individual compensation of the members of the Board of Directors based on their responsibilities and functions, for the CEO and, based on the CEO's proposal, for the other members of the Group Management Board along with respective performance metrics to the Board of Directors for approval
- on an annual basis, reviewing the performance of the CEO and assessing the performance of the other members of the Group Management Board as proposed by the CEO and, based on the evaluation, submitting proposals for respective individual compensation to the Board of Directors for approval
- proposing, on an annual basis, the maximum aggregate compensation amount in relation to each of the Board of Directors and the Group Management Board to be proposed to the Annual General Meeting for approval
- establishing the Sunrise group's compensation and personnel policies and performance criteria related to compensation with the goal of finding, encouraging and retaining employees of the Sunrise group and, by so doing, ensuring the competitiveness and long-term success of the Sunrise group
- periodically reviewing the implementation of the compensation and personnel policies
- assessing the effectiveness, attractiveness and competitiveness of variable compensation, share compensation and pension plans and evaluating appropriate insurance plans for the members of the Board of Directors and the Group Management Board at least every two years
- reviewing the draft of the annual compensation report submitted by the Group Management Board
- succession planning, including planning and training for unforeseen and emergency situations
- determining the criteria for the selection of candidates for appointment to the Board of Directors, as Chairman of the Board of Directors or as Chairman or members of the Nomination and Compensation Committee by the shareholders' meeting, taking into account the criteria for the composition of the Board of Directors as set forthin the Swiss Code of Best Practice for Corporate Governance
- preparing the nomination of new members for the Board of Directors to be proposed to the shareholders' meeting for appointment, taking into account each proposed member's experience, independence, compatibility with other members, culture and other commitments
- evaluating candidates for the position of CEO and, together with the CEO, evaluating candidates for the Group Management Board other than the CEO
- reviewing mandates outside of the Sunrise group of members of the Board of Directors and the Group Management Board
- annually reviewing the independence of the members of the Board of Directors and its committees
- submitting compensation proposals for the Head of Internal Audit to the Board of Directors for approval

The Audit Committee supports the Board of Directors in the fulfilment of its powers and duties as set forth in the law, the Articles of Incorporation and the Organizational Regulations with regard to financial controls (monitoring of financial reporting, supervision of internal and external auditing), as well as supervision of persons entrusted with the management of the Sunrise group (internal control system). The Audit Committee has the following powers and duties in particular:

- assessing and proposing to the Board of Directors the consolidated financial statements, statutory financial statements and management report of Sunrise Communications Group AG to be proposed to the Annual General Meeting for approval
- reviewing the integrity of the financial reporting processes and internal controls and their compliance with applicable standards
- reviewing significant financial risk exposures and measures undertaken by management to monitor, control and report such exposures
- determining the audit plan for a period of several years as well as the scope of the internal and external audits
- discussing audit reports with internal and external auditors and management and monitoring the implementation of the auditors' findings
- assessing the performance and collaboration of internal and external auditors
- preparing the nomination of external auditors to be proposed to the Annual General Meeting for election
- annually reviewing the fees and independence of external auditors
- reviewing the independence of the Internal Audit department from the Group Management Board and the units to be audited
- reviewing and approving the guidelines, activities, budget, organizational structure and qualifications of the Internal Audit organization
- submitting proposals concerning the appointment, replacement and dismissal of the Head of Internal Audit to the Board of Directors for approval
- assessing and further developing the internal control system
- reviewing reports on risk assessment and risk management submitted by management
- reviewing processes undertaken by management to monitor significant risks
- monitoring and further developing corporate governance

3.3.3 Working Methods of the Board of Directors and its Committees

According to the Organizational Regulations, the Board of Directors convenes upon invitation by the Chairman or, in his/her absence, by the Vice-Chairman whenever required by business, ordinarily six to eight times a year. Meetings may also be called at the request of a member of the Board of Directors, the CEO or another member of the Group Management Board with explanation of the reasons for the request. The Board of Directors may pass resolutions if the majority of its members are in attendance. Attendance may also take place by telephone, video-conferencing or other electronic media. No quorum is required if only resolutions regarding the implementation of a capital increase and subsequent amendments to the Articles of Incorporation are to be passed. Except as provided by the Organizational Regulations, the Board of Directors passes resolutions with the majority of the votes cast. In the event of a tie, the Chairman of the meeting casts the deciding vote. Resolutions may also be passed by circular resolution, whether in writing, by facsimile or by e-mail, provided that no member requests deliberations in a meeting. The Board of Directors met eleven times in person in 2015. Daniel Pindur was excused from three meetings. Siddharth Patel, Daniel Pindur and Peter Schöpfer each attended one meeting by phone instead of in person. Physical meetings in general last for seven hours. Nine phone conferences were held in 2015 with no absences. Phone conferences in general last for one hour. Thirteen circular resolutions were passed in 2015.

The Nomination and Compensation Committee meets whenever required by business, but at least three times per year. The Nomination and Compensation Committee met two times in 2015 with no absences. Physical meetings in general last for three hours. One phone conference of one hour was held in 2015 with no absences. Four circular resolutions were passed in 2015.

The Audit Committee meets whenever required by business, but at least four times per year. The Audit Committee held four meetings in 2015. Siddharth Patel was excused from one meeting. Physical meetings in general last for four hours. No phone conferences were held and no circular resolutions were passed in 2015.

The meetings of the Nomination and Compensation Committee and the Audit Committee are called by the Chairman of the respective Committee or, in his/her absence, by the most senior member of the Committee. Meetings may also be called at the request of a member of the Committee with explanation of the reasons for the request. A committee may pass resolutions if the majority of its members are in attendance. Attendance may also take place by telephone, video-conferencing or other electronic media. Resolutions are passed by a majority of the votes cast. In the event of a tie, the Chairman of the meeting casts the deciding vote. Resolutions may also be passed by circular resolution, whether in writing, by facsimile or by e-mail, provided that no member requests deliberations in a meeting.

The CEO, the CFO and other members of the Group Management Board may be invited by the respective Chairman to participate in meetings of the Board of Directors, the Nomination and Compensation Committee and the Audit Committee on a consultative basis. The Audit Committee holds meetings exclusively with representatives of the internal and external auditors.

The Nomination and Compensation Committee reports to the Board on its activities on a regular basis and submits the necessary proposals and recommendations to the Board of Directors. It assists the Board of Directors in conducting an annual review and evaluation of the performance of the Board of Directors and its committees. The Audit Committee reports to the Board of Directors at each meeting of the Board of Directors on its activities and on matters that are within its area of responsibility and submits the necessary proposals and recommendations to the Board of Directors.

The Nomination and Compensation Committee reports to the Board of Directors at least once per year on succession planning, including planning and training for unforeseen and emergency situations, and management development for members of the Group Management Board.

Newly elected members of the Board of Directors receive orientation training appropriate to their functions. Existing members of the Board of Directors receive regular training with respect to their responsibilities as member of the Board of Directors and its committees.

3.4 Definition of Areas of Responsibility between the Board of Directors and Executive Management

The Board of Directors has delegated the executive management of the Company, unless otherwise provided by law, the Articles of Incorporation and the Organizational Regulations, to the CEO. As part of the executive management duties delegated to the CEO pursuant to the Organizational Regulations, the CEO is responsible for the Company's overall business and affairs and has final authority in all management matters not reserved for the Board of Directors under the law, the Articles of Incorporation and the Organizational Regulations. The CEO is responsible for implementing all resolutions of the Board and supervising all management levels in the company. The CEO must ensure the successful long-term market- and value-oriented management and development of the Sunrise group. The CEO acts as the head of the other members of the Group Management Board appointed and removed by the Board of Directors at the recommendation of the CEO and the Nomination and Compensation Committee. Within the Group Management Board, the CEO is the contact person for the Chairman and the other members of the Board of Directors. He represents and coordinates the positions of the Group Management Board vis-à-vis the Board of Directors. In matters requiring approval by the Board of Directors, the CEO submits corresponding proposals to the Board and ensures the implementation of the resolutions passed. The CEO provides information to the other members of the Group Management Board concerning the resolutions, suggestions and wishes of the Board of Directors. The CEO represents the Sunrise group, both internally and externally.

3.5 Information and Control Instruments vis-à-vis the Executive Management

In each meeting of the Board of Directors, the Board of Directors is informed by the CEO, the CFO and other members of the Group Management Board on the current state of the business, financial results, material developments and important business transactions affecting the company. This includes, but is not limited to, consolidated annual budgets, quarterly reports with budget comparison, profit and loss forecasts, quarterly financial projections, monthly key performance index reports and strategic risk management reports (annually with quarterly updates to the Audit Committee). The Audit Committee receives, and the Board of Directors approves, the quarterly financial results. The Audit Committee receives quarterly compliance, legal, regulatory and information security reports. Once a year, the Nomination and Compensation Committee receives information on the implementation of compensation and personnel policies by the Group Management Board as well as information on personnel development and corresponding measures at management levels below the Group Management Board. The Audit Committee has direct access to the Internal Audit department and may obtain information required by it within the Sunrise group and question the responsible employees. The Board carries out an annual review of the principles of compliance applicable to the Board of Directors, its Committees, the Group Management Board and the Sunrise group to determine whether such principles are sufficiently well known and consistently followed.

3.6 Internal Audit

The Internal Audit department provides the Audit Committee in particular and the Board of Directors and Group Management Board of Sunrise Communications Group AG in general with an independent review of the business processes and controls necessary to manage the risks of the company. It is an independent assurance function that examines and evaluates the adequacy and effectiveness of internal controls in line with the Internal Audit Charter approved by the Board of Directors. To ensure its independence, the Head of Internal Audit reports administratively to the Chief Financial Officer and functionally to the Chairman of the Audit Committee.

Internal Audit provides an objective and effective value-added internal audit service through a systematic and disciplined approach by assisting management in controlling risks, monitoring compliance and improving the efficiency and effectiveness of internal control systems and governance processes. As part of its duties, it prepares an annual plan approved by the Audit Committee, carries out all the necessary activities to ensure that audits are conducted in an effective and professional manner, documents audit findings and monitors the implementation of corrective measures. Regular reports highlighting significant audit findings and recommendations and summarizing internal audit activities are provided to the management teams and Audit Committee meetings at least on a quarterly basis.

To achieve maximum assurance and avoid duplication of audit efforts, Internal Audit coordinates its annual audit plan and activities with those of the external auditors. External auditors have unrestricted access to the audit reports of Internal Audit.

Internal Audit adheres to standards of best professional practice such as the Standards of Professional Practice of Internal Auditing.

4 Group Management Board

The composition of the Group Management Board during 2015 is set out on the following pages.

No member of the Group Management Board carried out any tasks for Sunrise Communications Group AG or any of its subsidiaries before having been appointed as member of the Group Management Board, except for Libor Voncina who acted as advisor to the Board of Directors as of September 2012 before being appointed as CEO in January 2013.

According to Article 23 of the Articles of Incorporation, no member of the Group Management Board may hold more than one additional mandate in a listed company and more than five mandates in non-listed companies. For the purposes of such provision, mandates of a member of the Group Management Board of Sunrise Communications Group AG in legal entities outside the Sunrise group which are under common control as well as mandates held by such member in his or her capacity as a member of the supreme governing body or of the group management of a legal entity outside the Sunrise group or held by order and on behalf of such a legal entity or legal entities controlled by it shall be deemed one mandate outside the Sunrise group.

The following mandates are not subject to these limitations:

- mandates in companies controlled by Sunrise Communications Group AG or which control Sunrise Communications Group AG
- mandates held at the request of Sunrise Communications Group AG or companies controlled by it, whereby no member of the Group Management Board may hold more than ten such mandates and
- mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations, whereby no member of the Group Management Board may hold more than six such mandates.

"Mandates" within the meaning of Article 23 of the Articles of Incorporation are mandates in the supreme governing body of any legal entity that is required to be entered in the commercial register or corresponding foreign register of companies. Any mandate of a member of the Group Management Board in a legal entity outside the Sunrise group is subject to prior approval by the Board of Directors of Sunrise Communications Group AG, or, where delegated to it, the Nomination and Compensation Committee.

No member of the Group Management Board of Sunrise Communications Group AG exceeds any limits for additional mandates.

As of December 31, 2015, Sunrise Communications Group AG had not entered into management contracts with companies (or natural persons) not belonging to the Sunrise group.

Libor Voncina

Title and function
Chief Executive Officer (CEO)

Year of birth
1963

Nationality
Slovenian

Education
1993: MBA, International Institute for Management Development (IMD), Lausanne, Switzerland

1989: Bachelor of Electrical Engineering, University of Ljubljana, Slovenia

Professional Background
Since 2013: Sunrise Communications AG, Zurich, Switzerland, Chief Executive Officer

2011–2013: Leaderman, Brussels, Belgium, Managing Director

2006–2011: KPN Group Belgium, Brussels, Belgium, Chief Executive Officer

2004–2006: Telekom Slovenije, Ljubljana, Slovenia, President of the Management Board

2000–2003: Avaya, Brussels, Belgium, Vice President of Services, Europe, Middle East and Africa (EMEA), Vice President, Western Europe

1996–2000: Lucent Technologies Enterprise Networks EMEA, Vienna, Austria, and Brussels, Belgium

1994–1996: IBM Central Europe & Russia Inc., Vienna, Austria

1990–1993: ITS Intertrade (IBM General Marketing and Sales Representative), Ljubljana, Slovenia

1989–1990: Iskra Avtomatika, R&D Institute, Ljubljana, Slovenia

André Krause

Title and function
Chief Financial Officer (CFO)

Year of birth
1970

Nationality
German

Education
1996: BA in Economics, Bielefeld University, Germany

1992: Follmann GmbH & Co. KG, Minden, Germany,
Industrial Management Training, SAP Implementation Project

Professional Background
Since 2011: Sunrise Communications AG, Zurich, Switzerland, Chief Financial Officer

2006–2011: O_2 Germany GmbH, Munich, Germany, Chief Financial Officer

2004–2006: O_2 Germany GmbH, Munich, Germany, Vice President, Strategy & Consulting

1999–2004: McKinsey & Company, Inc., Düsseldorf, Germany, Associate Principal and member of the TIMe (Telecom, IT, Media) practice

1997–1999: Arthur Andersen, Düsseldorf, Germany, Assistant, Computer Risk Management and Auditing

Other activities and functions
Since 2014: Tele Columbus, Berlin, Germany (listed), Member of the Board of Directors and Chairman of the Audit Committee

Timm Degenhardt

Title and function
Chief Commercial Officer (CCO)

Year of birth
1969

Nationality
Swiss/German

Education
1997: MSc in Marketing Management, Nottingham Business School, UK

1995: Diploma in Marketing, Chartered Institute of Marketing, London, UK

Professional Background
Since 2013: Sunrise Communications AG, Zurich, Switzerland, Chief Commercial Officer, Chief Marketing Officer

2010–2011: Aizo Group AG, Schlieren, Switzerland, Chief Executive Officer

2007–2010: E.ON AG, Düsseldorf, Germany, Senior Vice President, Marketing & Sales

2004–2007: Orange Communications SA, Renens, Switzerland, Vice President, Marketing & Solutions, Vice President, Marketing & Communication

1995–2004: American Express Switzerland, Chief Marketing Officer Swisscard, Zurich, Switzerland; Director, Marketing & Advertising, Global Network Services, New York, USA; Senior Marketing Manager, Cardmember Acquisition Europe, London, UK

Other activities and functions
Since 2013: iMusician Digital AG, Zurich, Switzerland (not listed), Member of the Board of Directors

Since 2013: Tessaro AG, Kilchberg ZH, Switzerland (not listed), Member of the Board of Directors

Elmar Grasser

Title and function
Chief Operating Officer (COO)

Year of birth
1965

Nationality
Italian

Education
1992: Graduate degree (Dipl. Ing.) in Computer Science, Vienna University of Technology, Austria

Professional Background
Since 2013: Sunrise Communications AG, Zurich, Switzerland, Chief Operating Officer

2008–2013: Orange Austria Telecommunication GmbH, Chief Technical Officer

2006–2007: E-Plus Mobilfunk GmbH & Co. KG, Düsseldorf, Germany, KPN Mobile International, Brussels, Belgium, Chief Technical Officer

2004–2006: tele.ring Telekom Service GmbH, Vienna, Austria, Chief Technical Officer

2000–2004: O_2 Limited London/ O_2 Germany, Munich, Germany, Vice President, Product Development

1996–2000: Iridium Communications Germany, GmbH, Düsseldorf, Germany; Iridium Services Europe GmbH & Co. KG, Executive Director, Engineering

1995: European Telecommunication Standardization Institute, Sophia Antipolis, France, Technical Expert, ETSI GSM Standardization, Project Team 12

1993–1994: Siemens Stromberg Carlsson, Boca Raton, FL, USA, Siemens representative in the TIA (Telecommunications Industry Association) and ANSI (American National Standards Institute)

1992–1993: Siemens AG, Vienna, Austria, Program and Systems Engineering, GSM Mobile Division

Markus Naef

Title and function
Chief Commercial Officer Business (CCB)

Year of birth
1969

Nationality
Swiss

Education
1997: Master of Law (lic. iur. HSG)

1995: MSc in Economics (lic. oec. HSG)

Professional Background
Since 2014: Sunrise Communications AG, Zurich, Switzerland, Chief Commercial Officer of Business

2012–2014: 20th Century Fox, Moscow, Russia, Country Manager/Managing Director

2009–2014: 20th Century Fox, Zurich, Switzerland, Country Manager/Managing Director

2000–2008: Orange Communications SA, different positions including:
2005–2008: Director of Marketing
2001–2008: Corporate Secretary
2002–2005: Deputy VP of Finance & Administration/Chief Financial Officer Orange
2001–2005: General Counsel
2000–2001: Senior Legal Counsel, Deputy General Counsel

1999–2000: Consultancy work in New York and Miami, co-founder of a start-up/joint venture with the Zurich Retail Association

1998–1999: Zürcher Blickenstorfer & Widmer, Attorneys at Law (Zurich), Legal Counsel

Other activities and functions
Since 2010: Zattoo Schweiz AG, Bäch, Switzerland (not listed), Member of the Advisory Board

Massimiliano Nunziata

Title and function
Chief Customer Experience Officer (CCE)

Year of birth
1969

Nationality
Italian

Education
1992: MSc in Electrotechnical Engineering with specialization in Telecommunications, Swiss Federal Institute of Technology (ETH), Zurich, Switzerland

Professional Background
Since 2013: Sunrise Communications AG, Zurich, Switzerland, Chief Customer Experience Officer

2013: Meridiana Fly, Milan, Italy, Chief Integration Officer

2005–2012: GE Capital, Milan, Italy, Managing Director, Equipment Financing & Fleet Services

2002–2005: GE Capital Equipment Financing, London, UK, Program Manager (Vendor Finance) – Europe

2000–2001: GE Capital Equipment Financing, London, UK, Director of Operations – Europe

1998–2000: GE Capital Equipment Financing, London, UK, Quality (Six Sigma) Leader – Europe

1996–1998: GE Capital, London, UK and Tokyo, Japan, Director of Business Development (M&A)

1995–1996: GE Corporate, Stamford, CT, USA, Associate Auditor, Corporate Audit Staff

1992–1995: Procter & Gamble, European Technical Center, Brussels, Belgium, Project Manager

Sebastian Prange

Title and function
Chief Sales Officer (CSO)

Year of birth
1973

Nationality
German

Education
2000: Master of Industrial Engineering, University of Karlsruhe (TU), Germany

1994: German Army, Lieutenant (Reserve Officer), Paratroopers, 3./251, Calw, Germany

Professional Background
Since 2013: Sunrise Communications AG, Zurich, Switzerland, Chief Sales Officer

2011–2012: Orange Communications SA, Zurich/Lausanne, Switzerland, Vice President, Consumer Sales

2006–2011: Telefónica O_2, Munich, Germany, Vice President, O_2 Shops

2003–2006: Telefónica O_2, Munich, Germany, Executive Assistant to the CEO of O_2 Germany

2000–2003: Gemini Consulting/Cap Gemini Strategic Consulting, Munich, Germany/London, UK/Bratislava, Slovakia, Senior Consultant

1999: Precision Laboratories Inc., Chicago, IL, USA, Marketing Manager

1998: Bosch Braking Systems S.A., Paris, France, Freelancer/Consultant

Detlef Steinmetz

Title and function
Chief Information Officer (CIO) (until November 24, 2015)

Year of birth
1967

Nationality
German

Education
1990–1994: Electrical Engineering, Armed Forced University Munich

Professional Background
2013–2015: Sunrise Communications AG, Zurich, Switzerland, Chief Information Officer

2008–2013: Deutsche Telekom AG, Bonn, Germany:
2012–2013: T-Systems International GmbH, Senior Vice President, IT Solutions, GHS/ERP
2011–2012: Telekom Deutschland GmbH, Senior Vice President, IT Solutions, Rating & Billing
2010: Telekom Deutschland GmbH, Senior Vice President, IT Solutions, Portals & Sales
2008–2010: T-Mobile Deutschland GmbH, Senior Vice President, IT, Enablers

2000–2008: telegate AG, Munich, Germany: telegate group, Chief Technology Officer (CTO); datagate GmbH, Managing Director; telegate Auskunftsdienste GmbH, Managing Director; 11880 telegate GmbH Austria, Managing Director

1998–2000: NETnet, Munich, Germany, and Vienna, Austria, Area Director of Operations, Central Europe; NETnet Telekommunikationssysteme GmbH Germany, Managing Director of Operations; NETnet Telekommunikation GmbH Austria, Managing Director of Operations

1996–1998: TELiT, Munich, Germany, Project and Branch Manager

1995–1996: Pluskom GmbH, Schwieberdingen (Stuttgart), Germany, Project and Sales Engineer

1989–1995: Naval Officer, Munich, Germany, Deutsche Bundeswehr

5 Compensation, Shareholdings and Loans

For information regarding compensation, shareholdings and loans, please consult the Compensation Report.

6 Shareholder Rights

6.1 Voting Rights

Each share of Sunrise Communications Group AG carries one vote at a shareholders' meeting. Voting rights may be exercised only after a shareholder has been registered in Sunrise Communications Group AG's share register (German: Aktienbuch) as a shareholder with voting rights. Acquirers of shares are, upon request and presentation of evidence of the transfer, registered as shareholders with voting rights in the share register only if they explicitly declare that they hold the shares in their own name and for their own account. For this purpose, Article 5 of the Articles of Incorporation requires that Sunrise Communications Group AG maintain a share register listing the owners, usufructuaries and nominees of registered shares, including name, address and nationality (in case of companies with registered offices). The persons listed in the share register are deemed to be shareholders, usufructuaries or nominees in relation to Sunrise Communications Group AG. Sunrise Communications Group AG recognizes only one proxy per share. The Board of Directors has the power to delete entries in the share register retroactively as of the date of the entry if the entry was made on the basis of false information. Before deleting an entry, it may give the shareholder or nominee in question the opportunity to argue against the deletion. The shareholder or nominee in question will be informed of the deletion without delay. The share register is closed three trading days before the date of the Annual General Meeting, up to and including the day of the meeting. Nonetheless, deletions from the share register may be made during the period that the share register is closed.

6.2 Convocation of the Meeting of Shareholders

Shareholder's meetings of Sunrise Communications Group AG are announced by the Board of Directors through official publication in the Swiss Official Gazette of Commerce (German: Schweizerisches Handelsamtsblatt) no less than twenty days prior to the date of the meeting. Notices may also be mailed to the shareholders listed in the share register. One or more shareholders of Sunrise Communications Group AG together representing at least 3 % of the total share capital outstanding at the time may request an extraordinary shareholders' meeting in writing to the Board of Directors including indication of the agenda items and associated motions. Shareholders representing at least 1 % of the total share capital outstanding at the time may request that items be included in the agenda. Such requests must be made at least 40 days prior to the meeting in writing and include a list of the items to be added to the agenda and the associated motions. The invitation to the shareholders' meeting states the day, time and place of the meeting, the agenda items as well as the motions of the Board of Directors and of the shareholders who requested the shareholders' meeting or the inclusion of an item in the agenda.

