Sunrise Communications Group AG

Interim Financial Report for the three-month period ended March 31, 2015

Financial and operational KPIs

Financial KPIs	January 1 - March 31, 2015	January 1 - March 31, 2014
Revenue (CHFk)		
Mobile	320'114	285'141
Landline services	119'193	127'547
thereof voice hubbing	*38'551*	*37'070*
Landline internet	49'235	51'348
Total revenue	**488'542**	**464'036**
Revenue (excluding hubbing)	*449'991*	*426'966*
EBITDA[1] (CHFk)	**132'814**	**131'510**
% margin	27.2%	28.3%
% margin (excluding voice hubbing)	29.5%	30.8%
Adjusted[2] EBITDA (CHFk)	**137'502**	**131'331**
% margin	28.1%	28.3%
% margin (excluding voice hubbing)	30.6%	30.8%
Net loss (CHFk)	**(166'672)**	**(9'508)**
Basic and diluted earnings per share (in CHF)	**(4.48)**	**n/a**
Operational KPIs		
Subscriber base (in '000)		
Mobile total	**2'423.9**	**2'477.2**
Postpaid	1'333.8	1'275.2
Prepaid	1'090.1	1'202.0
Landline total	**838.7**	**848.4**
Retail voice	394.9	425.6
Internet	328.8	340.0
IPTV	115.0	82.8
LTM Churn (%)		
Postpaid mobile	14.9%	14.0%
Landline	17.4%	17.8%
ARPU (CHF)		
Mobile blended	**35.4**	**34.9**
Postpaid	52.6	52.9
Prepaid	15.1	16.2
Landline blended	**73.2**	**73.3**
Retail voice	36.7	41.6
Internet	37.5	37.3
Internet & IPTV blended	45.7	41.4
Employees		
FTEs	1'882.7	1'796.0
Apprentices	112.0	100.0

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

[2] Adjusted for one-time effects. For further information see MD&A section.

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Business

Overview

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

The main operating entity of Sunrise Communications Group AG and its subsidiaries ("the Group") is Sunrise Communications AG based in Zurich, Switzerland which is the second largest telecommunications provider in Switzerland based on revenues for the three-month period ended March 31, 2015. The integrated national mobile and landline network provides the Group with a strong competitive position. As an integrated service provider, Sunrise offers mobile voice and data, landline services (retail and wholesale voice, business services), landline internet and IPTV services to both residential and business customers as well as to other operators. Sunrise is the leading non-incumbent operator in both the mobile and landline retail voice markets, with 2'423.9 thousand and 394.9 thousand subscribers respectively, as of March 31, 2015. The Group is also the third-largest landline internet provider with 328.8 thousand subscribers, including 115.0 Sunrise TV subscribers, as of March 31, 2015. Sunrise provides landline services through its own national landline network and mobile services through its own mobile network based on GSM/GPRS/EDGE, UMTS/HSPA and LTE technologies.

Following reorganizations on January 23, 2015, SCG became the ultimate holding company of the Group. The restructuring 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. ("SCH") as of December 31, 2014; on January 13, 2015 SCG was incorporated in Switzerland; on January 13, 2015 following legal reorganizations Sunrise Communications Group AG became the parent entity for the period ending March 31, 2015; subsequently, on February 6, 2015 SCG made an initial public offering ("IPO") in Switzerland and was listed on the SIX Swiss Exchange.

Financial data

The financial data in this report covers the period from January 1 to March 31, 2015 and has been reviewed by external auditors.

Comparative figures for the three-month period ended March 31, 2015 are based on unaudited condensed consolidated interim financial statements of the Group for the three-month period ended March 31, 2014. The aforementioned reorganization is considered to be 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.

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

IPO / Refinancing

On February 6, 2015, Sunrise Communications Group AG, the newly established ultimate holding company of Mobile Challenger Intermediate Group S.A., has 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 IPO, together with CHF 1,000.0 million of drawdown under the new term loan B facilities to reduce the indebtedness of the Group, pay transaction-related costs and fund cash to the balance sheet.

On February 18, 2015 the Group used the proceeds from the offering of CHF 500.0 million 2.125% senior secured notes due 2022, together with CHF 360.0 million of drawdown under the new term loan B facilities and cash on balance sheet, to redeem in full the remaining indebtedness as well as to pay transaction-related costs. During the refinancing process the Group fully amortized the existing capitalized debt issuance cost, which amounted to CHF 46.5 million as of December 31, 2014. As a result of the aforementioned refinancing transactions, the Group reduced its weighted average cost of debt to 2.4% per annum.