6.3 Representation at the Meeting of Shareholders

At shareholders' meetings of Sunrise Communications Group AG, shareholders may be represented by their statutory proxy, another shareholder with voting rights or the independent proxy elected by the Annual General Meeting. Shareholders may grant proxies electronically and instruct the independent proxy on both

- agenda items included in the invitation to the shareholders' meeting and
- new motions which were not disclosed in the invitation to the shareholders' meeting.

The independent proxy may only exercise the voting rights granted by the shareholder in accordance with the shareholder's instructions. Absent express voting instructions, the independent proxy is required to abstain from voting. The independent proxy is elected annually by the Annual General Meeting for a term of office of one year until the end of the next Annual General Meeting.

6.4 Statutory Quorum Requirements

The shareholders' meeting passes resolutions and carries out elections by absolute majority of the votes cast, excluding any abstentions, blank or invalid votes. However, in accordance with the specific quorum requirements under the Swiss Code of Obligations and the Articles of Incorporation, the following actions require the approval of shareholders holding at least two-thirds of the votes represented at such meetings:

– changes to the Company's purpose
– creation of shares with privileged voting rights
– restriction of the transferability of registered shares
– authorized or conditional capital increases
– increase of capital out of equity (German: Kapitalerhöhung aus Eigenkapital), against contributions in kind (German: Sacheinlage) or for the purpose of acquiring assets (German: Sachübernahme) and granting special benefits (German: Gewährung besonderer Vorteile)
– limitation or withdrawal of preemptive rights
– a change of registered offices of the Company and
– dissolution of the Company

The Articles of Incorporation do not provide for stronger majority requirements than envisaged by law.

7 Change of Control Provisions

7.1 No Opting Out, no Opting Up

Pursuant to the applicable provisions of the Federal Act on Stock Exchanges and Securities Trading (Stock Exchange Act, SESTA), which with effect of January 1, 2016, has been replaced by the Federal Act on Financial Market Infrastructure and Market Conduct in Securities and Derivation Trading (Financial Market Infrastructure Act, FMIA), if a person acquires shares of a company listed on the SIX Swiss Exchange, whether directly or indirectly or acting in concert with third parties, which, when added to the shares already held by such person, exceed the threshold of ⅓ of the voting rights (whether exercisable or not) of such company, that person must make a bid to acquire all of the listed shares of such a company. A company's articles of incorporation may either eliminate this rovision of the SESTA/FMIA or may raise the relevant threshold to 49 % ("opting out" or "opting up", respectively). Sunrise Communications Group AG's Articles of Incorporation do not contain applicable opting-out or opting-up provisions.

7.2 Change of Control

There are no change-of-control clauses benefiting members of the Board of Directors, members of the Group Management Board or other members of the Management of Sunrise Communications Group AG. Employment contracts given to members of the Group Management Board do not provide notice periods exceeding 12 months, commissions for the acquisition or transfer of enterprises or severance payments.

8 Auditor

8.1 Duration of the Mandate and Term of Office of the Lead Auditor

The Sunrise group's consolidated financial statements for the fiscal year ended December 31, 2015, have been audited by Ernst & Young AG, Zürich (since the incorporation of Sunrise Communications Group AG). Ernst & Young S.A., Luxembourg, has been the auditor of Sunrise Communications Holdings S.A. since fiscal year 2012. The auditor is elected annually by the Annual General Meeting of Sunrise Communications Group AG. The lead auditor is André Schaub (since 2015).

8.2 Audit Fees

The total audit fees for the fiscal year 2015 amount to CHF 796,000 (2014: CHF 638,000).

8.3 Additional Fees

The additional fees for audit-related services totaling CHF 582,000 (2014: 84,000) primarily comprise services in connection with comfort letter procedures related to the initial public offering. Additional fees for tax services totaling CHF 2.186 million (2014: 23,000) are related to services in connection with re-financing and reorganization of the Group structure.

8.4 Supervisory and Control Instruments Pertaining to Audits

The Board of Directors of Sunrise Communications Group AG meets with the auditor on a regular basis (at least four times a year) during the Audit Committee meetings. Once a year, the auditor presents to the Audit Committee a detailed report on the financial statement audit, including findings of significant financial accounting, reporting and internal control system issues. The auditor also confirms its independence from the Sunrise group in that report. Each year, the Audit Committee reviews the appropriateness of retaining Ernst & Young as the Sunrise group's auditor prior to proposing the reappointment of Ernst & Young to the Annual General Meeting. Audit fees are ultimately approved by the Audit Committee. To ensure independence throughout the year, any additional and audit-related services provided by the auditor require the approval of the Audit Committee.

9 Information Policy

Sunrise Communications Group AG engages in transparent, open and regular communication with its shareholders, the capital market and the general public. Throughout the year, Sunrise Communications Group AG publishes its annual results and interim reports (half-yearly and quarterly) on the dates listed in the financial calendar published on the Sunrise Investor Relations website at www.sunrise.ch/ir. Press releases and ad-hoc publications containing potentially price-sensitive information are published regularly and in accordance with the rules of the SIX Swiss Exchange. All interim reports, company press releases and ad-hoc publications are also available on the Sunrise website, as are push subscription services for all such publications. Printed annual reports are available upon request. For further information please contact the investor relations department at phone number +41 58 777 96 86 or e-mail investor.relations@sunrise.net. For media enquiries please contact Corporate Communications at phone number 0800 333 000 (+41 58 777 76 66 from outside of Switzerland) or e-mail media@sunrise.net.

Important dates for 2016

Publication of the 2015 annual financial results: March 10, 2016
Annual General Meeting: April 15, 2016
Publication of 2016 half-year report: August 25, 2016

10 Subsequent Events after December 31, 2015

On February 19, 2016, Sunrise Communications Group AG was informed by Allianz SE that it holds 10.02 % of the voting rights and of the registered share capital of Sunrise Communications Group AG.

On March 10, 2016, Sunrise announced that Libor Voncina will be stepping down as CEO and be succeeded by Olaf Swantee as new CEO on May 9, 2016.

On March 10, 2016, Sunrise announced that the Board of Directors proposes to the Annual General Meeting on April 15, 2016, the re-election of all members of the Board of Directors, except for Dr. Daniel Pindur and Siddharth Patel who have declined re-election. Furthermore, the Board of Directors proposes the election of Dr. Peter Kurer, Michael Krammer and Robin Bienenstock as new members of the Board of Directors. The Board of Directors proposes the election of Dr. Peter Kurer as Chairman and as member of the Nomination and Compensation Committee.

Compensation Report

The Sunrise compensation framework is based on the company values fairness, transparency and customer orientation and is aligned with the company's strategy and financial goals. The Compensation Report is compliant with the Directive on Information Relating to Corporate Governance issued by SIX Swiss Exchange, along with the Ordinance against Excessive Compensation in Public Companies as well as the Swiss Code of Best Practice for Corporate Governance.

Compensation Report

1 Introduction

The Sunrise compensation framework is based on the Sunrise values of fairness, transparency and customer orientation and is aligned with the Sunrise strategy and financial goals. It applies to all employees, including the Group Management Board, and aims at attracting, motivating and retaining talent. It rewards short- and long-term success, both in terms of the performance of the company as a whole as well as the individual's contributions to the business, thus fostering a culture of high performance. Compensation is subject to a formal annual performance management process with the purpose of aligning individual, team and organizational targets.

With the initial public offering (IPO) of February 6, 2015, the Sunrise compensation models were reviewed and new long-term incentive plans were introduced to balance short- and long-term commitment and compensation, as well as to ensure the continued alignment of the interests of management and employees, shareholders and other stakeholders. The long-term incentive plans offer Group Management Board and selected Other Top Management members the opportunity to invest a portion of their short-term incentive into shares as a way to participate in the long-term success of Sunrise.

In 2015 Sunrise achieved its qualitative goals and was successful in acquiring new residential as well as business customers, strengthening customer satisfaction and improving the quality of its infrastructure. Nevertheless, the company's financial targets were not fully achieved. This is reflected in the lower individual payout to Group Management Board members. In order to increase efficiency, further improve service delivery, boost customer satisfaction and set basis for growing customer base, a significant reorganization took place at the end of Q3 to prepare for strategic challenges and increased competitive market conditions.

The 2015 Compensation Report will be submitted for an advisory vote by the shareholders at the Annual General Meeting on April 15, 2016. Shareholders will thus have an opportunity to express their opinion on how the Board of Directors has determined actual payouts for business year 2015. While Sunrise believes that it has a well-balanced compensation system in place, the Company will carefully take into account any feedback received from shareholders as part of this advisory vote.

At the 2016 Annual General Meeting, shareholders will also be asked to approve the compensation of the Board of Directors for the period prior to the 2017 Annual General Meeting, as well as the maximum compensation amount for the Group Management Board for the business year ending December 31, 2017.

Sunrise is committed to providing shareholders with a real say-on-pay. Therefore, shareholders determine compensation budgets for future years and can voice their opinions on the use of these budgets in an advisory capacity each year.

The Compensation Report is subject to and is compliant with the Directive on Information Relating to Corporate Governance and its annex (Corporate Governance Directive) and the commentary issued by SIX Swiss Exchange, along with the Ordinance against Excessive Compensation in Public Companies (Compensation Ordinance) as well as the Swiss Code of Best Practice for Corporate Governance.

2 Compensation Governance

2.1 Rules regarding Compensation in the Articles of Incorporation

The Sunrise Articles of Incorporation (www.sunrise.ch/governance/principles) contain provisions regarding the approval of compensation by the General Meeting (Article 8), the powers and duties of the Nomination and Compensation Committee (Article 17), general principles of compensation (Article 20), approval of maximum compensation for the members of the Board of Directors and the Group Management Board (Article 21), additional amounts for new members of the Group Management Board (Article 22), agreements with members of the Board of Directors and the Group Management Board (Article 24) and loans and credits to members of the Board of Directors and the Group Management Board (Article 25).

2.2 Nomination and Compensation Committee

The Nomination and Compensation Committee (NCC) is entrusted with supervision and governance of Sunrise compensation programs and policies, compensation of the Group Management Board as well as the evaluation of new Group Management Board members as set out in Corporate Governance – Tasks and Areas of Responsibility of each Committee of the Board of Directors (page 44).

The NCC consists of at least three members of the Board of Directors. The members of the NCC and the Chairman of the NCC are elected individually each year by the respective General Meeting in accordance with the law and the Articles of Incorporation.

The powers and duties of the NCC related to compensation are outlined in the Organizational Regulations of the Board of Directors, Section 4.6 (www.sunrise.ch/governance/principles), the Organizational Regulations of the NCC, Section 2.2.4, and are in accordance with the Articles of Incorporation, Article 17 (www.sunrise.ch/governance/principles).

According to the Organizational Regulations of the Board of Directors, Section 4.6.3, the decision-making powers regarding the compensation of the members of the Board of Directors and the Group Management Board are outlined in the table below.

SUBJECT	NOMINATION AND COMPENSATION COMMITTEE	BOARD OF DIRECTORS	GENERAL MEETING
Compensation Report	A	E	E (consultative)
Compensation of the Board of Directors	A	A	E
Compensation of the Group Management Board	A	A	E
Additional amounts for new members of the Group Management Board	A	E	
Decision on individual compensation of the members of the Board of Directors	A	E	
Decision on individual compensation of the CEO and other members of the Group Management Board	A	E	

Legend: A = Applicant, E = Decision

2.3 Process for Determining Compensation

In general, the NCC evaluates and prepares the compensation guidelines and the applicable performance criteria with regard to compensation and submits corresponding proposals to the Board of Directors. Furthermore, the Board of Directors is regularly informed by the NCC on its activities. The NCC assesses the effectiveness, attractiveness and competitiveness of compensation plans at least every two years.

In accordance with these compensation guidelines, the NCC recommends remuneration for the Board of Directors for the period prior to the Annual General Meeting in the following year and for the Group Management Board for the following business year, in line with the maximum aggregate compensation and subject to approval by the General Meeting. Article 22 of the Articles of Incorporation (www.sunrise.ch/governance/principles) provides additional amounts for compensating members of the Group Management Board who are appointed after the maximum aggregate compensation is approved by the General Meeting.

Discussions and decisions by the Board of Directors or the NCC regarding the compensation of Group Management Board members are resolved in the presence of the CEO and the HR Director, who do not have voting rights.

2.4 NCC Meetings

As this was the first post-IPO year, the Board of Directors, NCC, CEO and the entire Group Management Board held regular discussions to ensure smooth decision-making.

In 2015 the NCC held two physical meetings and one telephone conference relating to compensation:

January 23, 2015: Meeting
Attendees: Peter Schöpfer (Chairman of the NCC), Lorne Somerville, Dominik Koechlin

In the first NCC meeting in preparation for the IPO, the NCC decided on its organization. The NCC also finalized all recommendations to the Board of Directors regarding the 2015 remuneration of the Group Management Board (base salary, short-term incentive, etc.), the Group Management Board master contract as well as individual contracts for each Group Management Board member, the plan rules for the Management Long-Term Investment Programs MLTIPZero and MLTIP (see 3.2.3.2), the nomination of participants in the MLTIPZero/MLTIP and the plan rules for the Employee Share Purchase Program (ESPP). The NCC also recommended the approval of the external mandates of the Board of Directors and the Group Management Board. All recommendations were approved by the Board of Directors.

February 12, 2015: Circular resolution of the NCC

The NCC reviewed and recommended for approval via circular resolution to the Board of Directors the summary target achievement results for 2014 for individual Group Management Board members, the target achievement results for 2014 for the company as a whole as well as individual 2015 targets for Group Management Board members.

August 12, 2015: Telephone conference
Attendees: Peter Schöpfer (Chairman of the NCC), Lorne Somerville, Jesper Ovesen

The NCC finalized its recommendation to the Board of Directors regarding the Sunrise restructuring program and the adapted Corporate Governance meeting structure.

November 10, 2015: Meeting
Attendees: Peter Schöpfer (Chairman of the NCC), Lorne Somerville, Jesper Ovesen

The NCC gave guidance for the preparation of year-end processes for 2015/2016: 2015 target achievement results for Group Management Board members and guiding principles for setting targets for the company as a whole as well as individual targets for Group Management Board members for 2016.

The NCC meeting to finalize its recommendation regarding the 2015 target achievement results took place on January 28, 2016. During the same meeting, 2016 target setting recommendations for the Group Management Board were discussed.

The NCC held three meetings. All appointed members participated in these meetings. Due to the passing away of Dominik Koechlin in July 2015, Jesper Ovesen, member of the Board of Directors, was appointed as Dominik Koechlin's substitute until the completion of the next Annual General Meeting.

3 Compensation System

3.1 Principles

Sunrise has set itself the goal of paying all employees including the Board of Directors and the Group Management Board (GMB) by targeting the median compensation of relevant comparison groups. Compensation levels and structures are benchmarked on a regular basis.

With regard to compensation for the Board of Directors and Group Management Board, Sunrise obtained advice and benchmark data from PricewaterhouseCoopers (PwC) on companies in the Swiss Market Index SMIM (PwC also has tax advice and accounting mandates for Sunrise). A subset of particularly relevant companies was selected from the SMIM. This subset of SMIM companies, along with a direct competitor in the Swiss telco market (see list below), is considered the group of companies most comparable to Sunrise in terms of size, complexity and labor market[1].

[1] ams AG; Bâloise Holding AG; Georg Fischer AG; Logitech International AG; Nobel Biocare AG; OC Oerlikon Corp AG; PSP Swiss Property AG; Sonova Holding AG; Straumann Holding AG; Swiss Prime Site AG; Temenos Group AG; Swisscom AG.

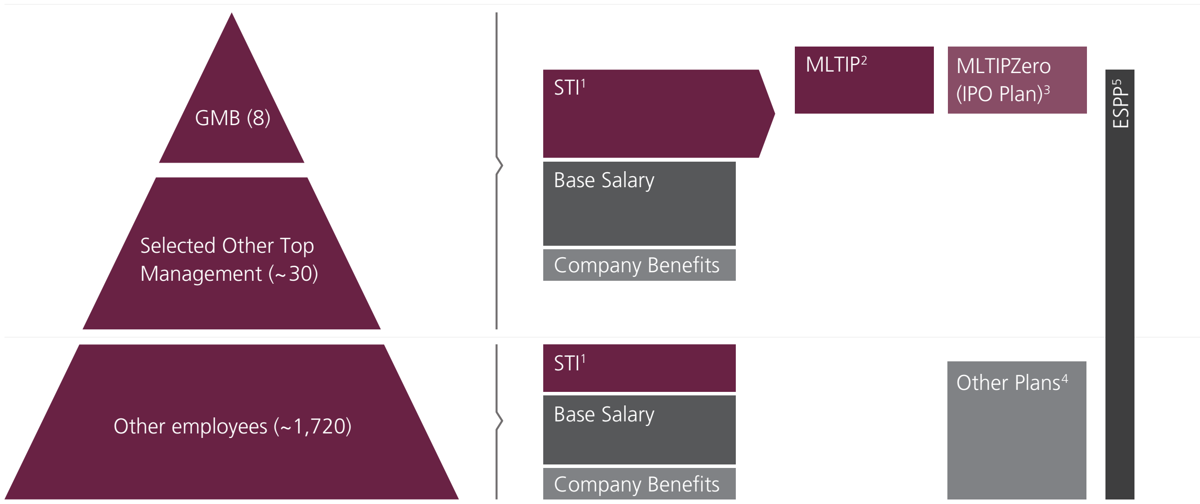
Sunrise is mindful of the fact that pay level comparisons must also take into account differences in compensation structure. While, generally speaking, the companies in the SMIM differ in terms of their compensation structures, Sunrise considered their pay structures similar enough to allow for meaningful pay level benchmarking.

Compensation for employees below the Board of Directors and Group Management Board level is benchmarked against the high-tech industry survey conducted by Towers Watson (Towers Watson also provides pension fund services).

3.2 Elements

The general compensation principles for the Board of Directors and the Group Management Board of Sunrise are described in the Articles of Incorporation (Article 20).
As shown in the chart below, the total compensation of Sunrise is based on:
- Fixed compensation – base salary
- Variable compensation – short- and long-term incentive plans
- Benefit programs (company pension plans, insured benefits and other fringe benefits)

Compensation Framework



[1] Short-term incentive: annually, rewarding past performance
[2] Management Long-Term Investment Program: linked to STI and participation on a voluntary basis
[3] Management Long-Term Investment Program Zero: offered at IPO on a one-time basis
[4] Plans for selected employee groups; Sales Plan and Customer Consultant Incentive Plan
[5] Employee Share Purchase Program: offered at IPO on a one-time basis

3.2.1 Total Compensation Overview

	Chairman of the Board	Members of the Board	Group Management Board	Selected Other Top Management	All Regular Employees	Remarks
Fixed Compensation						
Fixed Compensation	•	•	•	•	•	Cash (as of April 2016, the Board of Directors will receive part of their fixed compensation in shares)
Variable Compensation						
Short-Term Incentive (Company Bonus Plan)			•	•	•	Based on the achievement of company targets and individual targets, GMB and OTM can opt to invest part of their Short-Term Incentive in the MLTIP
Long-Term Incentive Plan (MLTIP)			•	•		
Sales Plan				•	•	Only for Sales Employees, based on quotas
Customer Consultant Incentive Plan					•	Only for Employees in the Internal Contact Center
Company Benefits						
(Base and additional Pension Plan, Base and additional Accident Insurance, Sick Pay Insurance, etc.)			•	•	•	1. Board of Directors is not in a Pension Plan 2. Bel-Etage Pension Plan for Group Management Board only 3. One-time Employee Share Purchase Program at IPO in 2015

3.2.2 Fixed Compensation

The base salary is paid in cash on a monthly basis and takes into account size and scope of the position as well as external market data. Potential increases in base pay are evaluated on an annual basis.

3.2.3 Variable Compensation

Variable compensation comprises short- and/or long-term variable compensation components that reward specific and challenging financial as well as customer-related, qualitative objectives. These annually defined objectives are linked to the key drivers behind the Sunrise strategy (see Sunrise Strategy, p. 7). The level of target-based and actual variable compensation is determined by the scope of the position, its external market value, the company's business success as well as individual performance.

From a basic principle point of view and in regard to the Group Management Board members, the ratio of variable performance-related compensation (Short-Term Incentive and MLTIP) to fixed compensation (base salary, other benefits/cash allowances, social security and retirement benefits) ranges between 0 % (no targets achieved) and 129 % (maximum targets achieved). If targets are achieved at 100 %, the ratio is 55 %.

Applying the same calculation methodology to the CEO, the ratio of variable performance-related compensation to fixed compensation ranges between 0 % (no targets achieved) and 136 % (maximum targets achieved). If targets are achieved at 100 %, the ratio is 70 %.

3.2.3.1 Annual Short-Term Incentive (Company Bonus Plan)

The short-term incentive arrangement aims at rewarding all employees on an annual basis for their contribution to reaching the company targets that foster the success of Sunrise as well as the achievement of individual targets. There is a defined target-setting process in place. Company targets as well as the individual targets of the Group Management Board are subject to approval by the Board of Directors. Individual targets for each employee are defined using a top-down approach to ensure alignment within Sunrise and across the departments. To support the process and ensure transparency in line with Sunrise values, employees are informed on a quarterly basis of the status of company target achievement in an indicative way. Financial company target achievement is assessed at the end of the year against the audited financial results. Final company target achievement and individual Group Management Board target achievement are subject to approval by the Board of Directors.

The short-term incentive is accrued on a monthly basis assuming 100 % target achievement. Any major deviations from the expected target achievement will be reflected in the accrual.

The key features of the Company Bonus Plan are outlined below:

– The target short-term incentive for members of the Group Management Board is expressed as a percentage of base salary and amounts to 50 %. For the CEO the target incentive is 60 %. Overachievement is possible up to 200 %, but in any case not higher than the base salary.
– The two target categories, company and individual targets, are weighted equally and additively and account for 50 % each.
– Company targets for the Group Management Board members consist of four target elements: adjusted EBITDA measuring annual, short-term financial success; Customer Base Growth impacting future business success; Customer Satisfaction Index using the Net Promoter Score (NPS), a customer engagement index expected to drive long-term business success and Free Cash Flow.
– Individual targets consist of a maximum of three quantitative/qualitative targets for all employees in the Company Bonus Plan and a maximum of four quantitative/qualitative targets for managers including the Group Management Board.
– The payout of the short-term cash bonus takes place in March of the year following the performance period and is subject to final sign-off by the Board of Directors for Group Management Board members and by the CEO for all other employees. Variable compensation is settled through cash payment for all employees in the Company Bonus Plan. Group Management Board and individually selected Other Top Management can elect to receive a portion of the short-term incentive in shares (see Management Long-Term Investment Program 3.2.3.2).

3.2.3.2 Management Long-Term Investment Program

With the completion of the IPO in 2015, a Management Long-Term Investment Program (MLTIP) was designed. The purpose of this program is to provide the Group Management Board and selected Other Top Management of Sunrise with the opportunity to participate in the future success of Sunrise, to align their interests with those of Sunrise shareholders and to reward leadership, innovation and performance. The MLTIP has a prospective and long-term view, which is aligned with the overall business strategy of Sunrise. It is tied to equity performance, settled in shares, and vesting (of Performance Shares) is subject to service and company performance conditions. This is designed to generate an ownership interest among the Group Management Board and selected Other Top Management.

A Investment Shares

The MLTIP provides Group Management Board and selected Other Top Management members with the opportunity to annually invest part of their short-term incentive in the plan. The key parameters of the MLTIP are as follows:

– Participation in the Long-Term Investment Programs is voluntary, as the programs represent a personal investment by each Group Management Board member and selected Other Top Management member. If there is no participation, the short-term incentive is fully paid out in cash.
– Group Management Board members and selected Other Top Management members may elect to receive a portion of their actual annual short-term incentive – between 25 % and 50 % – in the form of shares, which will then be blocked for a three-year period (Investment Shares).
  Per the plan rules, the relevant share price for the allocation of Investment Shares is calculated on the basis of the average closing price of the shares on the SIX Swiss Exchange in the ten trading days immediately before the payout date (as a rule March 25) of the corresponding short-term incentive.
  IPO exception: For the first year, the relevant share price for the acquisition of Investment Shares was the effective purchase price of Sunrise shares on the first trading day after the presentation of the yearly results for 2014 (March 26, 2015).

B Performance Shares

- At the end of the three-year holding period (2018), participants are entitled to receive, if any, a certain number of so-called Performance Shares based on the achievement of predefined targets.
- The number of Performance Shares depends on Sunrise total shareholder return (TSR) as compared to two peer groups A and B and ranges from 0 to 1.5 shares per Investment Share (peer groups and detailed payout mechanism are shown in the table below).
- Performance Shares will only be vested if the eligible MLTIP participant is still employed at the time performance shares have vested and holds the Investment Shares after three years.

Peer Group A

50 % of the award will be based on Sunrise TSR relative to SMIM constituents. Performance Shares will be awarded in line with the table below.

SUNRISE TSR PERFORMANCE COMPARED TO THE MEDIAN TSR OF SMIM CONSTITUENTS	NUMBER OF PERFORMANCE SHARES AWARDED FOR EACH INVESTMENT SHARE HELD
Above 150 % of median	0.75 shares
Between 50 % and 150 % of median	0.25 shares – 0.75 shares (straight line basis)
Below 50 % of median	0 shares

Peer Group B

The remaining 50 % of the award will be based on Sunrise TSR relative to a peer group of international telecom companies. This peer group includes Swisscom, O_2 Germany, Elisa and Tele2 Sweden. Performance Shares will be awarded in line with the table below:

RANK OF SUNRISE TSR COMPARED TO PEERS	NUMBER OF PERFORMANCE SHARES AWARDED FOR EACH INVESTMENT SHARE HELD
First	0.75 shares
Second	0.75 shares
Third	0.5 shares
Fourth	0.25 shares
Fifth	0 shares

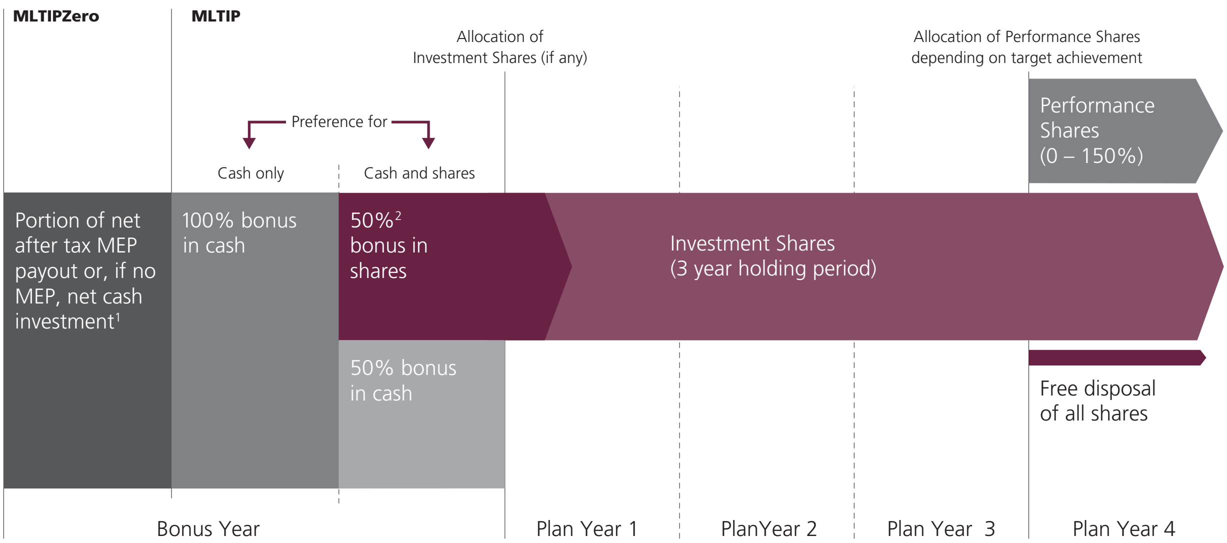
3.2.3.3 IPO Management Long-Term Investment Program

Furthermore, at the time of the IPO in February 2015, the Group Management Board and selected Other Top Management members were given the opportunity to participate on a voluntary and one-time basis in the future business performance of Sunrise by purchasing so-called Investment Shares. This is in line with the Sunrise goal of fostering long-term commitment and promoting immediate share ownership through equity holdings since the IPO. IPO Management Long-Term Investment Program (MLTIPZero) Investment Shares were financed through the private investment of the participating employees either by using parts of the proceeds resulting from the partial unwind of a pre-IPO Management Equity Program (MEP) implemented by shareholders of Sunrise Communications AG in 2011 or by paying a cash amount into the program (in cases where the participant had not invested in the MEP).

The mechanics and terms and conditions of MLTIPZero are the same as those of the MLTIP described in Section 3.2.3.2., with the exception that the price used to determine the number of Investment Shares to be allocated was the IPO offer price.

As stated in this section, all variable compensation at Sunrise is performance-related. While the short-term incentive rewards past performance throughout the year, the Management Long-Term Investment Programs are designed to provide a prospective incentive (Performance Shares) which is closely tied to the future success of the company through its share price development (long-term value creation for Sunrise shareholders). Furthermore, as the Group Management Board and selected Other Top Management members are encouraged to invest part of their short-term incentive into shares (Investment Shares), the plan offers immediate ownership interest (“skin in the game”). This not only serves to strengthen the managers’ long-term commitment to Sunrise, it also promotes prudent risk management and reinforces their alignment with the shareholders.

Variable Compensation for GMB



[1] Eligible employees without a MEP holding were permitted to pay a certain amount in cash into the MLTIPZero.
[2] Participant may choose a portion ranging from 25% to 50% to invest into shares.

3.2.4 Benefits

Sunrise offers a competitive benefits package including health management, employee insurances, retirement, disability and death and other fringe benefits in line with market practices within the industry.

Group Management Board members receive a monthly flat-rate expense allowance as well as a Bel-Etage Pension Plan. Contributions are fully paid by Sunrise. Members also receive either a company car or a monthly cash allowance for vehicle use.

At the time of the IPO in February 2015, Sunrise gave all employees the opportunity to become Sunrise shareholders through the purchase of Sunrise shares on preferential terms. This one-time ESPP allowed employees to purchase up to CHF 5,000 worth of Sunrise shares at a discount of 30 % off the IPO offer share price. The blocking period for the ESPP shares is two years.

4 Board of Directors Compensation

4.1 General

Compensation for members of the Board of Directors includes a fixed component for membership as well as additional amounts based on individual roles as shown in the following table. In order to ensure the independence of the Board of Directors in its supervisory function over the Group Management Board, the members of the Board of Directors do not receive variable compensation linked to the performance of the company.

Board fees for the calendar year 2015 were paid in cash in quarterly installments (payment months: April 2015, July 2015, October 2015 and January 2016). Following the first ordinary shareholders' meeting, base compensation will consist of a cash component and payment in Sunrise shares (targeted at ⅓ of base compensation for the Chairman and 50 % of base compensation for all other Board of Directors members). These shares will be subject to a blocking period of three years to ensure long-term interest. To avoid any conflict of interest, no performance shares will be granted in addition to these blocked Sunrise shares. Any additional amounts payable for committee chairperson position or committee membership will be paid solely in cash. The amounts below are gross values before deduction of employee social security and taxes.

ROLE	AMOUNT IN CHF
Base Compensation	
Chairman of the Board	300,000
Member of the Board	100,000
Committee Membership Fee	
Chairman of the AC	60,000
Chairman of the NCC	50,000
Member of Committee	30,000

The members of the Board of Directors are reimbursed for travel and other related expenses associated with their responsibilities as members of the Sunrise Board of Directors.

4.2 Board of Directors Compensation in 2015

The compensation paid to individual members of the Board of Directors for the financial year 2015 is shown in the table below. The footnotes contain explanatory information on the amounts indicated and specific compensation details for the Board of Directors. The accrual principle is applied.

Total Board of Directors Compensation 2015

In CHF	BASE COMPENSATION/COMMITTEE MEMBERSHIP FEE	EMPLOYER-PAID SOCIAL SECURITY	TOTAL 2015
Lorne Somerville, Chairman since July 12, 2015[4]			
Peter Schöpfer, Vice Chairman[3]	150,000		150,000
Siddharth Patel, Board Member[2]			
Jesper Ovesen, Board Member[1, 4]	174,032	4,648	178,680
Dr. Daniel Pindur, Board Member[2]			
Dr. Dominik Koechlin, Chairman until July 12, 2015	170,806	11,968	182,774
Total Compensation paid to the members of the Board of Directors	**494,838**	**16,616**	**511,454**

- The compensation figures are disclosed for the entire calendar year 2015 (Company registration date: January 13, 2015)
- All Base Compensation and Committee Membership fees were paid in cash (shares will only be paid in 2016) and are gross values before the deduction of applicable tax and employee social security
- Sunrise cost for social security contributions is stated separately
- The compensation of Dr. Dominik Koechlin, Sunrise Chairman of the Board of Directors until July 12, 2015, was paid prorated for the time acting as the Chairman in 2015
- The following members of the Board of Directors have signed a waiver of board fee agreement and therefore did not receive any Board of Directors compensation in 2015: Lorne Somerville, Siddharth Patel and Dr. Daniel Pindur
- For Peter Schöpfer no social security contributions were paid (payment through invoice)
- For Jesper Ovensen social security was paid based on the social security system in Germany (1 € = 1.0922 CHF)
- Members of the Board of Directors are not in a Sunrise pension plan
- According to the Articles of Incorporation (Art. 25) no loans or credits are granted to the members of the Board of Directors:

[1] Chairman Audit Committee
[2] Member Audit Committee
[3] Chairman Nomination and Compensation Committee
[4] Member Nomination and Compensation Committee

5 Group Management Board Compensation

The general compensation principles and elements for the Group Management Board are described in the preceding sections of the Compensation Report.

Achievement of 2015 Company Targets and Short-Term Incentive Payout

In 2015 Sunrise did not fully reach its quantitative financial goals due to tense overall market conditions. Establishing the new business set-up of decoupling the hardware business from Sunrise services was challenging and had a negative impact on the 2015 results. Qualitative targets, however, were reached, and the Group Management Board proactively launched several initiatives to speed up operations and increase efficiency, customer satisfaction and network quality to support the bottom-line growth of the Sunrise customer base and reduce the churn rate (see Section 3.2.3.1 for details). This resulted in an overall target achievement well below a 100 % target achievement.

Therefore, the overall target achievement was 60 % for the CEO, 70 % for the other Group Management Board members and, on average, 75 % for employees.

The total short-term incentive totaled CHF 1.301 million for the Group Management Board (of which CHF 0.306 million was for the CEO).

Per the rules of the MLTIP, Group Management Board members were able to elect receipt of a portion of their short-term incentive in the form of Investment Shares. This plan provides Group Management Board members with the opportunity to draw part of their incentive in three year blocked shares (with full downside risk) instead of a cash payment. By giving them "skin in the game", this share ownership program aligns the future long-term interests of key stakeholders and management. In turn, Group Management Board members are granted the right to receive Performance Shares that vest under certain service conditions and challenging performance conditions (see Section 3.2.3.2 for details).

In 2015, corresponding Performance Shares were granted under the MLTIP at a target value of CHF 0.570 million for the Group Management Board (thereof CHF 0.183 million for the CEO).

Taking into account other benefits / cash allowances, employer social security contributions and retirement benefits, total compensation of the Group Management Board in 2015 totaled CHF 7.331 million (thereof CHF 1.689 million for the CEO).

As described in Section 3.2.3.3, to further foster personal long-term commitment even further, the Group Management Board was additionally offered the chance to invest private means into Sunrise shares at the time of the IPO (MLTIPZero). Such investments entitled Group Management Board members to receive Performance Share grants under the same performance and service conditions as the Performance Shares under the MLTIP. In relation to these private investments, a one-time grant of Performance Shares was made to the members of the Group Management Board at a target value of CHF 8.640 million (thereof CHF 2.849 million for the CEO).

The following table shows the total compensation paid to the Group Management Board including the highest amount that was paid to one individual (CEO). The footnotes contain explanatory information on the amounts indicated. The accrual principle was applied to all elements of compensation except to the Performance Shares that were evaluated based on the fair value at the grant date according to IFRS2 (including grossed-up employer social security). In addition, the table shows the fair value of Other Benefits / Cash Allowances as well as Retirement Benefits.

Additional information

No loans or credits are granted to the members of the Group Management Board and their maximum termination period is six months.

Total Group Management Board Compensation 2015

In CHF	TOTAL GROUP MANAGEMENT BOARD	THEREOF LIBOR VONCINA
Base Salary	3,728,333	850,000
Short-Term Incentive to be paid in March 2016	1,300,583	306,000
MLTIP: Performance Shares	569,787	182,767
Other Benefits/Cash Allowances	313,248	85,140
Social Security	456,498	105,457
Retirement Benefits	962,304	159,765
Compensation 2015	**7,330,753**	**1,689,129**
One-time IPO MLTIPZero Performance Shares (vesting in 2018)[1]	8,639,922	2,848,520
Social Security on IPO MLTIPZero	612,830	202,046
Total	**16,583,505**	**4,739,695**
– Ratio of performance-related variable compensation to fixed compensation excluding the IPO MLTIPZero[2]	37.38 %	44.64 %
– Ratio of performance-related variable compensation to fixed compensation including the IPO MLTIPZero[2]	210.04 %	304.80 %

[1] Preceded by a commitment of Group Management Board members to privately invest the same amount in Investment Shares at the time of the IPO. See article 3.2.3.3

- Compensation figures are disclosed for the entire calendar year 2015 (Company registration took place on January 13, 2015)
- All base salary, short-term incentive and performance share amounts are gross values before deduction of applicable tax, employee social security and other statutory charges
- Sunrise cost for social security and retirement benefit contributions is stated separately
- Of the short-term incentive to be paid in March 2016, an amount of CHF 363,000 will be invested in Investment Shares
- For the IPO MLTIPZero and the MLTIP, figures are based on 100 % target achievement (one Performance Share for one Investment Share)
- Calculation method for evaluation of Performance Shares: Monte-Carlo
- Grant Date Fair Value per Share in CHF for MLTIP PSU: 87.70
- Grant Date Fair Value per Share in CHF for MLTIPZero PSU: 80.24
- One Group Management Board member left Sunrise on May 31, 2015 (Hans Jörg Denzler)

[2] Ratio calculation does not include Social Security since it is basically distributed proportionally among variable and fixed compensation; not all Group Management Board members opted to invest in the Management Long-Term Incentive Program (MLTIP)

6 Shareholdings of the Board of Directors and Group Management Board

Since the Board fees for 2015 were paid in cash only, none of the members of the Board of Directors held shares in Sunrise Communications Group AG as of December 31, 2015. The members of the Board of Directors do not participate in any Long-Term Investment Programs or Employee Share Purchase Programs.

As of December 31, 2015, the members of the Group Management Board held the shares listed in the following table, all of which were acquired under the Long-Term Investment Programs or the Employee Share Purchase Program issued by Sunrise Communications Group AG at the time of the IPO. Investment shares acquired under the Long-Term Investment Programs have a blocking period of three years from the allocation date. Shares acquired under the Employee Share Purchase Program have a blocking period of two years from allocation date.

2015	NUMBER OF SHARES DIRECTLY HELD
Voncina Libor	37,584
Krause André	22,576
Prange Sebastian	12,473
Degenhardt Timm	12,000
Grasser Elmar	9,299
Nunziata Massimiliano	6,529
Naef Markus	6,504
Total	**106,965**

Under the Management Equity Program (pre-IPO Management Equity Program, MEP) created in 2011 by the shareholders of Sunrise Communications AG, certain members of the Group Management Board of Sunrise Communications Group AG had the opportunity to privately invest in Sunrise Communications AG indirectly by acquiring shares in New Dawn MEP Issuer Co S.A. (a shareholder of Sunrise Communications Group AG).

Upon completion of the IPO, the holdings of New Dawn MEP Issuer Co S.A. were restructured in such a way that after a partial unwind of the pre-IPO Management Equity Program the remaining shares in New Dawn MEP Issuer Co S.A. represent an indirect economic interest in Sunrise Communications Group AG. 50 % of this indirect economic interest may be sold to the issuer of the MEP (at no cost to Sunrise Communications Group AG) one year after the completion of the IPO, and the remaining 50 % may be sold two years after the completion of the IPO. The indirect economic interests held through the MEP Company will remain subject to good leaver, bad leaver and defaulter provisions until expiration of the transfer restrictions.

As of December 31, 2015, the members of the Group Management Board held an indirect economic interest in Sunrise Communications Group AG through their shares in New Dawn MEP Issuer Co S.A. corresponding to the shares listed in the following table.

2015	NUMBER OF SHARES EQUIVALENT TO INDIRECT ECONOMIC INTEREST HELD IN MEP
Voncina Libor	123,446
Krause André	73,618
Degenhardt Timm	44,889
Prange Sebastian	44,889
Grasser Elmar	28,056
Nunziata Massimiliano	13,702
Total	**328,600**

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To the Annual General Meeting of
Sunrise Communications Group AG, Zurich

Zurich, March 8, 2016

Report of the statutory auditor on the Compensation Report

We have audited the compensation report of Sunrise Communications Group AG for the year ended December 31, 2015. The audit was limited to the information according to articles 14 to 16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in section "4 Board of Directors Compensation" and section "5 Group Management Board Compensation" on pages 65 to 68 of the compensation report.

Responsibility of the Board of Directors
The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's responsibility
Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14 to 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14 to 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

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

Opinion

In our opinion, the compensation report for the year ended December 31, 2015, of Sunrise Communications Group AG complies with Swiss law and articles 14 to 16 of the Ordinance.

Ernst & Young Ltd

André Schaub
Licensed audit expert
(Auditor in charge)

Tobias Meyer
Licensed audit expert

Legal Notice

IMPORTANT DATES 2016

April 15, 2016
Annual General Meeting

May 12, 2016
2016 first-quarter results

August 25, 2016
2016 second-quarter results and 2016 half-year report

November 10, 2016
2016 third-quarter results

FURTHER INFORMATION

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www.sunrise.ch/ir
www.sunrise.ch/annualreport2015

Published by
Sunrise Communications Group AG
Binzmühlestrasse 130
8050 Zurich

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Melanie Duchene, Schaffhausen (page 13)
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Translation
Xplanation AG, Zurich

Concept and Execution
YJOO Communications AG, Zurich

Print
gdz AG, Zurich

This Corporate Report 2015 forms an integral part of the Annual Report 2015 of Sunrise Communications Group AG which consists of this Corporate Report 2015 and the Financial Report 2015 of Sunrise Communications Group AG. The Corporate Report is published in English and is also available as a German translation. The English language version shall prevail.

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Financial Report 2015

That makes sense. Sunrise

Operational and Financial Review

Financial KPIs

CHF million	2015	2014	CHANGE (%)
Revenue			
Mobile services	1,304	1,350	(3.4)
Thereof mobile hardware	*260*	*251*	*3.3*
Landline services (incl. voice)	472	521	(9.4)
Thereof hubbing	*142*	*163*	*(13.0)*
Landline internet and TV	200	204	(1.8)
Total revenue	**1,976**	**2,075**	**(4.8)**
Service revenue excl. hubbing and mobile hardware	1,575	1,661	(5.2)
Gross profit	**1,244**	**1,321**	**(5.9)**
% margin	62.9 %	63.7 %	
% margin (excl. hubbing and hardware revenue)	79.0 %	79.5 %	
EBITDA	**616**	**639**	**(3.6)**
EBITDA adjusted	**627**	**638**	**(1.8)**
% margin	31.7 %	30.7 %	
% margin (excl. hubbing and hardware revenue)	39.8 %	38.4 %	
Net income	**(113)**	**(115)**	**(1.9)**
Cash flow			
Reported EBITDA	616	639	(3.6)
Change in NWC (incl. factoring)	(45)	(53)	(14.3)
CAPEX	(276)	(356)	(22.5)
Tax	(34)	(9)	285.1
Net interest	(97)	(219)	(55.6)
Installment of mobile spectrum license	(105)	–	
Other	64	(34)	(287.3)
Total cash flow	**122**	**(32)**	**(486.5)**
Net debt	**1,639**	**2,905**	**(43.6)**
Net debt/adj. EBITDA	2.6×	4.6×	

Operational KPIs

CHF million	2015	2014	CHANGE (%)
ARPU (CHF)			
Mobile blended (excl. installment)	**33.3**	**35.0**	**(4.8)**
Mobile blended (incl. installment)	36.9	35.7	3.3
Postpaid (excl. installment)	47.6	52.3	(9.0)
Thereof termination	*5.3*	*5.0*	*5.1*
Thereof origination	*42.3*	*47.3*	*(10.5)*
Postpaid (incl. installment)	54.1	53.8	0.6
Prepaid	15.2	16.2	(6.0)
Landline blended	**72.1**	**76.3**	**(5.5)**
Retail voice	35.0	39.8	(12.0)
Internet	36.9	39.5	(6.4)
Internet and IPTV	45.9	46.5	(1.4)
Subscription base (in ’000)			
Mobile			
Postpaid	1,399.6	1,319.9	6.0
Prepaid (3-month rule)	1,014.2	1,144.9	(11.4)
Landline			
Retail voice	394.3	397.6	(0.8)
Internet	341.5	326.9	4.5
Thereof coupled to IPTV	*133.8*	*107.1*	*25.0*
Thereof without IPTV	*207.7*	*219.8*	*(5.5)*
LTM churn (%)			
Postpaid	14.2	14.6	(2.5)
Landline	13.7	18.3	(25.4)
Employees			
FTEs	1,701	1,874	(9.3)
Apprentices	108	111	(2.7)

Environment

Economic environment

The 2015 macroeconomic situation in Switzerland was mainly driven by the sharp strengthening of the Swiss franc (CHF) in January following removal of the currency peg by the Swiss National Bank. As of December 31, 2015, the CHF had strengthened by 9.5 % vs. the EUR year-over-year.

Swiss gross domestic product growth was solid at around 1 % in 2015 but lower than the 1.9 % growth achieved in 2014. With Switzerland being an export-oriented country, the stronger CHF was one of the main reasons for this tempered growth.

The currency appreciation led to a –1.1 % decline in consumer prices in 2015 compared to no change in 2014. This deflation is expected to continue into 2016.

Industry and competitive environment

The largest mobile network operator (MNO) in Switzerland is the incumbent Swisscom (publicly traded and 51 % owned by the Swiss Confederation as of December 2015) followed by challengers Sunrise and Salt. Each of the three MNOs has its own nationwide network infrastructure with a spectrum license granted until 2028. In addition to the MNOs, there are branded wholesale resellers on all three mobile networks. Other market participants, so-called mobile virtual network operators, use the infrastructure of MNOs for their services.

Mobile network quality in Switzerland is of a high standard. In December 2015, the independent network tester connect rated all three MNO networks as "very good". The test results showed that Sunrise achieved the strongest overall network improvement of all three operators. The Sunrise network was ranked best in the subcategory "mobile voice telephony".

Fixed voice is based primarily on the analog and digital access lines of the telephone network and the access lines of cable network operators. Swisscom is the largest provider of fixed voice telephony in Switzerland, followed by upc cablecom. Unbundling has made access lines available to providers including Sunrise.

In September 2015, the Swiss magazine Bilanz ranked Sunrise as the top fixed telephony provider among the companies mentioned above.

In Switzerland, landline broadband internet connections can be established via various access technologies, including DSL (Digital Subscriber Line), cable modem and fiber. Swisscom leads the Swiss broadband internet market, followed by upc cablecom and Sunrise.