The 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 (note 10, note 11, note 12 and cash flow of financing activities)
- Release from the balance sheet of the fair value of early redemption options (note 10 and note 12)
- Issuance of term loan B facilities and senior secured notes, including capitalization of incurred debt issuance costs (note 11)
- 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 (note 9 and cash flow)

Impact of mobile portfolio "Freedom"

On April 7, 2014 Sunrise introduced a new concept which separates the cost for the service plans and the mobile device in the Swiss telecommunication market. With the mobile portfolio "Freedom", mobile device costs are no longer included in the basic monthly subscription fee but fully recorded as revenue at the point of the sale and billed over the period of 24 months. As "Freedom" was only launched on April 7, 2014 the following comparative financial information are significantly different from the current period:

- Mobile ARPU definition (refer to MD&A section "Principal factors affecting mobile services revenues")
- Shift of mobile device revenue from "sales of services" to "sales of goods" in Q1 2015 (refer to note 6)
- Shift of mobile device costs from "other operating expenses" to "cost of goods sold" in Q1 2015 as the costs of mobile handsets are no longer subsidized but recorded as cost of goods sold
- Impact on change in the net working capital due to an increased trade receivable balance (refer to note 14)

Revenue

The Group's total revenue increased quarter-over-quarter by 5.3% or CHF 24.5 million and amounted to CHF 488.5 million for the three-month period ended March 31, 2015. The increase in revenue is primarily attributable to higher mobile revenue of CHF 35.0 million mainly related to the new mobile portfolio "Freedom". The slight decrease in internet revenue of CHF 2.1 million as well as the declining revenue in landline service of CHF 8.3 million was only partially offset the positive trend of the mobile revenue.

Mobile

Mobile revenue increased by 12.3% from CHF 285.1 million to CHF 320.1 million for the three-month period ended March 31, 2015 primarily driven by higher hardware revenues. This increase is attributable to the mobile portfolio "Freedom".

Landline services

Landline services revenue decreased from CHF 127.5 million to CHF 119.2 million for the three months ended March 31, 2015, a quarter-over-quarter decrease of CHF 8.4 million. The decrease is primarily attributable to a decrease in customer base and declining retail voice revenues and could only be partially offset by higher hubbing revenues.

Landline internet

The Group reports a quarter-over-quarter decrease of CHF 2.1 from a total of CHF 51.3 million landline internet revenue to CHF 49.2 million, for the three months ended March 31, 2015. Whereas IPTV revenue further increased in the first quarter of 2015 due to a growing customer base, internet revenue decreased slightly as with the introduction of the new "Home" portfolio the subscription base further rose but flat rates and competitive prices offset the positive effect.

Transmission costs and cost of goods sold

Transmission costs and cost of goods sold amounted to CHF 182.9 million as of March 31, 2015, a quarter-over-quarter increase of CHF 39.3 million, or 27.4%, from CHF 143.6 million, which is mainly due to the mobile portfolio "Freedom" which doesn't subsidize handsets anymore but records the costs of the sales of handsets as part of cost of goods sold.

Other operating expenses

During the three-month period ended March 31, 2015 other operating expenses decreased by CHF 26.6 million, or by 18.8%, from CHF 141.3 million to CHF 114.7 million. The decrease in other operating expenses is primarily attributable to the shift of expenses for subsidized mobile devices to cost of goods sold.

Wages, salaries and pension costs

Wages, salaries and pension costs amounted to CHF 60.7 million for the three-month period ended March 31, 2015, a quarter-over-quarter increase of CHF 6.1 million, or 11.1%, from CHF 54.6 million which is primarily driven by a general increase of FTEs as well as by the insourcing of the engineering department from its managed service provider in March 2014. Furthermore the first time booking of share based compensation related to the IPO increased wages, salaries and pension costs by CHF 1.3 million of which CHF 0.8 million are non-recurring expenses. Please refer to note 5 for further information.

Although the exact overfunding of the pension fund of Sunrise Communications AG as of December 31, 2014 is still not finally disclosed, management doesn't expect any significant variation compared to 2013 (2013: overfunded by 11.6% according to Swiss GAAP FER 26). The Group reports a net pension liability of CHF 115.6 million in its condensed consolidated interim financial statement as of March 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 usage of a dynamic valuation method. Therefore, the IFRS pension liability should not be considered as a current cash liability based on current facts and circumstances.