Sunrise is the largest LLU (Local Loop Unbundling) provider in Switzerland with approximately 85 % household coverage through its own network of more than 600 points of presence. To meet increasing demand for higher bandwidth services and Internet Protocol Television (IPTV), Sunrise additionally renewed an agreement with Swisscom which allows Sunrise to have cost efficient access to all fiber- and copper-based access technologies i.e., Very High Speed Digital Subscriber Line (VDSL). Sunrise also has partnerships with Swiss Fibre Net AG, the joint venture of local energy providers in Switzerland, and local utilities providing the company with access to their fiber network. The Swiss magazine Bilanz ranked Sunrise ahead of Swisscom and upc cablecom in the "internet service provider" category in September 2015.

Cable remains a highly used multi-channel TV distribution platform in Switzerland, although its market share has declined in recent years. Swisscom and upc cablecom are the two leaders in the Swiss television market, serving slightly more than half of the market. The rest of the market remains fragmented between local cable companies, satellite and Digital Terrestrial Television providers. Having entered the TV market only in 2012, Sunrise successfully launched an improved IPTV offering in November 2015. The Swiss magazine Bilanz ranked Sunrise TV as the best TV product in Switzerland in September 2015.

Regulatory environment

As a mobile and landline operator in Switzerland, Sunrise is subject to regulation and supervision by various Swiss national authorities, including the Federal Communications Commission and the Federal Office of Communications.

The relevant regulatory framework is set forth primarily in the Swiss Federal Telecommunications Act and associated regulations such as the Swiss Federal Ordinance on Telecommunications Services, but also in the Swiss Cartel Act, the Swiss Federal Act on the Surveillance of Postal and Telecommunications Traffic, the Swiss Federal Radio and Television Act and related ordinances. There are some conceptual differences between Swiss and EU telecommunications regulations, the most important being ex-post regulation in Switzerland as opposed to ex-ante regulation applicable in the EU, the technology-based “last mile” system in Switzerland, which grants access at long run incremental cost conditions only to the incumbent’s copper infrastructure, and the lack of regulation for end-consumer pricing on international mobile roaming in Switzerland.

Major Events

Swiss franc

The Swiss franc appreciated during 2015 and was 9.5 % stronger year-over-year as of December 31, 2015. The strengthening is primarily a result of the Swiss National Bank abandoning the Euro cap on January 15, 2015.

As a listed company on the Swiss stock exchange, Sunrise presents its consolidated financial statements in Swiss francs. The predominantly residential subscription base limits the company's exposure to exchange rate volatility. Nevertheless, the evolution of exchange rates needs to be taken into account as certain business activities are run with international operators. The latter include roaming and other international charges (e.g., hubbing), as well as the purchase of hardware parts, network and other technological equipment and services. Exchange rates also have an impact on the customer's decision to buy handsets abroad or in Switzerland and as such can impact Sunrise handset revenue. The company reduced its currency exposure from financing activities in February 2015 by fully replacing its debt with debt instruments denominated in Swiss francs only.

IPO/Refinancing

On February 6, 2015, Sunrise Communications Group AG, the newly established ultimate holding company of Mobile Challenger Intermediate Group S.A., listed its shares on the SIX Swiss Exchange (ticker symbol: SRCG).

The initial public offering (IPO) and refinancing transaction had an impact on the following financial information:

- Redemption of all existing debt and settlement of related derivative instruments and release from the balance sheet of capitalized transaction costs
- Release from the balance sheet of the fair value of early redemption options
- Issuance of term loan B facilities and senior secured notes (listed on the Luxembourg Stock Exchange for trading on the Euro MTF market), including capitalization of incurred debt issuance costs
- Collection of proceeds of IPO, net of directly related transaction costs, resulting in increased equity with a positive impact on cash flow of financing activities

Organizational streamlining

On September 22, 2015, Sunrise Communications AG announced an organizational streamlining program to simplify its structures and processes in order to strengthen customer focus and improve its competitive position. As a consequence, Sunrise reduced its headcount by 160. A redundancy scheme, developed in cooperation with trade union and staff committee, was established for all affected employees.

This change was implemented by the end of September 2015 and incurred one-off costs of CHF 20 million (recorded in "other expenses"), whereas the curtailment of the IAS 19 pension liability resulted in a gain in service costs of CHF 16.4 million (recorded in "wages, salaries and pension cost").

Financial Review

Performance in 2015 was characterized by the removal of the CHF/EUR exchange rate cap, competitive changes in roaming offerings and the entry of NJJ Capital into the Swiss mobile market by acquiring Orange Switzerland and rebranding it to Salt. Increasing product offerings at the value end of the mobile market made it more challenging for Sunrise to convert strong subscriber momentum into value creation.

As a consequence, revenue and adjusted EBITDA were weaker than expected at the beginning of the year. However, subscriber growth in mobile postpaid, internet and TV along with the focus on cost efficiency, simplification and digitization initiatives largely mitigated the headwinds on revenue. Investments in network, IT infrastructure and customer service resulted in increased customer satisfaction.

Revenue

The Sunrise Group results for 2015 showed a decrease in total revenue of 4.8 % driven mainly by lower mobile and landline services revenue. The strong Swiss franc especially impacted the hubbing business negatively, where revenue decreased by 13 % to CHF 142 million compared to prior year.

Mobile services

Revenue in mobile services declined by 3.4 % to CHF 1,304 million in 2015.

While the postpaid subscription base increased by 6.0 %, postpaid revenue decreased in 2015 compared to prior year due to lower average revenue per user (ARPU) (excl. handset installment). The postpaid ARPU reduction (excl. handset installment) is mainly attributable to the Freedom mobile handset unwind, i.e., customers migrating from older subsidized rate plans to the Freedom offering, which is effectively a SIM only plan. Further negative ARPU impacts included value mix and roaming. The postpaid subscription base totaled 1,400 thousand subscribers as of December 31, 2015 (2014: 1,320 thousand). The base increase was driven by prepaid to postpaid migration, improved network quality and customer service as well as competitive flat-rate and mobile data plans. The continuous growth of mobile data traffic is reflected in the increase of secondary subscriptions (e.g., multi-SIM and data-SIM) used by customers in addition to their primary subscription.

Mobile prepaid revenue declined year-over-year due to lower subscriber numbers and lower ARPU. The customer base decreased primarily due to ongoing prepaid to postpaid migration. Cost control and high flexibility through the ability to terminate a rate plan at any time are no longer strong incentives for customers for prepaid mobile subscriptions, since postpaid flat-rate plans like Freedom provide similar cost control and high flexibility with the option to terminate the rate plan with one month's notice. Additionally, prepaid rate plans are less viable in markets with high adoption of smartphones requiring mobile data plans. Furthermore, Sunrise ran fewer prepaid promotions during 2015 than in the previous year. As a result, the prepaid subscription base shrank by 11.4 % to 1,014 thousand subscribers as of December 31, 2015. An ARPU decrease of 6 % (CHF 1.00) in 2015 further lowered prepaid revenue. The ARPU decrease is primarily attributable to high-value prepaid customers migrating to postpaid offerings and the increased use of prepaid options.

Landline services

Landline service revenue decreased by 9.4 % to CHF 472 million in 2015.

The total number of retail voice subscriptions decreased by 0.8 % to 394 thousand driven by the departure of retail voice-only carrier pre-select customers and the migration to voice over IP as well as customers replacing their landline service with mobile or over-the-top service. The retail voice ARPU decreased by 12 % to CHF 35 primarily due to the reduction in landline voice volumes related to fixed-to-mobile substitution and increased penetration of rate plans including voice flat rates. A further negative impact within landline services came from lower hubbing revenue as a result of the stronger Swiss franc.

Landline internet and TV

Internet and TV revenue remained roughly stable at CHF 200 million in 2015.

The total internet subscription base increased 4.5 % year-over-year to 342 thousand subscriptions after three consecutive years of subscriber losses. Main drivers for the increase include a competitive product offering and attractive pricing alongside a strong IPTV product. The IPTV product can be purchased alongside internet service and increased its customer base by 25 % in 2015. The growing internet and IPTV base was offset by lower ARPUs primarily related to customers migrating to Sunrise Home tariffs introduced in Q3 2014.

Transmission costs and cost of goods sold

Transmission costs and cost of goods sold decreased disproportionately by 2.9 % compared to the revenue decline of 4.8 % and totaled CHF 733 million in 2015. The main driver behind this development was higher costs in mobile for postpaid and ethnic brands due to usage increases based on attractive flat rates and the option take rate.

Adjusted EBITDA

Adjusted EBITDA for 2015 amounts to CHF 627 million and is CHF 9 million higher than the reported EBITDA. This represents a decrease of CHF 10 million compared to adjusted EBITDA for 2014. The table below shows one-time adjustments from reported EBITDA to adjusted EBITDA for the year 2015. The restructuring effect includes one-time implementation costs of CHF 20 million, which were partly offset by the curtailment of the IAS 19 pension liability in the amount of CHF 16 million.

CHFk JANUARY 1 – DECEMBER 31	2015
Reported EBITDA	**616,099**
Prior-year-related events	(953)
Non-recurring and/or non-operating events	7,209
Thereof restructuring effect, net	*(3,583)*
Costs related to share-based payment	4,329
Adjusted EBITDA	**626,684**

Reported EBITDA

The Group generated an EBITDA of CHF 616 million for the year 2015, a year-over-year decrease of CHF 23 million, or 3.3 %, from CHF 639 million as of December 31, 2014. Hence the CHF 78 million decrease in gross profit was largely offset by a reduced cost base.

Other operating expenses

During the year 2015 other operating expenses decreased by CHF 61 million, or 12.9 %, from CHF 473 million to CHF 412 million. The decrease in other operating expenses is primarily attributable to the shift of expenses for mobile devices to cost of goods sold as well as lower marketing expenses.

Wages, salaries and pension costs

Wages, salaries and pension costs totaled CHF 208 million for 2015, a year-over-year decrease of 8.7 %. A higher FTE base in the first nine months of 2015 increased costs. In 2015, Sunrise had an average of 1,893 full-time equivalent employees. Furthermore, wages, salaries and pension costs for the insourced engineering department from its managed service provider in March 2014 were recorded for 12 months in 2015, whereas in 2014 only 10 months were included. Following the organizational streamlining in September 2015, the lower number of FTEs and the curtailment effect of IAS 19 had a positive impact on this position.

Although the pension fund of Sunrise Communications AG is overfunded by 16.0 % as of December 31, 2014, according to Swiss GAAP FER 26, the Group reports a net pension liability of CHF 115.4 million in its consolidated financial statements as of December 31, 2015. 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 use of a dynamic valuation method. Therefore, the IFRS pension liability should not be considered a current cash liability based on current facts and circumstances.

Other income and expenses, net

Other income decreased by CHF 9.4 million in the full year 2015 compared to the same period in the prior year. This is mainly attributable to lower early termination fees in the amount of CHF 8 million and the absence of an aperiodic settlement of charges for access services in the amount of CHF 2 million. Other expenses increased by CHF 17 million due to the recording of a provision related to restructuring expenses of CHF 20 million in September 2015. This resulted in an overall net decrease in other income and expenses of CHF 26 million as of December 31, 2015.

Net loss

The Group reported a net loss of CHF 113 million for the year ended December 31, 2015, a year-over-year improvement of CHF 2 million from a net loss of CHF 115 million as of December 31, 2014. The net loss in 2015 is mainly impacted by the IPO and refinancing transactions from the beginning of the year, which resulted in CHF 157 million transaction-related expenses.

Adjusted for the IPO and refinancing effects, net income for the year ending December 31, 2015, would be CHF 45 million, which is CHF 160 million higher than in the comparative period, especially driven by lower financial expenses following the debt refinancing at the beginning of the year.

Depreciation and amortization

The higher depreciation and amortization of 2.4 % in 2015 is mainly driven by the amortization of the investment for the use of wholesale broadband connectivity services from Swisscom, acquired in July 2014, higher one-time write-off expenses due to ongoing renewals in network and higher Capex spending in 2014. As of December 31, 2015, depreciation and amortization totaled CHF 473 million, thereof CHF 147 million related to the amortization of purchased intangibles. Those intangibles, created in 2010 in the amount of CHF 1,477 million and amortized over a maximum of 10 years, are related to the acquisition of Sunrise by MCG in October 2010.

Net financial items
Net financial items decreased by CHF 41 million to CHF 235 million as of December 31, 2015. With the refinancing transaction in January 2015, the Group reduced its weighted average cost of debt from 7.1 % to 2.4 % per annum.

Income taxes
Income taxes consist of current income taxes and deferred taxes. The position increased by 33 % to CHF 22 million as of December 31, 2015. The increase in current income tax expenses was partially offset by the decrease in deferred tax liabilities related to temporary differences between IFRS and local Swiss GAAP.

Net working capital

Net working capital represents short-term assets lowered by short-term liabilities.

Trade and other receivables
Trade and other receivables net increased by CHF 14 million, driven mainly by a growing device plan customer base in Sunrise Freedom subscriptions. In January 2015, Sunrise entered into a factoring agreement with UBS, under which Sunrise may sell residential customer receivables from device plans to UBS. The net impact on trade and other receivables for the full year 2015 was a decrease of CHF 41.7 million.

Cash flow

Cash and cash equivalents totaled CHF 244 million as of December 31, 2015. A strong operational cash flow, lower investing activities and the proceeds from the IPO led to an increase of CHF 122.4 million.

Cash flow from operating activities
The increase from CHF 78 million is primarily attributable to lower interest charges related to the IPO and refinancing transactions in Q1 2015, partially offset by higher taxes. In 2015, CHF 34 million in taxes was paid, mainly for financial year 2015. The accounting treatment of Freedom has a negative impact on net working capital as it increases the receivable balance. In order to compensate for this negative impact, Sunrise entered into a factoring agreement for the sale of residential customer receivables.

The net cash impact for the full year 2015 related to the factoring of handset receivables was CHF 41.7 million.

Cash flow used in investing activities
Investments in tangible and intangible assets for 2015 amount to CHF 276.1 million. This represents a decrease of CHF 80.2 million compared to the prior year. In 2014, investments were especially high mainly due to a one-time investment for the use of wholesale broadband connectivity services from Swisscom as well as big improvements in the Group's mobile network core and radio transmission infrastructure.

Cash flow used in financing activities
The proceeds from the IPO, net of transaction costs paid, of CHF 1,309 million and the proceeds from refinancing transactions, net of transaction costs paid, of CHF 1,827 million were overcompensated by the redemption and settlement of all existing debt and derivative instruments totaling CHF 3,049 million, the payment of the second installment related to the acquisition of the mobile spectrum licenses in the amount of CHF 105 million including accumulated interest, as well as the repayment of capital leases and other financing activities totaling CHF 18 million. The third and final installment for the mobile spectrum license, amounting to about CHF 110 million including accumulated interest, is due on December 31, 2016.

Net debt

The Group's consolidated debt position – consisting of a term loan B facility, senior secured notes and capital leases – amounted to CHF 1,854 million, of which CHF 7 million is expected to be paid within 12 months. This represents a decrease of CHF 1,266 million compared to the prior year. Net debt at nominal value totaled CHF 1,639 million as of December 31, 2015.

On February 13, 2015, Sunrise Communications Group AG partially used the gross proceeds from the IPO of CHF 1,359 million together with CHF 1,000 million in a 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 in 2022 together with a CHF 360 million drawdown under the new term loan B facilities and cash on balance sheet to redeem the remaining indebtedness in full as well as to pay transaction-related costs. During the refinancing process, the Group fully amortized the existing capitalized debt issuance cost, which totaled CHF 47 million as of December 31, 2014.

Dividend proposal and distribution policy

The Board of Directors proposes allocating CHF 135 million from the reserves from capital contributions to the dividend reserves to pay a dividend of CHF 3 per share totaling CHF 135.0 million in 2016.

Sunrise reiterates its dividend policy of paying out at least 65 % of equity free cash flows. The company has a net debt/EBITDA leverage target of 2.5×. Once this threshold is reached, cash in excess of 65 % will be used for dividends, share buybacks or further deleveraging, as appropriate at that time.

The accounting treatment of mobile hardware sales under the Freedom proposition has a negative impact on net working capital as it increases the receivable balance. In order to minimize this negative impact, Sunrise currently includes the cash flow generated by monetization of freedom hardware receivables under the factoring agreement in the definition of equity free cash flow. Sunrise expects the negative impact on networking capital to cease during 2017 and therefore intends to exclude such cash flows from the definition of equity free cash flow from 2017.

Risks

Overview

Sunrise operates a centralized risk management system that distinguishes between strategic and operating risks. Competition, network performance and maintenance, changes in regulation and market acceptance 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 recurring detailed discussion process among the Group's Board of Directors, the last of which was performed in the 4^{th} quarter of 2015. The key risks identified are as follows:

Market competition

Price erosion and a further move by customers toward bundle plans that tend to offer more value for the same price could lead to a reduction in revenue. Additionally, over-the-top services are cannibalizing international call and roaming voice revenue. Sunrise actively monitors market developments and offers attractive bundles with flat rate components to cover customer's needs comprehensively.

International termination costs and revenue

The fact that EU regulations do not apply to Swiss operators has led certain operators in the EU to increase the termination rates charged to Swiss operators for voice traffic originating in Switzerland, leading to a higher cost of goods sold for Sunrise. Pricing with EU operators is the subject of ongoing negotiations and arbitration.

Business continuity and information security

Telecom services are becoming more and more complex and are thereby heavily dependent on highly sophisticated technological infrastructures. Software or hardware failure, human error, viruses or hacking can decrease service quality or, in the worst case scenario, lead to system outages. The certification of the Sunrise Information Security Management System in accordance with the ISO 27001 standard, along with the Sunrise business continuity management plan, ensures that Sunrise services meet the standards that customers demand.

Financial risks

The Group is exposed to a variety of financial risks, namely market risk, credit risk and liquidity risk. In February 2015 all existing debt instruments were fully repaid and replaced by debt instruments entirely denominated in CHF. Foreign currency exposure related to financial borrowings was therefore eliminated. A detailed description of the financial risks is given in Note 26 to the consolidated financial statements of the Group.

Additional Disclosures

Material affiliate transactions

On January 23, 2015, Sunrise Communications Group AG became the ultimate holding company of the Group. As part of this reorganization, the following changes in the Board of Directors took place:

- On January 23, 2015, Libor Voncina and André Krause fulfill the position as members of the Board of Directors for Sunrise Communications Holdings S.A. and Sunrise Communications International S.A. Manuel Mouget, Daniel Pindur and Lorne R. Somerville resigned at the same time.
- The Board of Directors of Sunrise Communications AG then consisted of Dr. Dominik Koechlin, Libor Voncina and André Krause.

On January 28, 2015, Peter Schöpfer joined the Board of Directors of Sunrise Communications Group AG.

On May 18, 2015, François Pfister was appointed as a new member of the Board of Directors, replacing Stefan Oostvogels, who had resigned from his position as member of the Board of Directors of Mobile Challenger Intermediate Group S.A., Sunrise Communications Holdings S.A., Sunrise Communications International S.A. and Skylight S.à r.l. Libor Voncina, André Krause and Emanuela Brero will continue their roles as members of the respective Boards.

On July 12, 2015, Dr. Dominik Koechlin, Chairman of the Board of Directors of Sunrise passed away. The Board of Directors appointed Lorne Somerville as new Chairman for the remaining term of office until the next ordinary Annual General Meeting (AGM) and current Board member Peter Schöpfer as new Vice-Chairman. Current Board member Jesper Ovesen joined the Nomination and Compensation Committee of the Board.

Material contractual arrangements

In January, Sunrise entered into a factoring agreement with UBS, under which Sunrise may sell residential customer receivables from device plans to UBS.

In February, the Company signed a cooperation agreement with Swiss Fibre Net AG (SFN), the joint venture of local energy providers in Switzerland. The agreement covers the roll-out of several hundred 4G antenna locations in the cities of Bern, Geneva, St.Gallen, Lucerne, Winterthur, Lausanne and Basel. SFN is a Sunrise cooperation partner and provides the sites, including fiber optic access lines, in these cities.

In May, Sunrise entered into a strategic partnership with Microsoft to offer a comprehensive cloud solution for Microsoft Office applications for businesses called Microsoft OneDrive for Business.

In August, Sunrise entered into partnerships with Adobe, hybris, Hinderling Volkart and Namics to revamp its online presence for a new customer experience. The new solution gives customers a coherent multi-channel experience and allows for implementation of a multi-brand strategy while taking into account the key aspects of the company's positioning.

Certain other contractual commitments

On March 20, 2015, Sunrise extended the scope of the contract with its network provider Huawei resulting in an additional CHF 100 million purchase commitment.

Total contractual and purchase commitments as of December 31, 2015, amounted to CHF 141 million consisting of future investments in property, plant and equipment and intangible assets.

Credit ratings

As of December 31, 2015, the corporate family rating for Sunrise Communications Holding S.A., 100 % indirectly owned by Sunrise Communications Group AG, by the credit rating agencies Fitch, Moody's and Standard & Poor's (S&P) is unchanged at BB+, Ba2 and BB+, respectively. In addition, the notes and term loan facilities are still rated BBB- by Fitch, Ba2 by Moody's and BB+ by S&P.

Acquisitions, disposals and recapitalization

No material acquisitions, disposals or recapitalization occurred in FY 2015.

Research and development

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

Outlook

Guidance

Revenue headwinds experienced in 2015, such as Freedom hardware unwind, pre- to postpaid migration and fixed voice to mobile substitution are expected to continue but will moderate. Subscriber growth in mobile postpaid, internet and IPTV as well as cost efficiency measures will partially mitigate these headwinds.

Revenue for the financial year 2016 is expected to range from CHF 1,890 million to CHF 1,930 million. Adjusted EBITDA is expected to be between CHF 600 million and CHF 620 million. Capital expenditure guidance is reiterated at between CHF 220 million and CHF 230 million. Cash taxes are expected to range between CHF 45 million and CHF 50 million.

Sunrise reiterates its dividend pay-out guidance of at least 65 % of equity free cash flow. Upon meeting its guidance, Sunrise expects to propose a dividend to the AGM for the financial year 2016 in the range of CHF 3.24 to CHF 3.36 per share to be paid from reserves from capital contributions.

Consolidated Financial Statements

Sunrise Communications Group AG

Consolidated Statements of Income

CHFk JANUARY 1 – DECEMBER 31	NOTE	2015	2014
Revenue	**7, 8**	**1,976,131**	**2,075,482**
Transmission costs and cost of goods sold		(732,527)	(754,286)
Other operating expenses		(411,589)	(472,516)
Wages, salaries and pension costs	9,10	(207,954)	(227,879)
Other income	11	12,243	21,638
Other expenses	9,11	(20,205)	(3,442)
Income before depreciation and amortization, net financial items and income taxes		**616,099**	**638,997**
Amortization	15	(260,484)	(244,915)
Depreciation and impairment losses	16	(211,972)	(216,584)
Operating income		**143,643**	**177,498**
Foreign currency gains, net		220,155	39,829
Financial income		99,155	114,663
Financial expenses		(554,297)	(430,843)
Net financial items	**12**	**(234,987)**	**(276,351)**
Loss before income taxes		**(91,344)**	**(98,853)**
Income taxes	13	(21,577)	(16,293)
Net loss		**(112,921)**	**(115,146)**
Net loss attributable to equity holders of the parent company		**(112,921)**	**(115,146)**
Basic and diluted earnings/(loss) per share (in CHF)	**14**	**(2.62)**	**n/a**

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

Consolidated Statements of Comprehensive Income

CHFk JANUARY 1 – DECEMBER 31	2015	2014
Net loss	**(112,921)**	**(115,146)**
Actuarial losses related to defined benefit pension plans	(30,786)	(38,734)
Income tax effect	6,465	8,134
Net other comprehensive loss not to be reclassified to profit and loss in subsequent periods	**(24,321)**	**(30,600)**
Cash flow hedge gains	8,357	4,316
Net other comprehensive income to be reclassified to profit and loss in subsequent periods	**8,357**	**4,316**
Other comprehensive loss, net of tax	**(15,964)**	**(26,284)**
Total comprehensive loss	**(128,885)**	**(141,430)**
Comprehensive loss attributable to equity holders of the parent company	**(128,885)**	**(141,430)**

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

Consolidated Statements of Financial Position

Assets

CHFk	NOTE	DECEMBER 31, 2015	DECEMBER 31, 2014	JANUARY 1, 2014
Non-current assets				
Intangible assets	15	2,521,090	2,694,205	2,788,969
Property, plant and equipment	16	952,903	952,015	916,427
Derivative financial assets	25	–	38,140	86,939
Non-current portion of trade and other receivables	17	44,873	52,240	–
Non-current portion of prepaid expenses	18	847	1,766	1,600
Deferred tax assets	13	823	1,249	–
Other non-current assets		–	153	200
Total non-current assets		**3,520,536**	**3,739,768**	**3,794,135**
Current assets				
Inventories	19	29,915	33,783	38,260
Current portion of trade and other receivables	17	346,994	325,604	281,314
Current portion of prepaid expenses	18	7,893	8,566	9,047
Cash and cash equivalents	20	244,388	120,185	150,292
Total current assets		**629,190**	**488,138**	**478,913**
Total assets		**4,149,726**	**4,227,906**	**4,273,048**

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

Equity and liabilities

CHFk	Note	DECEMBER 31, 2015	DECEMBER 31, 2014	JANUARY 1, 2014
Equity				
Common shares		45,000	–	–
Share premium		2,623,723	–	–
Other reserves		(776,143)	397,812	397,812
Valuation reserve		(23)	(8,380)	(12,696)
Accumulated deficit		(724,021)	(410,834)	(265,088)
Total equity	**21**	**1,168,536**	**(21,402)**	**120,028**
Non-current liabilities				
Non-current portion of loans and notes	24	1,831,128	2,780,114	2,810,499
Non-current portion of financial leases	24	16,331	23,509	29,454
Non-current portion of trade and other payables	27	33,496	137,278	207,420
Deferred tax liabilities	13	207,391	229,540	247,209
Non-current portion of provisions	28	135,560	122,323	114,101
Employee benefit obligations	23	115,369	96,844	57,409
Derivative financial liabilities	25	–	158,045	134,133
Non-current portion of deferred income	29	11,690	14,603	15,430
Total non-current liabilities		**2,350,965**	**3,562,256**	**3,615,655**
Current liabilities				
Current portion of loans and notes	24	–	18,374	35,000
Current portion of financial leases	24	6,769	6,350	5,991
Current portion of trade and other payables	27	553,655	598,182	428,563
Income tax payable	13	11,707	10,790	4,999
Current portion of provisions	28	14,445	4,637	8,715
Current portion of deferred income	29	42,895	47,557	52,392
Other current liabilities		754	1,162	1,705
Total current liabilities		**630,225**	**687,052**	**537,365**
Total liabilities		**2,981,190**	**4,249,308**	**4,153,020**
Total equity and liabilities		**4,149,726**	**4,227,906**	**4,273,048**

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

Consolidated Statements of Cash Flow

CHFk JANUARY 1 – DECEMBER 31	NOTE	2015	2014
Loss before income taxes		**(91,344)**	**(98,853)**
Amortization	15	260,484	244,915
Depreciation and impairment losses	16	211,972	216,584
Gain on disposal of property, plant and equipment		(59)	(206)
Movement in pension		(13,442)	(766)
Movement in provisions		7,688	(1,973)
Change in net working capital	30	(45,008)	(52,546)
Cash flow from operating activities before net financial items and tax		**330,291**	**307,155**
Financial income	12	(99,155)	(123,924)
Financial expense	12	554,297	440,104
Foreign currency gains, net		(220,597)	(38,367)
Interest received		89,217	111,919
Interest paid		(185,912)	(332,222)
Corporate income and withholding tax (paid)/received		(34,082)	(8,851)
Total cash flow from operating activities		**434,059**	**355,814**
Purchase of property, plant and equipment	16	(196,164)	(250,581)
Purchase of intangible assets	15	(79,896)	(105,898)
Sale of property, plant and equipment		59	206
Total cash flow used in investing activities		**(276,001)**	**(356,273)**
Incorporation of SCG	21	100	–
Issue of shares	21	20,000	–
Proceeds from the initial public offering		1,339,302	–
Fees in connection with the initial public offering[1]		(50,173)	–
Proceeds from long-term loans and notes		1,826,969	20,000
Repayments of long-term loans and notes	24	(2,625,066)	(41,503)
Settlement of derivatives		(328,134)	2,355
Cost of early debt redemption and derivative settlement		(96,118)	–
Repayments of capital leases	24	(6,759)	(5,586)
Payment of 2nd installment of mobile spectrum license		(104,989)	–
Other financing activities		(10,803)	(6,483)
Total cash flow used in financing activities		**(35,671)**	**(31,217)**
Total cash flow		**122,387**	**(31,676)**
Cash and cash equivalents as of January 1		120,185	150,292
Foreign currency impact on cash	12	1,816	1,569
Cash and cash equivalents as of December 31		**244,388**	**120,185**

[1] Of which CHFk 45,064 has been capitalized.

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

Consolidated Statements of Changes in Equity

CHFk	COMMON SHARES	SHARE PREMIUM	OTHER RESERVES	VALUATION RESERVE	ACCUMULATED DEFICIT	TOTAL
Equity as of January 1, 2014	**–**	**–**	**397,812**	**(12,696)**	(265,088)	120,028
Net loss for the period	–	–	–	–	(115,146)	(115,146)
Other comprehensive income/(loss)	–	–	–	4,316	(30,600)	(26,284)
Total other comprehensive income/(loss)	**–**	**–**	**–**	**4,316**	**(145,746)**	**(141,430)**
Equity as of December 31, 2014	**–**	**–**	**397,812**	**(8,380)**	**(410,834)**	**(21,402)**
Equity as of January 1, 2015	**–**	**–**	**397,812**	**(8,380)**	**(410,834)**	**(21,402)**
Net loss for the period	–	–	–	–	(112,921)	(112,921)
Other comprehensive income/(loss)	–	–	–	8,357	(24,321)	(15,964)
Total other comprehensive income/(loss)	**–**	**–**	**–**	**8,357**	**(137,242)**	**(128,885)**
Incorporation of SCG	100	–	–	–	–	100
Effect of business restructuring	24,900	1,325,000	(1,173,955)	–	(175,945)	–
Issue of shares in initial public offering	20,000	1,339,302	–	–	–	1,359,302
Transaction costs	–	(45,064)	–	–	–	(45,064)
Share-based payment	–	4,485	–	–	–	4,485
Equity as of December 31, 2015	**45,000**	**2,623,723**	**(776,143)**	**(23)**	**(724,021)**	**1,168,536**

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

Notes to the Consolidated Financial Statements

NOTE 1

General information

Sunrise Communications Group AG (SCG or the Company) was incorporated in Switzerland on January 13, 2015. The registered offices of the Company are located at Binzmühlestrasse 130, CH-8050 Zurich, Switzerland.

The consolidated financial statements for the year ended December 31, 2015, comprise SCG and its subsidiaries (together referred to as the Group or Sunrise). The Group's principal operating company, Sunrise Communications AG, is the second-largest full-range telecommunications provider in Switzerland and offers mobile voice and data, landline services (retail and wholesale voice, business and integration services) and landline internet including Internet Protocol Television (IPTV) 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 services it provides, Sunrise also resells handsets manufactured by third party suppliers.

Following reorganizations on January 23, 2015, SCG became the ultimate holding company of the Group. The steps can be summarized as follows:

From January 1, 2014, to January 23, 2015, Mobile Challenger Group S.à r.l. (MCG) was the ultimate shareholder of Mobile Challenger Intermediate Group S.A. (MCIG), parent to Sunrise Communications Holdings S.A. as of December 31, 2014; on January 13, 2015, SCG was incorporated in Switzerland; on January 23, 2015, following legal reorganizations Sunrise Communications Group AG became the parent entity for the period ending December 31, 2015; subsequently, on February 6, 2015, SCG made an initial public offering (IPO) in Switzerland and was listed on the SIX Swiss Exchange.

In accordance with International Financial Reporting Standards (IFRS), under the pooling of interests method, the aforementioned reorganizations are not considered business combinations under IFRS 3 Business Combinations but rather the continuation of the existing business activities of the Group with a new parent entity. This means that the parent company at the reporting date is considered to have been the parent company throughout the reporting periods, including those where comparative financial information is presented.

These consolidated financial statements were authorized for issue by the Group's Board of Directors on March 8, 2016, and are subject to shareholder approval at the Annual General Meeting to be held on April 15, 2016.

NOTE 2

Basis of preparation

The consolidated financial statements of the Group as of and for the year ended December 31, 2015, have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

The consolidated financial statements have been prepared on a historical cost basis, except derivative financial instruments measured at fair value. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, 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 on page 36 et seq.

The Group is considered a first-time adopter of IFRS and accordingly has applied IFRS 1 First-time Adoption of International Financial Reporting Standards to these consolidated financial statements. The consolidated financial statements are the first set of consolidated financial statements presented for the Group. As such the consolidated financial statements include three statements

NOTE 2

Basis of preparation

of financial position, two statements of profit or loss, other comprehensive income, cash flow and changes in equity as well as related Notes. As these are the first set of consolidated financial statements, no reconciliation of consolidated financial statements prepared under previous accounting policies to those prepared under IFRS has been presented.

Except where otherwise indicated, the numbers in all tables are shown in CHF 000 and in the text in CHF million.

NOTE 3

Changes in presentation

The Group decided to change the presentation of accrued short-term incentive in its consolidated financial statements. In prior years, accrued short-term incentive for employees was presented as a short-term provision. Following the change in presentation, the Group reclassified the accrued short-term incentive amount from short-term provision to current portion of trade and other payables and adjusted the presentation of prior years as well. The reclassified amounts are as follows:

CHFk	DECEMBER 31, 2015	DECEMBER 31, 2014	JANUARY 1, 2014
Current portion of provisions			
Before accrued bonus reclass	31,603	26,653	22,198
Reclass of accrued short-term incentive	(17,158)	(24,684)	(13,483)
After accrued bonus reclass	14,445	1,969	8,715
Current portion of trade and other payables			
Before accrued bonus reclass	536,497	573,498	415,080
Reclass of accrued short-term incentive	17,158	24,684	13,483
After accrued bonus reclass	553,655	598,182	428,563

The prior years' statements of financial position as well as prior year reported figures in Notes 26, 27 and 28 on page 64 et seq. have been adjusted accordingly.

NOTE 4

Significant accounting policies

Principles of consolidation

Subsidiaries

Subsidiaries are all companies over which the Group has control. Control is achieved when the Group is exposed, or has the rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. 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).

The balance sheet date for all consolidated subsidiaries is December 31, 2015.

Business combination
The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit and loss.

Foreign currency translation
The financial statements are presented in Swiss francs, which is the functional currency of the parent company and each of its subsidiaries. The functional currency is the currency applied in the primary economic environment of each enterprise's operations. Transactions in currencies other than the functional currency are transactions in foreign currencies.

Such transactions are translated at the transaction-date exchange rates. Foreign exchange gains and losses arising from differences between 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 exchange rates as quoted at the reporting date.

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

CURRENCY	BALANCE SHEET		INCOME STATEMENT AND CASH FLOW	
	DECEMBER 31, 2015	DECEMBER 31, 2014	**JANUARY 1 – DECEMBER 31, 2015**	JANUARY 1 – DECEMBER 31, 2014
Euro	1.0882	1.2024	1.0922	1.2294
US dollar	1.0021	0.9943	0.9704	0.9163

Revenue recognition
Revenue comprises goods and services provided during the year after deduction of VAT and rebates relating directly to sales. Significant sources of revenue are recognized in the statement of income as follows:
- Revenue from telephony is recognized at the time the call is made
- Revenue from the sale of prepaid services is deferred and revenue is recognized at the time of use
- Wholesale revenue from voice carrier services is recognized at the time of use
- Revenue from leased lines is recognized over the rental period
- Revenue from subscription and flat-rate service fees is recognized over the subscription period
- Revenue from non-refundable up-front connection fees is deferred and amortized over the agreed minimum contract term
- Revenue from the sale of handsets is recognized upon delivery
- Revenue from the maintenance of equipment is recognized over the contract period

NOTE 4

Significant accounting policies

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.

Revenue is 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, revenue is 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, revenue from subleases and restructuring expenses 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 and 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 of dismantling and restoring 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 along 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 life of the assets, as follows:

Cable installations	20	years
Exchange installations and base stations	10 – 15	years
Leasehold improvements	10	years[1]
Other telecommunications installations	3 – 7	years
Computer equipment	3 – 5	years
Other installations	5 – 7	years
Customer premises equipment	3	years[1]

[1] 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 the 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 higher 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.

NOTE 4

Significant accounting policies

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 cost, loans and receivables are measured using the effective interest rate method. Foreign exchange gains and losses are recognized in 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 includes 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.

Income taxes
Income taxes include all current and deferred taxes based on the taxable profits of the Group. Other taxes not based on income such as property or capital taxes are recorded as other operating expenses.

Current income tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred taxes

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 that 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 substantively 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 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 restore 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.

Obligations are determined quarterly 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 restructuring or disposal/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 projected and realized changes 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 periods, 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 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.

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, for example, deferred sales related to prepaid services and leased lines. See also revenue recognition on page 29.

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

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 repayments and proceeds from loans and notes, settlement of derivative instruments including related costs such as early redemption costs, repayments of capital leases and issuance and/or redemption of share capital.

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.

Derivatives

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured 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 hedging instruments, referred to as cash flow hedges that are used for hedging, and derivatives not designated as hedging instruments 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 the 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 used in hedging transactions are highly effective in offsetting changes in the 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 to 125 %.

NOTE 4

Significant accounting policies

Derivatives – Cash flow hedges

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 shares are classified as equity. The share premium consists of additional paid-in capital net of transaction costs that are incremental and directly attributable to the issuance of new shares and share-based payment.

NOTE 5

Critical accounting estimates and judgments

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 following estimates and judgments are considered important when portraying the Group's financial position:

- Useful life of intangible assets and property, plant and equipment as shown in Note 4 on page 28 et seq. is assigned based on periodic studies of the actual useful life and intended use of those assets. Such studies are completed or updated whenever new events occur with the potential to impact the way the useful life of the asset is determined, such as events or circumstances that 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 life of these assets is recognized in the financial statements as soon as any such change is determined. For details, see Notes 15 and 16 on pages 48 et seq. and 51 et seq., respectively.
- Intangible assets comprise a significant portion of the Group's total assets. Impairment tests on goodwill are performed at least annually and, if necessary, whenever 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, see Note 15 on page 48 et seq.
- Net periodic pension cost for defined benefit plans is estimated based on certain actuarial assumptions, the most significant of which relate to discount rate and future salary increases. As shown in Note 23 on page 57 et seq., 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 13 on page 45 et seq. 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 may vary from these estimates as a result of changes in expectations about future taxable income, future changes in income tax law or the final review of tax returns by tax authorities.
- 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 28 on page 73 et seq.
- Revenue, as shown in Note 8 on page 41, is recognized when realized or realizable and earned. Revenue from non-refundable up-front connection fees is 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 in management estimates may have a significant impact on the amount and timing of the revenue for any period.

NOTE 6

Standards issued but not yet effective

At the date of these consolidated Group financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective. As a result these standards and interpretations do not impact these consolidated financial statements.

NEW OR AMENDED STANDARDS	IMPACT	POSSIBLE IMPACT ON CONSOLIDATED FINANCIAL STATEMENTS
IFRS 9 – Financial Instruments	IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.
IFRS 15 – Revenue from Contracts with Customers	IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.	According to IFRS 15 Revenue from Contracts with Customers, revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard provides for a single, principles-based, five-step model which is to be applied to all contracts with customers and where the transaction price is generally allocated to each separate performance obligation in proportion to the stand-alone selling prices. Also the revenue is recognized when the customer obtains control of the promised goods or services, whereas the current standard focuses on transfer of risks and rewards. In addition, incremental costs of obtaining and fulfilling a contract are capitalized under certain conditions. In order to help the users of financial statements understand the amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, the new standard requires additional information to be disclosed in the Notes. The Group is in the process of assessing the impact resulting from the application of IFRS 15 and currently cannot give a reliable estimate. However, it is expected that especially the accounting for multi-component contracts as well as the capitalization of customer acquisition costs will have a significant impact on the consolidated financial statements, business processes and internal controls.
IFRS 16 – Leases	IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e., the customer (lessee) and the supplier (lessor). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, with early adoption permitted but only if IFRS 15 Revenue from Contracts with Customers is applied as well.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
- Annual Improvements to IFRSs 2012–2014 Cycle – Various Standards
- Disclosure Initiative (Amendments to IAS 1 and IAS 7)
- Equity Method in Separate Financial Statements (Amendments to IAS 27)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)
- Recognition of Deferred Tax assets for Unrealized Losses (Amendments to IAS 12)

NOTE 7

Segment reporting

Operating segments have been determined based on management reports reviewed by the Board of Directors. The Group's organizational structure reflects the different customer groups to which the Group provides its telecommunication products and services: Residential, Business, Wholesale and a reportable Head Office segment 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 and IPTV as well as its contractual arrangements with Swiss Fibre Net AG, the joint venture of local energy providers in Switzerland, and Swisscom, Sunrise focuses on selling its products in the Swiss telecommunications market by marketing bundled offers in fixnet/internet, mobile and IPTV.

Business provides a full range of products and services, from fixed-line and mobile communications to internet and data services as well as integration services to different business areas: Small Office and Home Office, Small and Medium Enterprises and large corporate clients.

The Wholesale product portfolio covers voice, data, internet and infrastructure services such as carrier and roaming services, which are marketed to national and international telecom service providers as well as mobile virtual network operators.

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

Performance is measured based on EBITDA as included in the internal financial reports reviewed by the Board of Directors. EBITDA is defined as operating income before depreciation and amortization, net financial result items and income tax expenses. The EBITDA earned by each segment is considered an adequate measure of the operating performance of the segments reported to the Board of Directors for the purposes of resource allocation and performance assessment. Assets and liabilities are not allocated to operating segments in the management reports reviewed by the Board of Directors, as the review focuses on changes in net working capital on a Group level.

NOTE 7

Segment reporting

Activities

CHFk JANUARY 1 – DECEMBER 31	RESIDENTIAL 2015	RESIDENTIAL 2014	BUSINESS 2015	BUSINESS 2014	WHOLESALE[1] 2015	WHOLESALE[1] 2014	HEAD OFFICE ACTIVITIES 2015	HEAD OFFICE ACTIVITIES 2014	TOTAL 2015	TOTAL 2014
Revenue										
External customers	1,385,618	1,479,453	313,540	312,220	245,542	254,692	31,431	29,117	1,976,131	2,075,482
Inter-segment revenue	–	–	–	–	48,989	57,708	–	–	48,989	57,708
Total	**1,385,618**	**1,479,453**	**313,540**	**312,220**	**294,531**	**312,400**	**31,431**	**29,117**	**2,025,120**	**2,133,190**
Transmission costs and cost of goods sold										
External customers	(424,497)	(440,534)	(107,071)	(99,202)	(200,966)	(214,483)	7	(67)	(732,527)	(754,286)
Inter-segment costs	(48,989)	(57,708)	–	–	–	–	–	–	(48,989)	(57,708)
Total	**(473,486)**	**(498,242)**	**(107,071)**	**(99,202)**	**(200,966)**	**(214,483)**	**7**	**(67)**	**(781,516)**	**(811,994)**
Other operating expenses	(136,881)	(183,856)	(20,936)	(31,022)	(3,721)	(4,424)	(250,051)	(253,214)	(411,589)	(472,516)
Wages, salaries and pension costs[2]	(59,890)	(59,202)	(52,480)	(56,048)	(2,860)	(2,928)	(92,724)	(109,701)	(207,954)	(227,879)
Other income	93	227	–	(1)	–	–	12,150	21,412	12,243	21,638
Other expenses	–	445	–	–	–	–	(20,205)	(3,887)	(20,205)	(3,442)
EBITDA	**715,454**	**738,825**	**133,053**	**125,947**	**86,984**	**90,565**	**(319,392)**	**(316,340)**	**616,099**	**638,997**

[1] Including hubbing revenue of CHFk 141,728 generated as of December 31, 2015, and CHFk 162,979 generated as of December 31, 2014.
[2] Lower wages, salaries and pension costs are related to the positive effects of the curtailment of IAS 19 following the restructuring in September which overcompensated for the increase due to higher FTEs at headquarters due to insourcing of the engineering department from its managed service provider in March 2014 and booking of share-based payment.

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

CHFk JANUARY 1 – DECEMBER 31	2015	2014
EBITDA from reportable segments	**616,099**	**638,997**
Unallocated:		
– Amortization	(260,484)	(244,915)
– Depreciation	(211,972)	(216,584)
– Net financial items	(234,987)	(276,351)
Loss before income taxes	**(91,344)**	**(98,853)**

NOTE 8

Revenue

CHFk JANUARY 1 – DECEMBER 31	2015	2014
Mobile services	1,303,867	1,350,420
Landline services	472,012	521,064
Thereof hubbing	*141,728*	*162,979*
Landline internet	200,252	203,998
Total	**1,976,131**	**2,075,482**

CHFk JANUARY 1 – DECEMBER 31	2015	2014
Sales of goods	324,644	321,754
Sales of services	1,651,487	1,753,728
Total	**1,976,131**	**2,075,482**

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

Landline telephony includes revenue from traffic, subscription and connection for PSTN / ISDN and Voice over Internet Protocol and other revenue from services, which primarily relate to business services.

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

Sales of goods include sales of mobile 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 9

Restructuring

On September 22, 2015, Sunrise Communications AG announced a restructuring program to simplify its structures and processes in order to strengthen customer focus and improve its competitive cost structure. As a consequence, Sunrise reduced its headcount by 160.

CHFk JANUARY 1 – DECEMBER 31	**2015**
Restructuring expenses	(19,985)
Thereof employee related costs	*(16,709)*
Thereof other restructuring costs	*(3,276)*
IAS 19 curtailment effect	16,402
Net impact on statement of income	**(3,583)**

One-off costs of CHF 20.0 million, consisting mainly of costs for employees affected by the release, are recorded in “other expenses” (see Note 11 opposite). Thereof CHF 10.1 million is recorded as a provision, whereas CHF 9.9 million is either recorded within trade and other payables or paid.

These costs are partially offset by the curtailment of the IAS 19 pension liability, resulting in a gain in service costs of CHF 16.4 million, which was recorded in “wages, salaries and pension costs” (see Note 7 on page 39 et seq., Note 10 below and Note 23 on page 57 et seq.).

NOTE 10

Wages, salaries and pension costs

CHFk JANUARY 1 – DECEMBER 31	**2015**	2014
Wages and salaries	(208,266)	(212,569)
Pension expenses[1]	(5,247)	(17,087)
Other social security costs	(16,343)	(17,417)
Total	**(229,856)**	**(247,073)**
Thereof capitalized as non-current assets	*21,902*	*19,194*
Total	**(207,954)**	**(227,879)**

[1] See Note 9 above.

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

	MANAGEMENT BOARD		**BOARD OF DIRECTORS**	
CHFk JANUARY 1 – DECEMBER 31	**2015**	2014	**2015**	2014
Wages and salaries	(5,908)	(5,764)	(325)	(199)
Pension expenses	(957)	(912)	–	–
Other social security costs	(454)	(454)	(12)	(15)
Total	**(7,319)**	**(7,130)**	**(338)**	**(214)**

NOTE 11

Other income and other expenses

CHFk JANUARY 1 – DECEMBER 31	2015	2014
Other income		
Early termination fees	4,948	12,999
Sub-leases	4,643	4,904
Aperiodic settlements of charges for access services calculated using the prices of the Swiss regulator	–	2,295
Reversal of provisions	1,682	–
Other	970	1,440
Total	**12,243**	**21,638**

CHFk JANUARY 1 – DECEMBER 31	2015	2014
Other expenses		
Non-deductible VAT	(964)	(368)
Restructuring expenses[1]	(19,985)	(80)
Reversal of accruals from prior periods	2,793	694
Provision related to managed service contract and onerous contracts	(1,532)	(2,805)
Other	(517)	(883)
Total	**(20,205)**	**(3,442)**

[1] See Note 9 opposite.