Other income and expenses, net

Other income and expenses, net amounted to CHF 2.5 million for the period ended March 31, 2015, a decrease of CHF 4.4 million, from CHF 6.9 million as of March 31, 2014. The decrease in other income and expenses, net is primarily impacted by lower early termination fees in the amount of CHF 1.9 million and a received aperiodic settlements of charges for access services in Q1 2014 in the amount of CHF 1.6 million. Please refer to note 7 for further information.

EBITDA

The Group generated an EBITDA of CHF 132.8 million for the three months ended March 31, 2015, a quarter-over-quarter increase of CHF 1.3 million, or 1.0%, from CHF 131.5 million as of March 31, 2015. The EBITDA increase is primarily driven by lower subscriber acquisition and retention costs within the mobile portfolio and was only partially offset by higher wages, salaries and pension costs and lower other income and expenses.

Adjusted EBITDA

Adjusted EBITDA amounts to CHF 137.5 million and is CHF 4.7 million higher than the reported EBITDA discussed above. This represents an increase of CHF 6.2 million compared to Q1 2014 adjusted EBITDA. The table below shows the one-time adjustments from reported EBITDA to adjusted EBITDA for the three-month period as of March 31, 2015.

Overview adjustments to reported EBITDA	CHFk
	January 1 - March 31, 2015
Reported EBITDA	**132'814**
Non-recurring expense related to corporate projects	4'021
Costs related to share-based compensation	1'273
Bonus adjustment	(1'048)
Credit notes related to fraud case	(1'552)
One-time costs related to IPO	1'994
Adjusted EBITDA	**137'502**

Depreciation and amortization

Depreciation and amortization recorded during the three-month period ended March 31, 2015 increased from CHF 103.3 million to CHF 113.4 million, a quarter-over-quarter increase of CHF 10.1 million, or 9.8%. The higher depreciation and amortization in the first quarter of 2015 is mainly driven by the amortization of the investment for the usage of wholesale broadband connectivity services from Swisscom, acquired in July 2014.

Net loss

The Group reported a net loss of CHF 166.7 million for the three-month period ended March 31, 2015, a quarter-over-quarter increase of CHF 157.2 million from a net loss of CHF 9.5 million as of March 31, 2014. The net loss is mainly impacted by the IPO and refinancing transactions as described at the beginning of the MD&A section, which resulted in CHF 154.8 million transaction related costs.

Adjusted for the IPO and refinancing effects, net loss in Q1 2015 would be CHF 11.9 million, which is CHF 2.4 million higher than in the comparative period.

Change in net working capital

The change in net working capital shows a decrease of CHF 110.1 million as of March 31, 2015 compared to a decrease of CHF 98.4 million reported in the prior period. The higher change in net working capital in Q1 2015 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 of trade and other receivables in the first quarter of 2015 due to the factoring of handset receivables related to "Freedom" as well as a positive development of deferred revenue. Please refer to note 14 for further information.

Liquidity and capital resources

The Group reported cash and cash equivalents amounting to CHF 161.3 million as of March 31, 2015, an increase of CHF 41.1 million compared to the cash position held by the Group as of December 31, 2014. The increase of the cash and cash equivalents is primarily attributable to the proceeds of the IPO and refinancing transactions net of transaction cost paid. Proceeds from IPO, net of fees amount to CHF 1'329.6 million. However, the refinancing transactions net, including repayment of all existing debt and derivative instruments as well as issuance of the new term loan B and senior secured notes offset the IPO effect by CHF 1'211.2 million. Furthermore, the operational cash flow was also negatively impacted by the refinancing transaction resulting in a negative operational cash flow of CHF 38.3 million.

The Group's consolidated debt position – consisting of a term loan B, a senior secured notes and capital leases - amounted to CHF 1'855.3 million of which CHF 6.5 million are expected to be paid within 12 months (refer to note 11 for further details).

Certain other contractual commitments

On March 20, 2015 Sunrise extended the scope of the contract with its network provider resulting in an additional CHF 100.0 million purchase commitment. The total contractual and purchase commitments as of March 31, 2015 amounted to CHF 227.0 million consisting of future investments in property, plant and equipment and intangibles assets.