NOTE 12

Net financial items

CHFk JANUARY 1 – DECEMBER 31, 2015	INTEREST	DEBT REDEMPTION AND DERIVATIVE SETTLEMENT COSTS	FAIR VALUE ADJUSTMENTS	TOTAL FINANCIAL INCOME AND (EXPENSES) BEFORE FOREIGN CURRENCY	NET FOREIGN CURRENCY GAINS/(LOSSES)	TOTAL
Income						
Cash and cash equivalents	6	–	–	6	1,816	1,822
Financial liabilities measured at amortized cost	–	–	–	–	218,587	218,587
Cash flow hedges and economic hedges	97,895	–	–	97,895	–	97,895
Other	1,254	–	–	1,254	–	1,254
Total	**99,155**	**–**	**–**	**99,155**	220,403	319,558
Expenses						
Financial liabilities measured at amortized cost	(70,061)	(81,064)	–	(151,125)	–	(151,125)
Amortization of existing debt transaction costs	–	(46,438)	–	(46,438)	–	(46,438)
Cash flow hedges and economic hedges	(104,130)	(19,849)	(178,471)	(302,450)	–	(302,450)
Embedded derivatives[1]	–	–	(38,140)	(38,140)	–	(38,140)
Other	(10,270)	(5,874)	–	(16,144)	(248)	(16,392)
Total	**(184,461)**	**(153,225)**	**(216,611)**	**(554,297)**	**(248)**	**(554,545)**
Net financial items	**(85,306)**	**(153,225)**	**(216,611)**	**(455,142)**	**220,155**	**(234,987)**

CHFk JANUARY 1 – DECEMBER 31, 2014	INTEREST	DEBT REDEMPTION AND DERIVATIVE SETTLEMENT COSTS	FAIR VALUE ADJUSTMENTS	TOTAL FINANCIAL INCOME AND (EXPENSES) BEFORE FOREIGN CURRENCY	NET FOREIGN CURRENCY GAINS/(LOSSES)	TOTAL
Income						
Cash and cash equivalents	54	–	–	54	1,569	1,623
Financial liabilities measured at amortized cost	–	–	–	–	37,413	37,413
Cash flow hedges and economic hedges	111,483	–	–	111,483	–	111,483
Other	3,126	–	–	3,126	847	3,973
Total	**114,663**	**–**	**–**	**114,663**	**39,829**	**154,492**
Expenses						
Financial liabilities measured at amortized cost	(226,210)	–	–	(226,210)	–	(226,210)
Cash flow hedges and economic hedges	(113,072)	–	(31,241)	(144,313)	–	(144,313)
Embedded derivatives[1]	–	–	(45,785)	(45,785)	–	(45,785)
Other	(14,535)	–	–	(14,535)	–	(14,535)
Total	**(353,817)**	**–**	**(77,026)**	**(430,843)**	**–**	**(430,843)**
Net financial items	**(239,154)**	**–**	**(77,026)**	**(316,180)**	**39,829**	**(276,351)**

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

NOTE 13

Income taxes

Analysis of income taxes

CHFk JANUARY 1 – DECEMBER 31	2015	2014
Current income tax expense	(36,731)	(31,989)
Adjustments recognized for current tax of prior periods	(104)	4,912
Deferred tax income	15,258	10,784
Total income tax expense recognized in statement of income	**(21,577)**	**(16,293)**
Expected tax benefit at weighted average applicable tax rate of 21.0 % (2014: 21.0 %)	19,182	20,759
Effect of differing tax rates in effect in different jurisdictions	(1,182)	–
Non-deductible items	(38,639)	(43,449)
Tax deductible only	3,528	–
Changes in previously not recognized tax loss carry forward	(4,420)	1,437
Adjustments recognized for current tax of prior periods	(104)	4,912
Other effects	58	48
Total income tax expense recognized in statement of income	**(21,577)**	**(16,293)**

As of December 31, 2015, tax liabilities for income taxes total CHF 11.7 million (December 31, 2014: CHF 10.8 million; January 1, 2014: CHF 5.0 million) and are recorded as “Income tax payable”. Income tax receivables are recorded within “Current portion of trade and other receivables” and total CHF 2.7 million as of December 31, 2015 (December 31, 2014: CHF 4.6 million; January 1, 2014: CHF 17.0 million).

Deferred tax assets and liabilities

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 relate to income taxes levied by the same tax authority.

NOTE 13

Income taxes

Analysis of deferred tax assets and liabilities

CHFk DECEMBER 31, 2015	ASSETS	LIABILITIES	NET AMOUNT
Intangible assets	14,944	(257,481)	(242,537)
Property, plant and equipment	–	(3,148)	(3,148)
Customer acquisition costs	15,697	–	15,697
Carryforward tax loss	823	–	823
Deferred income	2,929	(947)	1,982
Employee benefit obligations	24,228	–	24,228
Transaction fees refinancing	–	(3,639)	(3,639)
Other	26	–	26
Total	**58,647**	**(265,215)**	**(206,568)**
Thereof deferred tax assets			*823*
Thereof deferred tax liabilities			*(207,391)*

CHFk DECEMBER 31, 2014	ASSETS	LIABILITIES	NET AMOUNT
Intangible assets	14,944	(282,957)	(268,013)
Property, plant and equipment	–	(3,363)	(3,363)
Customer acquisition costs	20,892	–	20,892
Carryforward tax loss	1,249	–	1,249
Deferred income	3,418	(1,125)	2,293
Hedging instruments debt	361,866	–	361,866
Hedging instruments swap	–	(361,866)	(361,866)
Employee benefit obligations	20,338	–	20,338
Other	43	(1,730)	(1,687)
Total	**422,750**	**(651,041)**	**(228,291)**
Thereof deferred tax assets			*1,249*
Thereof deferred tax liabilities			*(229,540)*

CHFk JANUARY 1, 2014	ASSETS	LIABILITIES	NET AMOUNT
Intangible assets	14,944	(303,152)	(288,208)
Property, plant and equipment	–	(4,124)	(4,124)
Customer acquisition costs	30,352	–	30,352
Deferred income	3,906	(1,302)	2,604
Hedging instruments debt	363,351	–	363,351
Hedging instruments swap	–	(363,351)	(363,351)
Employee benefit obligations	12,056	–	12,056
Other	111	–	111
Total	**424,720**	**(671,929)**	**(247,209)**
Thereof deferred tax assets			*–*
Thereof deferred tax liabilities			*(247,209)*

Deferred tax assets relating to tax loss carry forward or temporary differences are recognized when it is probable that such tax credits can be utilized in the future. As of December 31, 2015, the Group has unrecognized tax losses of CHF 54.4 million (2014: nil). CHF 1.2 million of these unrecognized tax losses expire in 2019, CHF 53.2 million in 2022. The increase in unrecognized tax losses relates largely to Sunrise Communications Group AG. As Sunrise Communications Group AG will generate mainly tax exempted dividend income, the available tax losses will not result in any future tax benefit.

Specification of deferred taxes

CHFk 2015	DEFERRED TAX ASSETS/ (LIABILITIES) NET, JANUARY 1	DEFERRED TAX (EXPENSE)/ INCOME	DEFERRED TAX THROUGH OCI	DEFERRED TAX ASSETS/ (LIABILITIES) NET, DECEMBER 31
Intangible assets[1]	(268,013)	25,476	–	(242,537)
Property, plant and equipment	(3,363)	215	–	(3,148)
Customer acquisition costs	20,892	(5,195)	–	15,697
Carryforward tax loss	1,249	(426)	–	823
Deferred income	2,293	(311)	–	1,982
Hedging instruments debt	361,866	(361,866)	–	–
Hedging instruments swap	(361,866)	361,866	–	–
Employee benefit obligations	20,338	(2,575)	6,465	24,228
Transaction fees IPO	–	(3,639)	–	(3,639)
Other	(1,687)	1,713	–	26
Total	**(228,291)**	**15,258**	**6,465**	**(206,568)**

CHFk 2014	DEFERRED TAX ASSETS/ (LIABILITIES) NET, JANUARY 1	DEFERRED TAX (EXPENSE)/ INCOME	DEFERRED TAX THROUGH OCI	DEFERRED TAX ASSETS/ (LIABILITIES) NET, DECEMBER 31
Intangible assets[1]	(288,208)	20,195	–	(268,013)
Property, plant and equipment	(4,124)	761	–	(3,363)
Customer acquisition costs	30,352	(9,460)	–	20,892
Carryforward tax loss	–	1,249	–	1,249
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	111	(1,798)	–	(1,687)
Total	**(247,209)**	**10,784**	**8,134**	**(228,291)**

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

As of December 31, 2015, the aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognized, totals CHF 3.8 million (December 31, 2014: CHF 3.6 million).

NOTE 14

Earnings per Share

Basic Earnings per Share is calculated by dividing net profit/(loss) for the period attributable to ordinary equity holders of the parent company by the weighted number of ordinary shares outstanding during the period. SCG was only incorporated on January 13, 2015, and the capital was increased via a contribution in kind on January 23, 2015, to 25,000,000 shares. For the consistency of the calculation it was assumed that SCG had this number of shares outstanding from January 1, 2015, to February 6, 2015 (the date of the IPO).

As SCG was only listed on the Swiss Exchange on February 6, 2015, no comparable information for the prior period is available.

JANUARY 1 – DECEMBER 31	2015
Basic earnings/(loss) per share	
Net loss attributable to equity holders of SCG (CHFk)	(112,921)
Weighted average number of shares outstanding	43,055,556
Basic earnings/(loss) per share (CHF)	**(2.62)**
Diluted earnings/(loss) per share	
Net loss income attributable to equity holders of SCG (CHFk)	(112,921)
Weighted average number of shares outstanding	43,055,556
Diluted earnings/(loss) per share (CHF)	**(2.62)**

If the vesting conditions were met as of December 31, 2015, a maximum of 204,396 shares would have a dilutive effect.

NOTE 15

Intangible assets

CHFk 2015	GOODWILL	SUBSCRIBER BASE	OTHER RIGHTS, SOFTWARE, LICENSES AND BRANDS	INTANGIBLES UNDER DEVELOPMENT	TOTAL
Cost as of January 1	1,147,769	1,334,683	1,070,982	21,431	3,574,865
Additions[1]	–	–	15,972	71,397	87,369
Transferred to/(from) other items[1]	–	–	53,222	(53,222)	–
Assets disposed of or fully amortized during the period	–	(116,000)	(15,513)	–	(131,513)
Cost as of December 31	**1,147,769**	**1,218,683**	**1,124,663**	**39,606**	**3,530,721**
Accumulated amortization and write-downs as of January 1	–	(560,600)	(320,060)	–	(880,660)
Amortization for the period	–	(134,429)	(126,055)	–	(260,484)
Assets disposed of or fully amortized during the period	–	116,000	15,513	–	131,513
Accumulated amortization and write-downs as of December 31	**–**	**(579,029)**	**(430,602)**	**–**	**(1,009,631)**
Net carrying value as of December 31	**1,147,769**	**639,654**	**694,061**	**39,606**	**2,521,090**

[1] Thereof cash additions CHFk 79,896.

CHFk 2014	GOODWILL	SUBSCRIBER BASE	OTHER RIGHTS, SOFTWARE, LICENSES AND BRANDS	INTANGIBLES UNDER DEVELOPMENT	TOTAL
Cost as of January 1	1,147,769	1,334,683	927,885	18,389	3,428,726
Additions[1]	–	–	79,592	64,343	143,935
Transferred to/(from) other items[2]	–	–	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**
Net carrying value as of January 1	**1,147,769**	**912,728**	**710,083**	**18,389**	**2,788,969**

[1] Thereof cash additions CHFk 105,898.
[2] Transfer includes correction of an addition made within tangible asset instead of intangible assets in the amount of CHF 6.2 million.

Subscriber base, which comprises both residential and business customers, is defined as total Sunrise business excluding prepaid mobile. Its useful life corresponds to the weighted average useful life of the different subscriber types of the company.

Licenses, software, brands and other rights represent the various equipment required to operate the business, software developed or customized by Sunrise as well as the brands under which the company markets its mobile voice and data services. Other rights include primarily Indefeasible Rights of Use (IRU) to transfer capacity from one point to another.

In 2015 and 2014 no write-downs for impairment of other rights, software, licenses and brands were recognized. In the year ended December 31, 2015, internal costs capitalized totaled CHF 10.4 million (2014: CHF 9.1 million). No interest was capitalized during the years ended December 31, 2015, and December 31, 2014.

Additions from third parties in 2015 include IRU and product development as well as digitalization. In 2014 a one-time investment for the use of wholesale broadband connectivity services from Swisscom of CHF 74.0 million was made, of which CHF 29.7 million was without cash effect.

The carrying value of intangible assets not yet amortized is CHF 39.6 million for the year ended December 31, 2015, and mainly comprises assets under construction (2014: CHF 21.4 million).

As of December 31, 2015, the carrying value of intangible assets is not pledged (2014: CHF 112.2 million was pledged).

NOTE 15

Intangible assets

Impairment tests for goodwill

Goodwill is allocated as of the acquisition date to the Group's Cash-Generating Units (CGU). The Group's CGUs consist of the Residential, Business and Wholesale operating segments, and the impairment test was carried out on these CGUs in the fourth quarter of 2015. An operating segment-level summary of goodwill allocation is presented below:

Goodwill allocation

CHFk	DECEMBER 31, 2015	DECEMBER 31, 2014	JANUARY 1, 2014
Residental	889,268	889,268	889,268
Business	190,029	190,029	190,029
Wholesale	68,472	68,472	68,472
Total	**1,147,769**	**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 2015, there are no other recorded intangible assets with indefinite useful lives (2014: 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 key assumptions used are listed below:

Key assumptions used for goodwill testing

CHFk	DECEMBER 31, 2015	DECEMBER 31, 2014	JANUARY 1, 2014
Long-term growth rate	0.8 %	1.0 %	1.0 %
WACC (pre-tax)	6.0 %	6.3 %	6.6 %

The calculation basis for the DCF model is the Group's business plan as approved by the Board of Directors. The detailed planning horizon of the business plan covers three years. The free cash flows beyond the three-year planning period were extrapolated using a long-term growth rate. The discount rate is the Weighted Average Cost of Capital (WACC) before tax of the Group. Due to refinancing at the beginning of the year and the subsequent reduction of debt, the cost of debt was significantly reduced, which resulted in a lower WACC in 2015. Budgeted gross margin and growth rates are based on past performance and management's expectations of market development. As of the impairment test date, the recoverable amount for all CGUs was higher than the carrying amount.

Sensitivity analysis

Management has performed sensitivity analyses, which

- increased the discount rate to 7.8 % by stable other key assumptions
- set the long-term growth rate to 0 % by stable other key assumptions
- combined the discount rate of 7.8 % with a growth rate of 0 %

The results of the sensitivity analyses demonstrated that the above changes in the key assumptions would not cause the carrying value of goodwill to exceed the recoverable amount for any of the three CGUs as of December 31, 2015.

NOTE 16

Property, plant and equipment

CHFk 2015	TELECOMMU-NICATIONS INSTALLATIONS	OTHER INSTALLATIONS	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	TOTAL
Cost as of January 1	1,483,545	107,274	77,978	1,668,797
Additions[1]	39,124	25	173,712	212,861
Transferred to/(from) other items	146,489	11,291	(157,780)	–
Assets disposed of during the period	(44,974)	(1,568)	–	(46,542)
Cost as of December 31	**1,624,184**	**117,022**	**93,910**	**1,835,116**
Accumulated depreciation and write-downs as of January 1	(655,808)	(60,974)	–	(716,782)
Depreciation for the period	(177,797)	(19,658)	–	(197,455)
Impairment losses	(14,517)	–	–	(14,517)
Assets disposed of during the period	44,973	1,568	–	46,541
Accumulated depreciation and write-downs as of December 31	**(803,149)**	**(79,064)**	**–**	**(882,213)**
Net carrying value as of December 31	**821,035**	**37,958**	**93,910**	**952,903**
Carrying value of finance leases as of December 31	**14,416**	**–**	**–**	**14,416**

[1] Thereof cash additions CHFk 196,164.

NOTE 16

Property, plant and equipment

CHFk 2014	TELECOMMU-NICATIONS INSTALLATIONS	OTHER INSTALLATIONS	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	TOTAL
Cost as of January 1	1,267,079	86,633	105,802	1,459,514
Additions[1]	54,975	574	202,839	258,388
Transferred to/(from) other items[2]	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**
Net carrying value as of January 1	**769,123**	**41,502**	**105,802**	**916,427**
Carrying value of finance leases as of December 31	**18,909**	**–**	**–**	**18,909**
Carrying value of finance leases as of January 1	**23,052**	**–**	**–**	**23,052**

[1] Thereof cash additions CHFk 250,581.
[2] Transfer includes correction of an addition made within tangible asset instead of intangible assets in the amount of CHF 6.2 million.

In 2015, the Group recognized CHF 14.5 million in write-downs for impairment. These were primarily attributable to the replacement of the mobile radio network with multi-standard radio equipment and to scrapping of customer premises equipment.

In the period ended December 31, 2015, capitalized internal cost totaled CHF 11.5 million (2014: CHF 10.1 million). In 2015 and 2014 no interest was capitalized. Additions from third parties include a CHF 16.7 million (2014: CHF 5.4 million) increase in asset retirement obligations without cash effect. The Group has recourse guarantee obligations for payment and performance in connection with lease contracts (see Note 33 on page 77).

NOTE 17

Trade and other receivables

CHFk	DECEMBER 31, 2015	DECEMBER 31, 2014	JANUARY 1, 2014
Trade receivables	387,675	368,759	259,767
Other receivables	4,192	9,085	21,547
Total	**391,867**	**377,844**	**281,314**
Thereof current	*346,994*	*325,604*	*281,314*
Thereof non-current	*44,873*	*52,240*	–

CHFk	DECEMBER 31, 2015	DECEMBER 31, 2014	JANUARY 1, 2014
Allowances for uncollectible amounts as of January 1	(71,621)	(51,347)	(49,860)
Addition of allowances for uncollectible amounts, net	(16,260)	(20,274)	(1,487)
Total allowances for uncollectible amounts	**(87,881)**	**(71,621)**	**(51,347)**

	DAYS			CHF		
	DECEMBER 31, 2015	DECEMBER 31, 2014	JANUARY 1, 2014	DECEMBER 31, 2015	DECEMBER 31, 2014	JANUARY 1, 2014
Neither past due nor impaired				356,136	264,272	186,514
Past due but not impaired:				10,656	1,555	8,329
– Current				124	79,280	65,775
– Receivables past due	1–36	1–36	1–31	11,573	16,233	9,085
– Receivables past due	37–67	37–67	32–61	3,482	6,214	2,632
– Receivables past due	68–98	68–98	62–91	1,854	2,088	2,720
– Receivables past due more than	99	99	91	8,042	8,202	6,259
Total				**391,867**	**377,844**	**281,314**

In 2014 the Company decided to adjust its aging buckets for overdue accounts receivable by increasing the length of the buckets as well as adding two more buckets for receivables more than 99 days past due. The total net amount of trade receivables past due as of December 31, 2015, was CHF 25.0 million (2014: CHF 34.3 million). Other classes within receivables do not contain impaired assets. The carrying value of receivables was not pledged as of December 31, 2015 (2014: CHF 365.3 million).

As of December 31, 2015 net receivables of CHF 10.7 million (2014: CHF 1.6 million) were past due but not impaired. These mainly relate to a number of independent Business, Wholesale and Residential customers with no recent history of default.

NOTE 18

Prepaid expenses

CHFk	DECEMBER 31, 2015	DECEMBER 31, 2014	JANUARY 1, 2014
Prepaid lease payments	1,517	3,082	3,218
Other prepaid expenses	7,223	7,250	7,429
Total	**8,740**	**10,332**	**10,647**
Thereof current	*7,893*	*8,566*	*9,047*
Thereof non-current	*847*	*1,766*	*1,600*

NOTE 19

Inventories

CHFk	DECEMBER 31, 2015	DECEMBER 31, 2014	JANUARY 1, 2014
Finished goods and merchandise	22,733	25,055	28,750
Work in progress	7,182	8,728	9,510
Total	**29,915**	**33,783**	**38,260**

Write-downs of inventories to the net realizable value totaled CHF 5.6 million in 2015 (2014: CHF 3.2 million). The carrying amount of inventories recognized as an expense in "transmission costs and cost of goods sold" and "other operating expenses" totaled CHF 198.4 million (2014: CHF 196.7 million). No inventories were expected to be sold after more than one year.

NOTE 20

Cash and cash equivalents

CHFk	DECEMBER 31, 2015	DECEMBER 31, 2014	JANUARY 1, 2014
Cash and cash equivalents	244,388	120,185	150,292
Total	**244,388**	**120,185**	**150,292**

Sunrise cash and cash equivalents comprise primarily short-term bank deposits with mainly Swiss banks with a high credit rating. The Group does not hold any outstanding term deposits as of December 31, 2015 (December 31, 2014, and January 1, 2014: CHF nil million).

Under the terms of the new factoring agreement, Sunrise Communications AG has pledged the cash balances of certain bank accounts. The pledge is limited to CHF 15.0 million if an event of default has occurred or is continuing. Otherwise, the pledge is zero (CHF nil million). As of December 31, 2015, cash and cash equivalents of Sunrise Communications AG are pledged in the amount of CHF nil million (CHF nil million in prior years).

Under the new senior facilities agreement and the senior secured notes indenture, the Group has no pledged cash and cash equivalents as of December 31, 2015. In prior years Sunrise Communications Holdings S.A. and its subsidiaries had pledged their bank accounts as part of the senior revolving credit facilities agreement (December 31, 2014: CHF 111.8 million; January 1, 2014: CHF 131.9 million).

NOTE 21

Equity

CHFk	DECEMBER 31, 2015	DECEMBER 31, 2014	JANUARY 1, 2014
Common shares	45,000	–	–
Share premium[1]	2,623,723	–	–
Other reserve	(776,143)	397,812	397,812
Valuation reserve	(23)	(8,380)	(12,696)
Accumulated deficit	(724,021)	(410,834)	(265,088)
Total equity	**1,168,536**	**(21,402)**	**120,028**

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

Share capital

As of December 31, 2015, the total authorized and issued number of ordinary shares comprised 45,000,000 shares with a nominal value of CHF 1 each.

Ordinary shares issued and fully paid

	2015	2014
Number of shares as of January 1	–	–
Issued on January 13, 2015, for incorporation	100,000	–
Issued on January 23, 2015, for capital increase via contribution in kind	24,900,000	–
Issued on February 6, 2015, for initial public offering	20,000,000	–
Number of shares as of December 31	**45,000,000**	**–**
Nominal value per share in CHF	1.00	–
Total amount of shares as of December 31 (CHFk)	**45,000**	**–**

On January 13, 2015, the new holding company Sunrise Communications Group AG (SCG) was incorporated with a fully paid-in share capital of CHFk 100.

On January 23, 2015, SCG increased its existing share capital of CHFk 100 by CHF 24.9 million to CHF 25.0 million by issuing 24,900,000 registered shares with a nominal value of CHF 1 in exchange for the entire share capital of MCIG from its individual shareholders.

Subsequently SCG made an IPO in Switzerland and was listed on the SIX Swiss Exchange on February 6, 2015. A total of 20,000,000 shares were issued at CHF 68 per share with a nominal value of CHF 1 amounting to CHF 1,360.0 million in gross proceeds. Transaction costs of CHF 45.1 million directly related to the share issuance were deducted from the share premium.

Other reserve

The change in other reserve represents the difference in fair value of the contribution in kind and the book value of assets and liabilities as part of the business restructuring in 2015. Please see Notes 1 and 2 on page 27 et seq. for more information.

Valuation reserve

Valuation reserve comprises fair value changes in derivative instruments that qualify as cash flow hedges and translation differences. Fair value changes are recognized net of tax.

NOTE 21

Equity

Accumulated deficit

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

Dividend

The Board of Directors will propose to the Annual General Meeting to be held on April 15, 2016, the payment of an ordinary dividend of CHF 3 per share in respect of the 2015 financial year. This equates to a total dividend distribution of CHF 135.0 million. The dividend payment is foreseen on April 21, 2016.