Purchase Price Allocation (PPA) & embedded derivatives

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

Following the refinancing transaction in July 2012, the Group recognized embedded derivatives in its financial statements. These embedded derivatives represent early redemption options related to financial instruments issued by the Group. The fair value of the embedded derivatives amounted to CHF 38.1 million as of December 31, 2014. Following the refinancing transaction in Q1 2015 the existing embedded derivatives are fully eliminated as of March 31, 2015. Due to the low interest rates and the expected future interest development, the valuation of the embedded derivatives related to the new issued debt instruments is zero. The elimination of the fair value is reported in the financial statement caption "net financial items" in the table below. For clarification of the underlying operational performance, the following table shows the condensed consolidated interim statements of income excluding the fair value adjustments made in relation with the acquisition of Sunrise Communications AG and embedded derivative.

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

	January 1 - March 31, 2015 Before FV adjustments & embedded derivatives	January 1 - March 31, 2015 Impact of FV adjustments & embedded derivatives	January 1 - March 31, 2015 Including FV adjustments & embedded derivatives
Revenue	**488'753**	**(211)**	**488'542**
Transmission costs and cost of goods sold	(182'856)	-	(182'856)
Other operating expenses	(114'735)	-	(114'735)
Wages, salaries and pension costs	(60'671)	-	(60'671)
Total operating expenses before other income and expenses, depreciation and amortization	**(358'262)**	-	**(358'262)**
Other income	2'751	-	2'751
Other expenses	(217)	-	(217)
Income before depreciation and amortization, net financial items and income taxes	**133'025**	**(211)**	**132'814**
Depreciation and amortization	(75'449)	(37'952)	(113'401)
Operating income	**57'576**	**(38'163)**	**19'413**
Fair value adjustments on embedded derivatives	-	(38'140)	(38'140)
Other net financial items	(149'398)	-	(149'398)
Total Net financial items	**(149'398)**	**(38'140)**	**(187'538)**
Income before income taxes	**(91'822)**	(76'303)	**(168'125)**
Income taxes	(5'896)	7'349	1'453
Net income	**(97'718)**	**(68'954)**	**(166'672)**

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

Principal factors affecting mobile services revenues

Mobile subscriber base, Churn and ARPU

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

Mobile subscriber base		'000
	March 31, 2015	March 31, 2014
Subscribers at end of period	2'423.9	2'477.2
Growth over prior period	*(2.2)%*	
Of which:		
Prepaid(1)(3)	1'090.1	1'202.0
Postpaid(1)(2)	1'333.8	1'275.2
Primary(4)	1'132.0	1'078.1
Secondary(4)	201.8	197.0

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

Mobile subscription base has decreased, from 2'477.2 thousand subscriptions as of March 31, 2014 to 2'423.9 thousand as of March 31, 2015, excluding MVNOs but including reseller-originated and *yallo*, *Ortel* and *Lebara* subscriptions.

The total number of postpaid mobile subscriptions increased during the year by 58.6 thousand, or 4.6%, from 1'275.2 thousand as of March 31, 2014 to 1'333.8 thousand as of March 31, 2015. The increase was primarily driven by the newly introduced product *Freedom* as well as the Company's competitive flat-rate and mobile data plans and attractive hardware offerings. The continuous growth of mobile data traffic is also reflected in the increase of secondary subscriptions (*e.g.*, multi-SIM and data-SIM) used by customers in addition to their primary subscription.

The total number of the prepaid mobile subscriptions decreased by 111.9 thousand or 9.3%, from March 31, 2014 to 1'090.1 thousands as of March 31, 2015. The decrease is mainly attributable to a lower number of gross additions from one of the Company's indirect sales channels and the loss of lower value subscribers from discontinued offerings. At the same time, postpaid flat-rate plans provide similar cost control as prepaid mobile subscriptions, while the recently introduced *Freedom* product provides high flexibility to customers by offering to terminate the service rate plan upon one month's notice,. In combination, these factors have been driving prepaid to postpaid migration.

The total mobile market share, excluding MVNOs and applying the 12-month rule for prepaid customers, decreased to 27.1% as of December 31, 2014 (latest available data), from 27.7% as of December 31, 2013. As of March 31, 2015, prepaid and postpaid subscriptions comprised approximately 60% and 40% respectively of Sunrise's mobile subscription base (applying the 12-month rule for prepaid customers.

Mobile Postpaid Churn(1)		%
	January 1 - March 31, 2015	January 1 - March 31, 2014
Mobile Churn		
Postpaid mobile churn	*14.9%*	*14.0%*

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

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

The postpaid mobile churn rate for the last twelve months as of March 31, 2015 showed a marginal increase to 14.9% compared to the twelve months as of March 31, 2014. This increase is mainly a result of discontinuing rollover contracts in the first quarter of 2014 and introducing the *Freedom* mobile postpaid portfolio without fixed contract terms, the risk of churning subscriptions has increased and Sunrise may be more susceptible to losing customers to its competitors.