NOTE 22

Share-based payment

CHFk DECEMBER 31	2015	2014
Equity-settled share-based payment	4,804	
Thereof Employee Share Purchase Program	*754*	–
Thereof MLTIPZero	*3,295*	–
Thereof MLTIP	*280*	–
Thereof portion of short-term incentive paid in shares	*475*	–
Cash-settled share-based payment	1,162	–
Total expenses for share-based payment	**5,966**	**–**

In connection with the IPO, the Company allocated shares to employees in the following employee incentive plans:

Employee Share Purchase Program (ESPP)

On the date of the IPO, Sunrise employees had a one-time opportunity to acquire shares at a discount of 30 % off the IPO price of CHF 68. Purchasers of such shares are subject to a lock-up period of two years from the first day of trading, during which shares cannot be sold or otherwise disposed of. There are no minimum service requirements for employees. Upon termination of employment, the lock-up period remains in effect. In 2015, an expense of CHF 754,000 including social costs was recorded, corresponding to the 30 % offered to the employees.

Management Long-Term Investment Programs (MLTIPZero and MLTIP)

Certain members of the Group Management Board and selected Other Top Management members of Sunrise were offered the opportunity to take part in the Management Long-Term Investment Programs. These plans grant a certain number of shares (the Performance Shares) for each held Investment Share, depending on the performance of the Sunrise stock price in comparison to two specified peer groups. Sunrise determined the value at grant date of such Performance Shares for each of the two plans using a Monte Carlo simulation model. Performance Shares do not vest until the employees have completed the three-year period of service. The related expense is recognized over the service period and adjusted by the expected number of employees eligible for Performance Shares.

MLTIPZero

Participants in this program could purchase a certain number of Sunrise shares (Investment Shares) at the initial public offer price of CHF 68. Purchasers of such offered shares are subject to a lock-up period of three years from the first day of trading, during which shares cannot be sold or otherwise disposed of. There are no minimum service requirements for employees for Investment Shares; however, the matching number of Performance Shares awarded at the end of the lock-up period is subject to continued employment and satisfaction of certain performance targets. In

2015, 124,433 MLTIPZero Investment Shares are eligible for Performance Shares with a value at grant date of CHF 80.24 per share.

MLTIP

Under this plan there is no allocation of shares from the initial public offering. However, eligible participants, including members of the Group Management Board and selected Other Top Management members, may elect to receive a portion of their annual short-term incentive, capped at a maximum of 50 % of said short-term incentive, in the form of shares (Investment Shares), which will then be locked for a three-year period. There are no minimum service requirements for employees for Investment Shares; however, the number of shares awarded at the end of the lock-up period is subject to continued employment and satisfaction of certain performance targets. The selected portion of the short-term incentive to be paid out in shares (equity-settled) is classified under equity as of December 31, 2015; the remaining portion (cash-settled) is shown under other payables. In 2015, 11,831 MLTIP Investment Shares are eligible for Performance Shares with a value at grant date of CHF 87.70 per share.

In 2015, the allocation and cost of share-based payments to the members of the Board of Directors and the Group Management Board were as follows:

DECEMBER 31	2015	2014
Members of the Board of Directors	–	–
Members of the Group Management Board	2,969	–
Total	**2,969**	**–**

NOTE 23

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. The Sunrise Pension Fund is a separate, semi-autonomous foundation governed by the Occupational Pensions and Foundations Office of the Canton of Zurich. Risks for invalidity and death are reinsured by ElipsLife. The fixed assets of the Sunrise Pension Fund are managed by Credit Suisse Asset Management in Zurich in accordance with organizational guidelines and investment regulations. The Board of Trustees consist of an equal number of employer and employee representatives and is responsible for the management of the Foundation according to Swiss Law. In accordance with the Occupational Pensions Act, a temporary funding shortfall is permitted. The Board of Trustees must take appropriate measures in order to solve the shortfall within a reasonable timeframe. If those measures do not lead to the desired results, the Pension Fund may temporarily charge remedial contributions from the employers, from the insured persons and from the pensioners. The employer contribution must at least equal the aggregate contributions levied from the insured persons.

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 pension law is defined by the Swiss government. In addition the conversion factor used to convert the accumulated capital upon 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.

NOTE 23

Employee benefit obligations

Pension (costs)/income resulting from defined benefit plans

CHFk DECEMBER 31	2015	2014
Current service costs	(22,838)	(17,620)
Interest costs on benefit obligations	(910)	(1,027)
Past service costs[1]	17,274	(49)
Penison costs recognized in the statement of income	**(6,474)**	**(18,696)**

[1] Thereof CHFk 16,402 related to IAS 19 curtailment effect. Refer to Note 9 on page 42.

Assets and obligations

CHFk	DECEMBER 31, 2015	DECEMBER 31, 2014	JANUARY 1, 2014
Fair value of plan assets	(301,415)	(281,468)	(226,644)
Defined benefit obligations	416,784	378,312	284,053
Employee benefit obligations recognized in the statement of financial position	**115,369**	**96,844**	**57,409**

Movement in defined benefit obligations

CHFk	2015	2014
Balance as of January 1	378,312	284,053
(Reduction)/Addition of subsidiaries	–	(562)
Included in the statement of income		
– Current service costs	22,838	17,620
– Past service costs[1]	(17,274)	49
– Interest costs on defined benefit obligations	4,131	6,209
Included in other comprehensive income		
Actuarial (gain)/loss arising from:		
– Demographic assumptions	(179)	143
– Financial assumptions	22,187	52,386
– Experience adjustment	6,729	4,852
Other		
Employee contributions	12,683	12,095
Benefits paid/transferred	(12,643)	1,467
Total defined benefit obligations	**416,784**	**378,312**

[1] Thereof CHFk 16,402 related to the IAS 19 curtailment effect. Refer to Note 9 on page 42.

Movement in fair value of plan assets

CHFk	2015	2014
Balance as of January 1	(281,468)	(226,644)
Reduction/(Addition) of subsidiaries	–	379
Included in the statement of income		
Interest income	(3,221)	(5,182)
Included in other comprehensive income		
Return on plan assets excluding interest income	2,049	(18,653)
Other		
Company contributions	(18,735)	(17,806)
Employee contributions	(12,683)	(12,095)
Benefits paid	12,643	(1,467)
Total fair value of plan assets	**(301,415)**	**(281,468)**

Asset allocation of plan assets

	DECEMBER 31, 2015		DECEMBER 31, 2014		JANUARY 1, 2014	
CHFk	QUOTED PRICES	UNQUOTED PRICES	QUOTED PRICES	UNQUOTED PRICES	QUOTED PRICES	UNQUOTED PRICES
Cash and cash equivalents	(242)	–	657	–	6,803	9,433
Equity securities	–	108,750	–	101,404	–	73,555
Debt securities	–	136,472	–	127,498	–	99,925
Real estate	59	39,001	56	35,571	45	21,134
Other	–	17,375	–	16,282	–	15,749
Total	**(183)**	**301,598**	**713**	**280,755**	**6,848**	**219,796**

Plan assets do not include any property used by Group companies as of December 31, 2015. Furthermore the defined benefit plans do not hold any shares of Sunrise Communications Group AG.

Periodically, an asset-liability matching 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 % to 42.5 % equity securities, 40.5 % to 51.5 % government bonds, 11 % to 19 % real estate and 0.8 % to 7.2 % other investments.

NOTE 23

Employee benefit obligations

Principal actuarial assumptions

%	DECEMBER 31, 2015	DECEMBER 31, 2014	JANUARY 1, 2014
Discount rate	0.83	1.13	2.25
Future salary increases	2.00	2.00	2.00

As of December 31, 2015, the weighted average duration of the defined benefit obligation was 15.9 years (2014: 16.2 years). For 2016, the Group's projected contributions to its pension funds total CHF 15.5 million.

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	INCREASE	DECREASE
Effect on defined benefit obligation on December 31, 2015:		
– Discount rate (0.25 % movement)	(17,146)	18,694
– Future salary increases (1 % movement)	12,854	(11,788)

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 24

Borrowings

CHFk	NOMINAL VALUE AT INCEPTION	FOREIGN EXCHANGE MOVEMENT[1]	CAPITALIZED DEBT ISSUANCE COST INCLUDING DISCOUNTS AND PREMIUM[2]	LOAN AND FINANCE LEASE PROCEEDS/ (REPAYMENTS), NET	CARRYING VALUE DECEMBER 31, 2015	DECEMBER 31, 2014	JANUARY 1, 2014
Floating rate							
Term loan B – CHF[3]	1,360,000	–	(22,496)	–	1,337,504	–	–
Floating rate notes – EUR	200,570	(25,248)	–	(175,322)	–	198,470	201,877
Revolving credit facility – CHF	73,497	–	–	(73,497)	–	73,497	95,000
Fixed rate							
Senior secured notes – CHF[4]	500,000	–	(6,376)	–	493,624	–	–
Senior secured notes – CHF[5]	300,000	–	–	(300,000)	–	293,887	292,111
Senior secured notes – CHF[6]	370,000	–	–	(370,000)	–	365,655	364,317
Senior secured notes – EUR[7]	658,641	(131,482)	–	(527,159)	–	590,299	600,792
Senior notes – EUR	755,942	(165,557)	–	(590,385)	–	657,394	667,547
PIK toggle note							
Senior PIK toggle note – CHF[8]	300,000	–	–	(300,000)	–	294,597	293,562
Senior PIK toggle note – EUR[8]	336,168	(47,465)	–	(288,703)	–	324,689	330,293
Total loans and notes	**4,854,818**	**(369,752)**	**(28,872)**	**(2,625,066)**	**1,831,128**	**2,798,488**	**2,845,499**
Other							
Debt relating to finance leases[9]	–	–	–	(6,759)	23,100	29,859	35,445
Total borrowings					**1,854,228**	**2,828,347**	**2,880,944**
Thereof current					*6,769*	*24,724*	*40,991*
Thereof non-current					*1,847,459*	*2,803,623*	*2,839,953*

[1] Since issuance of the borrowings.
[2] At issuance of the borrowings.
[3] Issued February 13, 2015 (CHF 1,000.0 million) and February 18, 2015 (CHF 360.0 million).
[4] Issued February 18, 2015.
[5] Issued October 14, 2010.
[6] Issued July 19, 2012.
[7] Including a tap offering of EUR 125.0 million aggregate principal amount of its existing 7 % fixed rate senior secured notes.
[8] Issued March 15, 2013.
[9] Net present value equals the carrying value of the financial lease.

On February 6, 2015, Sunrise Communications Group AG, the newly established ultimate holding company of Mobile Challenger Intermediate Group S.A., listed its shares on the SIX Swiss Exchange (ticker symbol: SRCG). On February 13, 2015, Sunrise Communications Group AG partially used the gross proceeds of CHF 1,359.3 million from the IPO, together with a CHF 1,000.0 million 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 500.0 million 2.125 % senior secured notes due in 2022, together with a CHF 360.0 million 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 existing capitalized debt issuance cost, which totaled CHF 46.5 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.

NOTE 24

Borrowings

The Group's financial indebtedness is governed by financial covenants specified in the senior facilities agreement dated February 9, 2015. The main covenant is the leverage ratio. The Group performs covenant testing as of each half year date within the financial year of the Group. The last covenant testing, performed as of December 31, 2015, showed that the Group was in compliance with the applicable financial covenants.

The amounts drawn under the revolving credit facility with a total commitment in the amount of CHF 230.9 million (December 31, 2014: CHF 73.5 million drawn, January 1, 2014: CHF 95 million drawn) have been fully repaid (see Note 26 on page 64 et seq.) as of December 31, 2015.

Liabilities relating to finance leases are related primarily to lease agreements on fiber networks.

NOTE 25

Derivatives

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

	DECEMBER 31, 2015	DECEMBER 31, 2014	JANUARY 1, 2014	DECEMBER 31, 2015		DECEMBER 31, 2014		JANUARY 1, 2014	
CHFk	NOTIONAL AMOUNT	NOTIONAL AMOUNT	NOTIONAL AMOUNT	FAIR VALUE ASSETS[5]	FAIR VALUE LIABILITIES[5]	FAIR VALUE ASSETS[5]	FAIR VALUE LIABILITIES[5]	FAIR VALUE ASSETS[5]	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]	–	–	–	–	–	38,140	–	83,925	–
Total embedded derivatives	**–**	**–**	**–**	**–**	**–**	**38,140**	**–**	**83,925**	**–**
Total derivatives	**–**	**1,620,998**	**1,718,643**	**–**	**–**	**38,140**	**(158,045)**	**86,939**	**(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 see details provided below).
[4] Embedded derivatives represent early redemption options related to financial instruments issued by the Group.
[5] For fair value estimation, please see Note 26 on page 64 et seq.
[6] Interest rate swap has matured as of January 1, 2014.

The Group settled all existing cross currency principal and interest rate swap agreements partially on February 13, 2015, and terminated all remaining portions on February 18, 2015. At the balance sheet date of this report, the Group does not hold any derivative financial instrument contracts.

The fair values of existing derivative financial instruments are settled through the statement of income:

JANUARY 1 – DECEMBER 31	2015	2014
The change in the fair value of derivatives in the period can be summarized as:		
Cash flow hedges – movement in hedge reserve	(135,947)	(23,290)
Economic hedges	(42,524)	(7,951)
Total impact of hedging derivatives in the statement of income (Note 12)	**(178,471)**	**(31,241)**
Impact of embedded derivatives in the statement of income (Note 12)	(38,140)	(45,785)
Total impact of derivatives in the statement of income (Note 12)	**(216,611)**	**(77,026)**

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.

NOTE 26

Financial instruments

CHFk DECEMBER 31, 2015	LOANS AND RECEIVABLES	FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	DERIVATIVES USED FOR HEDGING	DERIVATIVES HELD FOR TRADING	TOTAL
Non-current financial assets					
Non-current portion of trade and other receivables	44,873	–	–	–	44,873
Total non-current financial assets	**44,873**	**–**	**–**	**–**	**44,873**
Current financial assets					
Current portion of trade and other receivables	344,286	–	–	–	344,286
Cash and cash equivalents	244,388	–	–	–	244,388
Total current financial assets	**588,674**	**–**	**–**	**–**	**588,674**
Total financial assets	**633,547**	**–**	**–**	**–**	**633,547**
Non-current financial liabilities					
Non-current portion of loans and notes	–	(1,831,128)	–	–	(1,831,128)
Non-current portion of financial leases	–	(16,331)	–	–	(16,331)
Non-current portion of trade payables and other payables	–	(33,496)	–	–	(33,496)
Total non-current financial liabilities	**–**	**(1,880,955)**	**–**	**–**	**(1,880,955)**
Current financial liabilities					
Current portion of loans and notes	–	–	–	–	–
Current portion of financial leases	–	(6,769)	–	–	(6,769)
Current portion of trade payables and other payables	–	(541,691)	–	–	(541,691)
Other current liabilities	–	(754)	–	–	(754)
Total current financial liabilities	**–**	**(549,214)**	**–**	**–**	**(549,214)**
Total financial liabilities	**–**	**(2,430,169)**	**–**	**–**	**(2,430,169)**
Total	**633,547**	**(2,430,169)**	**–**	**–**	**(1,796,622)**

CHFk DECEMBER 31, 2014	LOANS AND RECEIVABLES	FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	DERIVATIVES USED FOR HEDGING	DERIVATIVES HELD FOR TRADING	TOTAL
Non-current financial assets					
Derivative financial assets	–	–	–	38,140	38,140
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**	**–**	**–**	**38,140**	**90,533**
Current financial assets					
Trade receivables and other receivables	321,046	–	–	–	321,046
Cash and cash equivalents	120,185	–	–	–	120,185
Total current financial assets	**441,231**	**–**	**–**	**–**	**441,231**
Total financial assets	**493,624**	**–**	**–**	**38,140**	**531,764**
Non-current financial liabilities					
Non-current portion of loans and notes	–	(2,780,114)	–	–	(2,780,114)
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	**–**	**(2,940,901)**	**(143,944)**	**(14,101)**	**(3,098,946)**
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	–	(562,239)	–	–	(562,239)
Other current liabilities	–	(1,162)	–	–	(1,162)
Total current financial liabilities	**–**	**(588,125)**	**–**	**–**	**(588,125)**
Total financial liabilities	**–**	**(3,529,026)**	**(143,944)**	**(14,101)**	**(3,687,071)**
Total	**493,624**	**(3,529,026)**	**(143,944)**	**24,039**	**(3,155,307)**

NOTE 26

Financial instruments

CHFk JANUARY 1, 2014	LOANS AND RECEIVABLES	FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	DERIVATIVES USED FOR HEDGING	DERIVATIVES HELD FOR TRADING	TOTAL
Non-current financial assets					
Derivative financial assets	–	–	–	86,939	86,939
Other non-current assets	200	–	–	–	200
Total non-current financial assets	**200**	**–**	**–**	**86,939**	**87,139**
Current financial assets					
Trade receivables and other receivables	264,265	–	–	–	264,265
Cash and cash equivalents	150,292	–	–	–	150,292
Total current financial assets	**414,557**	**–**	**–**	**–**	**414,557**
Total financial assets	**414,757**	**–**	**–**	**86,939**	**501,696**
Non-current financial liabilities					
Non-current portion of loans and notes	–	(2,810,499)	–	–	(2,810,499)
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	**–**	**(3,047,373)**	**(124,968)**	**(9,165)**	**(3,181,506)**
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	–	(404,364)	–	–	(404,364)
Other current liabilities	–	(1,705)	–	–	(1,705)
Total current financial liabilities	**–**	**(447,060)**	**–**	**–**	**(447,060)**
Total financial liabilities	**–**	**(3,494,433)**	**(124,968)**	**(9,165)**	**(3,628,566)**
Total	**414,757**	**(3,494,433)**	**(124,968)**	**77,774**	**(3,126,870)**

The Group operates a centralized risk management system that distinguishes between strategic and operating risks. The Group’s overall risk management program focuses on the unpredictability of financial market risks and seeks to minimize potential adverse effects on the Group’s financial performance. All identified risks are quantified (according to their realization probability and impact) and noted on a risk schedule. This risk schedule is subject to an annual detailed review and discussion process by the Board of Directors.

The Group is exposed to a variety of financial risks, namely market risk, credit risk and liquidity risk. With the refinancing transaction at the beginning of the year, the Group released all held derivative financial instruments, such as cross currency interest rate swaps and interest rate swaps. As the newly held debt instruments in CHF are no longer exposed to any currency risks, there is no need for derivative financial instruments to hedge those risk exposures.

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

A: Foreign-currency exposures

The Group is predominantly active in the domestic market. In February 2015, all existing debt instruments were fully repaid and replaced by debt instruments denominated in CHF only. In 2014, the Group's risk of exposure to changes in foreign exchange rates relates primarily to the Group's financing activities (borrowings denominated in euros).

It is the Group's policy to fully hedge its foreign currency exposure related to financial borrowings denominated in a currency other than the functional currency of the respective Group entity by using cross currency interest rate swaps, except the payment in kind toggle note held at MCIG.

The following table shows the impact of a reasonably possible change in the euro against the Swiss franc, with all other variables held constant. The impact on the Group's profit before 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 the Group's other comprehensive income results from fair value movements in cross currency interest rate swaps designated as cash flow hedges. As of December 31, 2015, the Group has no other material exposure to foreign currencies.

Foreign currency sensitivity

	NET EXPOSURE			EFFECT ON PROFIT BEFORE TAX	
CHFk	**DECEMBER 31, 2015**	DECEMBER 31, 2014	CHANGE IN %	**DECEMBER 31, 2015**	DECEMBER 31, 2014
EUR/CHF	5,933	328,387	+/–10 %	593	32,839

B: Interest rate risk

The Group's interest rate risk mainly arises from third party borrowings. In February 2015, all existing debt instruments were fully repaid and replaced by fixed rate borrowings through senior secured notes and a term loan at variable interest rate.

In 2014 and 2013, the Group issued floating rate notes and fixed rate borrowings through its senior secured notes and senior notes. Borrowings issued at variable interest rates exposed the Group to cash flow interest rate risk. Borrowings issued at fixed rates exposed the Group to fair value interest rate risk. Under the terms of the senior revolving credit facility, the Group was 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 were either hedged using interest rate derivatives or bore 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.

NOTE 26

Financial instruments

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 the fair value of the respective interest rate derivatives.

Interest rate sensitivity

CHFk DECEMBER 31	INCREASE/DECREASE IN BASIS POINTS	EFFECT ON PROFIT BEFORE TAX 2015	2014
CHF interest rates	+10 %	(1,262)	(204)
CHF interest rates	–10 %	51	31

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. Cash forecasting takes into consideration the Group's debt financing plans and covenant compliance.

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.

C: Maturity profiles

CHFk DECEMBER 31, 2015	<1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	OVER 5 YEARS	TOTAL
Trade payables and other payables	(541,691)	(33,496)	–	–	(575,187)
Borrowings – notional	–	–	–	(1,831,128)	(1,831,128)
Borrowings – interest	(45,192)	(45,097)	(135,386)	(17,342)	(243,017)
Financial leases	(6,769)	(7,065)	(6,950)	(2,316)	(23,100)
Derivative liabilties	–	–	–	–	–
Other current liabilities	(754)	–	–	–	(754)
Total financial liabilities	**(594,406)**	**(85,658)**	**(142,336)**	**(1,850,786)**	**(2,673,186)**

CHFk DECEMBER 31, 2014	<1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	OVER 5 YEARS	TOTAL
Trade payables and other payables	(562,239)	(137,278)	–	–	(699,517)
Borrowings – notional	(18,375)	–	(2,780,113)	–	(2,798,488)
Borrowings – interest	(208,103)	(208,103)	(331,116)	–	(747,322)
Financial leases	(6,350)	(6,767)	(13,527)	(3,215)	(29,859)
Derivative liabilties	–	–	(158,045)	–	(158,045)
Other current liabilities	(1,162)	–	–	–	(1,162)
Total financial liabilities	**(796,229)**	**(352’148)**	**(3’282’801)**	**(3,215)**	**(4,434,393)**

CHFk JANUARY 1, 2014	<1 YEAR	BETWEEN 1 RAND 2 YEARS	BETWEEN 2 AND 5 YEARS	OVER 5 YEARS	TOTAL
Trade payables and other payables	(404,364)	(103,710)	(103,710)	–	(611,784)
Borrowings – notional	(35,000)	–	(2,186,644)	(623,855)	(2,845,499)
Borrowings – interest	(39,937)	(211,592)	(694,087)	(11,710)	(957,326)
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	**(486,997)**	**(321,652)**	**(3,138,868)**	**(638,375)**	**(4,585,892)**

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.

CHFk	<1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	OVER 5 YEARS	TOTAL
December 31, 2015					
Notional amounts receivable	–	–	–	–	–
Notional amounts payable	–	–	–	–	–
December 31, 2014					
Notional amounts receivable	–	–	1,471,738	–	1,471,738
Notional amounts payable	–	–	(1,620,998)	–	(1,620,998)
January 1, 2014					
Notional amounts receivable	–	–	1,502,325	–	1,502,325
Notional amounts payable	–	–	(1,618,643)	–	(1,618,643)

D: Undrawn credit lines

The Group had the following undrawn borrowing facilities:

CHFk	DECEMBER 31, 2015	DECEMBER 31, 2014	JANUARY 1, 2014
Senior Revolving Credit Facility (Senior RCF) and acquisition facility	184,000	142,402	140,000
Ancillary facility	16,000	15,000	15,000
Total	**200,000**	**157,402**	**155,000**

In 2015, Sunrise fully repaid the drawn CHF 73.5 million Senior RCF and cancelled the RCF agreement. In the Senior Facilities Agreement dated February 9, 2015, a new multi-currency revolving credit facility is made available with a total commitment equal to CHF 200 million. The committed and undrawn revolving credit facility bears a facility fee of 0.7 % per annum. Any amount drawn under the revolving credit facility bears a margin of CHF LIBOR + 2.00 % per annum. At the balance sheet date, no utilization has been made under the revolving credit facility.

In 2014, as part of the amendment, Sunrise repaid CHF 6.5 million to reduce the utilized Senior RCF amount from CHF 80.0 million to CHF 73.5 million. In 2014 the committed and undrawn Senior RCF of CHF 142.4 million bore commitment fees of 1.3 % per annum (2013: 1.8 %). Any amount drawn under this facility bore a margin of CHF LIBOR + 3.25 % per annum (2013: +4.5 %).

The ancillary facility of CHF 16 million (December 31, 2014, and January 1, 2014: CHF 15 million) is currently undrawn and bears a facility fee of 0.2 % per annum (2014 and 2013: 0.675 %). The Group has CHF 13.9 million (2014: CHF 13.6 million, 2013: CHF 11.8 million) in guarantees outstanding under the ancillary facility, on which a fee of 1.2 % per annum (2014: 2.16 %, 2013: 2.16 %) is charged.

E: Credit risk

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

Credit risk arising from supplying telecommunication services is managed 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 customers 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 on page 53 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 in prior years also to 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. Market positions with each counterparty are monitored to ensure adequate risk diversification.

F: Capital management

The Group's objectives in managing capital are to secure its ongoing financial needs, to continue as going concern, to meet its growth targets, to provide returns to its 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 21 on page 55 et seq.), current and non-current borrowings (see Note 24 on page 61 et seq.) less cash and cash equivalents.

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

The Sunrise dividend policy is defined as paying out at least 65 % of equity free cash flows. The Group has a net debt/EBITDA target of 2.5×. Once this threshold is reached, cash in excess of the 65 % will be distributed as a dividend, share buyback or further deleveraging, as appropriate at that time.

G: Fair value estimation

The fair value of current financial assets and liabilities at amortized cost is assumed to approximate their carrying amounts due to the short-term nature of these financial instruments.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Techniques that use inputs with a significant effect on the recorded fair value and that are not based on observable market data

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

There were no transfers between the different hierarchy levels in 2015 and 2014.

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

	CARRYING AMOUNT (BY MEASUREMENT BASIS)			
CHFk DECEMBER 31, 2015	AMORTIZED COST	FAIR VALUE LEVEL 2	TOTAL	COMPARISON FAIR VALUE[1]
Financial assets				
Cash	244,388	–	244,388	
Trade and other receivables	389,159	–	389,159	
Financial liabilities				
Trade payables and other payables	(575,187)	–	(575,187)	
Loans and notes	(1,831,128)	–	(1,831,128)	(1,819,350)
Financial leases	(23,100)	–	(23,100)	
Other current liabilities	(754)	–	(754)	

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

NOTE 26

Financial instruments

CHFk DECEMBER 31, 2014	CARRYING AMOUNT (BY MEASUREMENT BASIS) AMORTIZED COST	FAIR VALUE LEVEL 2	TOTAL	COMPARISON FAIR VALUE[1]
Financial assets				
Cash	120,185	–	120,185	
Trade and other receivables	373,286	–	373,286	
Other non-current assets	153		153	
Derivatives – held for trading	–	38,140	38,140	
Financial liabilities				
Trade payables and other payables	(688,258)	–	(688,258)	
Loans and notes	(2,798,488)	–	(2,798,488)	(2,857,064)
Financial leases	(29,859)	–	(29,859)	
Derivatives – held for trading		(14,101)	(14,101)	
Derivatives – held for hedging	–	(143,944)	(143,944)	
Other current liabilities	(1,162)	–	(1,162)	

CHFk JANUARY 1, 2014	CARRYING AMOUNT (BY MEASUREMENT BASIS) AMORTIZED COST	FAIR VALUE LEVEL 2	TOTAL	COMPARISON FAIR VALUE[1]
Financial assets				
Cash	150,292	–	150,292	
Trade and other receivables	264,265	–	264,265	
Other non-current assets	200	–	200	
Derivatives – held for trading	–	86,939	86,939	
Financial liabilities				
Trade payables and other payables	(611,784)	–	(611,784)	
Loans and notes	(2,845,499)	–	(2,845,499)	(2,973,898)
Financial leases	(35,445)	–	(35,445)	
Derivatives – held for trading	–	(9,165)	(9,165)	
Derivatives – held for hedging	–	(124,968)	(124,968)	
Other current liabilities	(1,705)	–	(1,705)	

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

NOTE 27

Trade and other payables

CHFk	DECEMBER 31, 2015	DECEMBER 31, 2014	JANUARY 1, 2014
Trade payables	536,835	661,943	582,911
Interest payable	3,431	17,208	17,937
Other payables and accruals	46,885	56,309	35,135
Total	**587,151**	**735,460**	**635,983**
Thereof current	*553,655*	*598,182*	*428,563*
Thereof non-current	*33,496*	*137,278*	*207,420*

In June 2015, the Company paid the 2nd installment related to the acquisition of the spectrum licenses in 2012 in the amount of CHF 105.0 million. The 3rd and last installment of CHF 109.7 million will be due on December 31, 2016, and has been reclassified from non-current to current trade and other payables. Non-current trade and other payables mainly consist of the 2nd and 3rd installments related to the investment into broadband connectivity services from Swisscom totaling CHF 29.7 million.

NOTE 28

Provisions

CHFk	ASSET RETIREMENT OBLIGATIONS	RESTRUCTURING OBLIGATIONS	OTHER PROVISIONS	TOTAL
Provisions as of January 1, 2015	124,703	288	1,969	126,960
Provisions made during the period[1]	16,696	17,417	1,681	35,794
Change in present value	(1,018)	–	–	(1,018)
Provisions used during the period	(1,185)	(6,458)	(766)	(8,409)
Unused provisions reversed during the period	(1,682)	(905)	(735)	(3,322)
Provisions as of December 31, 2015	**137,514**	**10,342**	**2,149**	**150,005**
Thereof current	*1,954*	*10,342*	*2,149*	*14,445*
Thereof non-current	*135,560*	–	–	*135,560*
Provisions as of January 1, 2014	115,299	965	6,552	122,816
Provisions made during the period	2,014	80	356	2,450
Change in present value	8,773	–	–	8,773
Provisions used during the period	(449)	(721)	(93)	(1,263)
Unused provisions reversed during the period	(934)	(36)	(4,846)	(5,816)
Provisions as of December 31, 2014	**124,703**	**288**	**1,969**	**126,960**
Thereof current	*2,380*	*288*	*1,969*	*4,637*
Thereof non-current	*122,323*	–	–	*122,323*

[1] See Note 9 on page 42 for further information on restructuring obligations.

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 within a year.

NOTE 28

Provisions

Restructuring costs mainly relate to the restructuring program announced on September 22, 2015.

Other provisions are related to warranties, litigations and legal claims.

NOTE 29

Deferred income

CHFk	DECEMBER 31, 2015	DECEMBER 31, 2014	JANUARY 1, 2014
Deferred income from dark fibers	11,913	15,291	18,743
Deferred income from other telecommunication services	42,672	46,869	49,079
Total	**54,585**	**62,160**	**67,822**
Thereof current	*42,895*	*47,557*	*52,392*
Thereof non-current	*11,690*	*14,603*	*15,430*

NOTE 30

Change in net working capital

CHFk JANUARY 1 – DECEMBER 31	2015	2014
Change in inventories	3,868	4,477
Change in trade and other receivables	(15,874)	(110,614)
Change in trade and other payables	(28,116)	50,762
Change in other items, net	(4,886)	2,829
Total	**(45,008)**	**(52,546)**

Net working capital 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.

In January 2015, Sunrise entered into a factoring agreement with UBS under which Sunrise may sell residential customer receivables from device plans to UBS. As of December 31, 2015, CHF 41.7 million in receivables are derecognized.

The change in net working capital is primarily attributable to changes in trade and other payables driven by different spending patterns and timing of payments as well as newly negotiated roaming contracts with different invoicing terms. This effect is partially offset by an improved change in trade and other receivables due to the partial factoring of handset receivables related to Freedom as well as a positive development of deferred revenue.

NOTE 31

Overview of Group companies

COMPANY NAME	OPERATING PURPOSE	REGISTERED OFFICE	CURRENCY	VOTING RIGHTS	CONSOLI-DATION METHOD
Switzerland					
Sunrise Communications Group AG	Holding	Zurich			
Sunrise Communications AG	Telecommunications services	Zurich	CHF	100	Full
TelCommunication Services AG	Telecommunications services	Zurich	CHF	100	Full
YOL Communications GmbH	Telecommunications services	Zurich	CHF	100	Full
YOL Services AG	Telecommunications services	Zurich	CHF	100	Full
Luxembourg					
Mobile Challenger Intermediate Group S.A.	Subholding	Luxembourg	CHF	100	Full
Sunrise Communications Holdings S.A.	Subholding	Luxembourg	CHF	100	Full
Sunrise Communications International S.A.	Subholding	Luxembourg	CHF	100	Full
Skylight S.à r.l.	Subholding	Luxembourg	CHF	100	Full

NOTE 32

Related parties

NAME OF RELATED PARTY	NATURE OF RELATIONSHIP	DOMICILE
Mobile Challenger Group S.à r.l.[1]	Ultimate holding company (until January 23, 2015)	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
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 22 on page 56 et seq., certain managers and employees of Sunrise Communications AG participate in a management equity program and employee participation program involving Sunrise Communications Group AG.

NOTE 32
Related parties

The key management of Sunrise Communications Group AG is composed of:

Sunrise Communications Group AG

BOARD OF DIRECTORS

Lorne Somerville	Chairman
Peter Schöpfer	Vice-Chairman
Jesper Ovesen	Member
Siddharth Patel	Member
Dr. Daniel Pindur	Member

Sunrise Communications AG (main operating entity of the Group)

BOARD OF DIRECTORS

Peter Schöpfer	Chairman
Libor Voncina	Member
André Krause	Member

GROUP MANAGEMENT BOARD

Libor Voncina	Chief Executive Officer (CEO)
André Krause	Chief Financial Officer (CFO)
Elmar Grasser	Chief Operating Officer (COO)
Timm Degenhardt	Chief Commercial Officer (CCO)
Sebastian Prange	Chief Sales Officer (CSO)
Massimiliano Nunziata	Chief Customer Experience Officer (CCE)
Markus Naef	Chief Commercial Officer Business (CCB)

Related party transactions in 2015 are limited to the contribution in kind as part of the integration of MCIG into SCG. Please see Note 1 on page 27 for more information.

NOTE 33

Other financial commitments

CHFk DECEMBER 31	2015	2014
Non-cancelable lease commitments for operating leases		
Rental expense relating to properties and mobile sites in the period of interminability	230,148	261,618
Lease commitments for machinery, equipment, computers and other equipment	31,578	32,418
Total	**261,726**	**294,036**
Broken down as follows:		
– Less than 6 months	49,047	53,039
– Between 6 and 12 months	47,186	41,071
– Between 1 and 2 years	49,192	50,264
– Between 2 and 5 years	81,020	102,515
– Over 5 years	35,281	47,147
Total	**261,726**	**294,036**
Total rental expense recognized for all operating leases		
Minimum lease payments	96,699	101,234
Sublease receipts	(4,643)	(4,904)
Total	**92,056**	**96,330**
Contractual and purchase commitments[1]	141,253	142,974

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

NOTE 34

Contingencies

The Sunrise Group is party to certain pending lawsuits and cases pending with public authorities and complaint 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 intercreditor agreement, certain entities of the Group are guarantors. As of December 31, 2015, the maximum guarantee totals the value of the shares, preferred equity certificates and intercompany receivables. As of December 31, 2014, the guarantee totals CHF 1,416.4 million.

NOTE 35

Events after the balance sheet date

There are no significant subsequent events to report after the balance sheet date.

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To the Annual General Meeting of
Sunrise Communications Group AG, Zurich

Zurich, March 8, 2016

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Sunrise Communications Group AG, which comprise the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of financial position, consolidated statements of cash flow, consolidated statements of changes in equity and notes (pages 20 to 77), for the year ended December 31, 2015.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law, Swiss Auditing Standards and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance 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 auditor's judgment, 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 auditor considers the internal control system relevant to the entity's preparation 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 system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, 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 for the year ended December 31, 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

André Schaub
Licensed audit expert
(Auditor in charge)

Tobias Meyer
Licensed audit expert

Statutory Financial Statements

Sunrise Communications Group AG

Income Statement

CHFk JANUARY 13 – DECEMBER 31	NOTES	2015
Interest income from investments		421
Total operating income		**421**
Other operating expenses		(2,506)
Operating loss		**(2,085)**
Extraordinary, non-recurring or prior period expenses	3.1	(50,210)
Loss for the period before tax		**(52,295)**
Direct taxes	3.2	(931)
Loss for the period		**(53,226)**

Balance Sheet

Assets

CHFk	NOTES	2015
Cash and cash equivalents		14,591
Other receivables		
due from third parties		*49*
due from investments	*3.3*	*50,500*
Prepayments and accrued income		220
Total current assets		**65,360**
Investments	3.4	2,593,630
Total non-current assets		**2,593,630**
Total assets		**2,658,990**

Liabilities and shareholders' equity

CHFk	NOTES	2015
Accruals and deferred income		
due from third parties		*414*
due from investments		*1,821*
Total short-term liabilities		**2,235**
Share capital	3.5	45,000
Legal capital reserves		
– Reserves from capital contributions	3.6	2,659,164
– Other capital reserves		5,817
Accumulated losses		
– Loss for the period		(53,226)
Total shareholders' equity		**2,656,755**
Total liabilities and shareholders' equity		**2,658,990**

Notes to the Statutory Financial Statements

NOTE

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2.3	Transaction costs
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3	Information on balance sheet and income statement items
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4.3	Shares held by the Group Management Board and the Board of Directors, including any related parties
4.4	Indirect economic interest in shares for members of the Group Management Board

NOTE 1

General

Sunrise Communications Group AG (SCG or the Company) was incorporated on January 13, 2015. The registered offices of the Company are located at Binzmühlestrasse 130, CH-8050 Zurich, Switzerland. On January 23, 2015, SCG became the parent entity of Mobile Challenger Intermediate Group S.A., the Company's only direct investment brought from its individual shareholders.

On February 6, 2015, SCG made an initial public offering (IPO) in Switzerland and was listed on the SIX Swiss Exchange.

NOTE 2

Principles

NOTE 2.1

General aspects

These financial statements were prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law the significant accounting and valuation principles applied are described below.

NOTE 2.2

Share-based payment

In connection with the IPO, the Company allocated shares to employees in the following employee incentive plans:

Employee Share Purchase Program (ESPP)

Shares allocated to employees of Sunrise at a discount of 30 % off the IPO price. Purchasers of such shares are subject to a blocking period of two years from the first day of trading, during which shares cannot be sold or otherwise disposed of. There are no minimum service requirements for employees. Upon termination of employment (for any reason), the blocking period of shares remains in effect and the shares remain with the program administrator.

Management Long-Term Investment Program (MLTIPZero)

Shares allocated to certain members of the Group Management Board and selected Other Top Management members of Sunrise at the initial public offer price. Purchasers of such offered shares (Investment Shares) will be subject to a blocking period of three years after the first day of trading, during which shares cannot be sold or otherwise disposed of, no service period is required by the employee for the Investment Shares, however the matching number of Performance Shares awarded at the end of the blocking period are subject to continued employment and satisfaction of certain performance targets.

Annual tranches of Long-Term Investment Program (MLTIP)

Under this plan there is no allocation of shares from the initial public offering. However, eligible participants, including members of the Group Management Board and selected Other Top Management members, will have the opportunity to elect to receive a portion of their annual short-term incentive, capped at a maximum of 50 % of such short-term incentive, in the form of shares, which will then be blocked for a three-year period (Investment Shares). There are no minimum service requirements for employees for the Investment Shares; however the matching shares awarded at the end of the blocking period are subject to continued employment and satisfaction of certain performance targets.

The respective shares for MLTIPZero and MLTIP will either be bought back on the market or received via a capital increase. As SCG itself does not have any employees, a possible expense related to the buying back of shares at the market will be charges to Sunrise Communications AG, the operative company indirectly held by SCG.

NOTE 2.3

Transaction costs

Transaction costs related to the issuance of new shares following the IPO on February 6, 2015, have been directly expensed as incurred.

NOTE 2.4

Foregoing a cash flow statement and additional disclosure in the Notes

As Sunrise Communications Group AG has prepared its consolidated financial statements in accordance with a recognized accounting standard (IFRS), it has decided to forego presenting additional information on interest-bearing liabilities and audit fees in the Notes as well as a cash flow statement in accordance with the law (Art. 961d Para. 1 CO).

NOTE 3

Information on balance sheet and income statement items

NOTE 3.1

Extraordinary, non-recurring or prior period expenses

Recorded expenses are related to the issuance cost of the IPO on February 6, 2015, and represent non-recurring cost in 2015.

NOTE 3.2

Direct taxes

Direct taxes are related to capital taxes. As the Company shows a loss for the reporting period, there are no expenses related to income taxes.

NOTE 3.3

Other receivables due from investments

CHFk DECEMBER 31	2015
Loan granted to indirectly held subsidiary	50,000
Accrued interest on loan granted	421
Other receivables due from investments	79
Total	**50,500**

NOTE 3.4

Investments

		DECEMBER 31, 2015	
COMPANY	DOMICILE	CAPITAL IN CHFk	SHARE IN CAPITAL AND VOTING RIGHTS
Mobile Challenger Intermediate Group S.A.	Luxembourg	1,346	100 % [1]
Sunrise Communications Holdings S.A.	Luxembourg	1,000	100 % [2]
Sunrise Communications International S.A.	Luxembourg	1,000	100 % [2]
Skylight S.à r.l.	Luxembourg	1,500	100 % [2]
Sunrise Communications AG	Zurich	50,000	100 % [2]
YOL Communications GmbH	Zurich	21	100 % [2]
YOL Services AG	Zurich	105	100 % [2]
TelCommunication Services AG	Zurich	2,000	100 % [2]

[1] Directly held
[2] Indirectly held

NOTE 3.5

Share capital

Share capital in the amount of CHFk 45,000 consists of 45,000,000 registered shares at a par value of CHF 1.00 each.

On January 13, 2015, SCG was incorporated with a fully paid-in share capital of CHFk 100. On January 23, 2015, the existing share capital was increased by CHF 24.9 million to CHF 25.0 million by issuing 24,900,000 registered shares with a nominal value of CHF 1 in exchange for the entire share capital of Mobile Challenger Intermediate Group S.A. (MCIG) from its individual shareholders. Subsequently SCG made an IPO in Switzerland and was listed on the SIX Swiss Exchange on February 6, 2015. A total of 20,000,000 shares was issued with a nominal value of CHF 1.

NOTE 3.6

Reserves from capital contributions

The reserves from capital contributions consist of the following:

CHFk DECEMBER 31	2015
Premium from share capital increase due to integration of MCIG	1,319,862
Premium from IPO proceeds	1,339,302
Total	**2,659,164**

From a fiscal point of view, any distributions made from reserves from capital contributions are treated the same as a repayment of share capital. The Swiss Federal Tax Administration has confirmed that it will recognize disclosed reserves from capital contributions as a capital contribution as per Art. 5 Para. 1bis Withholding Tax Act.

NOTE 4

Other information

NOTE 4.1

Full-time equivalents

Sunrise Communications Group AG does not have any employees.

NOTE 4.2

Significant shareholders

The following shareholders owned more than 5 % of voting rights as of December 31, 2015:

SHAREHOLDER	VOTING RIGHTS DECEMBER 31, 2015
CVC Capital Partners SICAV-FIS S.A., Luxembourg	25.27 %
Allianz SE, Munich	5.80 %
Represented by Hengistbury Investment Partners LLP, London	5.22 %

NOTE 4.3

Shares held by the Group Management Board and the Board of Directors, including any related parties

Since the board fees for 2015 were paid in cash only, none of the members of the Board of Directors held shares in Sunrise Communications Group AG as of December 31, 2015. The members of the Board of Directors do not participate in any Long-Term Investment Programs or ESPP.

As of December 31, 2015, the members of the Group Management Board held the shares listed in the following table, all of which were acquired under the Long-Term Investment Programs and / or the ESPP issued by Sunrise Communications Group AG at the time of the IPO. Investment Shares acquired under the Long-Term Investment Programs have a blocking period of three years from the allocation date. Shares acquired under the ESPP have a blocking period of two years from the allocation date.

GROUP MANAGEMENT BOARD	NUMBERS OF SHARES DECEMBER 31, 2015
Libor Voncina, CEO	37,584
André Krause, CFO	22,576
Sebastian Prange, CSO	12,473
Timm Degenhardt, CCO	12,000
Elmar Grasser, COO	9,299
Massimiliano Nunziata, CCE	6,529
Markus Naef, CCB	6,504

None of the members of the Board of Directors or the Group Management Board holds conversion or option rights.

NOTE 4.4

Indirect economic interest in shares for members of the Group Management Board

As of December 31, 2015, the members of the Group Management Board held an indirect economic interest in Sunrise Communications Group AG through their shares in New Dawn MEP Issuer Co S.A. as part of a management investment program corresponding to the shares of Sunrise Communications Group AG listed in the following table. 50 % of this indirect economic interest may be sold to the issuer of the program (at no cost to Sunrise Communications Group AG) one year after the completion of the IPO, and the remaining 50 % may be sold two years after the completion of the IPO.

The allocation is as follows:

GROUP MANAGEMENT BOARD	NUMBERS OF SHARES DECEMBER 31, 2015
Libor Voncina, CEO	123,446
André Krause, CFO	73,618
Timm Degenhardt, CCO	44,889
Sebastian Prange, CSO	44,889
Elmar Grasser, COO	28,056
Massimiliano Nunziata, CCE	13,702

Appropriation of Accumulated Losses and Capital Reserves

The Board of Directors proposes to:
– carry forward the accumulated losses
– allocate CHF 135.0 million from the reserves from capital contributions to the dividend reserves
– pay a dividend of CHF 3.00 (5.08 %) per share (total of CHF 135.0 million) from the dividend reserves:

CHFk	2015
Unappropriated accumulated losses	
Balance brought forward from previous years	–
Accumulated loss of the year	(53,226)
Accumulated losses to be carried forward	**(53,226)**
Reserves from capital contributions	
Reserves from capital contributions	2,659,164
Allocation to dividend reserves	(135,000)
Balance to be carried forward	**2,524,164**
Appropriation of dividend reserves	
Dividend reserves at the end of the year	–
Allocation of reserves from capital contributions	135,000
Dividend proposed by the Board of Directors	(135,000)
Dividend reserves to be carried forward	**–**

Building a better working world

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To the Annual General Meeting of
Sunrise Communications Group AG, Zurich

Zurich, March 8, 2016

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Sunrise Communications Group AG, which comprise the income statement, balance sheet, and notes (pages 82 to 90), for the period from January 13, 2015 to December 31, 2015.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the 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 system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the 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 financial statements for the year ended December 31, 2015, comply with Swiss law and the company's articles of incorporation.

Building a better working world

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of accumulated losses and capital reserves complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

André Schaub
Licensed audit expert
(Auditor in charge)

Tobias Meyer
Licensed audit expert

Legal Notice

IMPORTANT DATES 2016

April 15, 2016
Annual General Meeting

May 12, 2016
2016 first-quarter results

August 25, 2016
2016 second-quarter results and 2016 half-year report

November 10, 2016
2016 third-quarter results

FURTHER INFORMATION

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Published by
Sunrise Communications Group AG
Binzmühlestrasse 130
8050 Zurich

Publication Directors
Stefan Kern, Carmen Carfora

Cover Photo
Tim Müller, Berlin, New York, Cape Town

Translation
Xplanation AG, Zurich

Concept and Execution
YJOO Communications AG, Zurich

Print
gdz AG, Zurich

This Financial Report 2015 forms an integral part of the Annual Report 2015 of Sunrise Communications Group AG which consists of this Financial Report 2015 and the Corporate Report 2015 of Sunrise Communications Group AG. The Corporate Report is published in English and is also available as a German translation. The English language version shall prevail.

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