Mobile ARPU		CHF/month
	January 1 - March 31, 2015	January 1 - March 31, 2014
Total mobile blended ARPU(1)	35.4	34.9
Growth over prior period	*1.4%*	
Postpaid	52.6	52.9
Growth over prior period	*(0.5)%*	
Prepaid	15.1	16.2
Growth over prior period	*(6.8)%*	

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

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

Total Mobile Blended ARPU increased over the reported periods by CHF 0.5, or 1.4 %, to CHF 35.4 for three-month period ended March 31, 2015, from CHF 34.9 for the same period in 2014. The Company attributes this slight increase to an increasing share of postpaid subscription within total base.

Mobile Postpaid ARPU had slightly decreased by CHF 0.3, or 0.5%, to CHF 52.6 for the three months ended March 31, 2015, from CHF 52.9 for the same period in 2014. Prepaid ARPU decreased by CHF 1.1, or 6.8%, from CHF 16.2 for the three months ended March 31, 2014 to CHF 15.1 for Q1 2015. This decrease is primarily attributable to a change in the prepaid customer's mix (high value customer with demand for mobile data and smartphones migrating to postpaid). The acquisition of Ortel and Lebara, two MVNOs with a strong position in the ethnic segment in July 2013 partially mitigated the impact of prepaid to postpaid migration but did not reverse the trend. During the year 2014 high-value prepaid customers continued to migrate to postpaid offerings.

Change in ARPU definition as of April 1, 2014

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

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

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

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

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

[1)] Sunrise Now Max with a susidized phone with a CHF 1 upfront payment

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

Mobile termination rates

From July 1, 2013 until June 30, 2014 the applicable mobile termination rates for calls terminating on Swisscom's mobile network amount to CHF 0.065 per minute and those for calls terminating on Orange's and Sunrise's own network amount to CHF 0.0825 per minute. Starting from July 1, 2014 the applicable mobile termination rates for calls terminating on Swisscom's mobile network amount to CHF 0.0625 per minute and those for calls terminating on Orange's and Sunrise's own network amount to CHF 0.0775 per minute.

Principal factors affecting landline services revenues

Mobile subscriber base, Churn and ARPU

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

Landline subscriber base[1]		'000
	March 31, 2015	March 31, 2014
Subscribers at end of period	838.7	848.4
Growth over prior period	*(1.1)%*	
Of which:		
Retail voice	394.9	425.6
Internet	328.8	340.0
IPTV	115.0	82.8

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

The total number of retail voice subscriptions decreased by 30.7 thousand, or 7.2%, as of March 31, 2015 to 394.9 thousand from 425.6 thousand as of March 31, 2014. The decrease is primarily attributable to the departure of retail voice-only CPS customers and the migration to VoIP, including customers acquired as part of the acquisition of Tele2 Switzerland (now operating as TelCommunication Services AG) in 2008 as well as customers churning from the retail voice network or customers substituting their landline services with mobile or Over The Top ("OTT") services.

The total number of landline internet subscriptions decreased by 11.2 thousand, or 3.3% as of March 31, 2015 to 328.8 thousand from 340.0 thousand as of March 31, 2014. In contrary the subscription base of IPTV shows a growth path over the reported period and reached 115.0 thousands as of March 31, 2015, an increase of 32.2 thousand subscribers compared to March 31, 2014. IPTV service was launched in January 2012 and steadily increased ever since. Internet-only and voice-internet bundles declined while *Sunrise TV* customers (which bundle voice-internet and IPTV) contributed to stabilizing the subscription base.

Landline Churn[1]		%
	January 1 - March 31, 2015	January 1 - March 31, 2014
Landline Churn		
Total	*17.4%*	*17.8%*

The landline churn rate for the last twelve month ended March 31, 2015 of 17.4% was 0.4% point below the comparable period ended March 31, 2014. The decrease in the churn in the last twelve months is primarily attributable to landline internet offering that is with the launch of the portfolio "Home" more competitive in terms of price and speed as during 2013 and the first three months in 2014. Churn is primarily influenced by the quality of services and prices as compared to Sunrise's competitors.

Landline ARPU[1] CHF / month

	January 1 - March 31, 2015	January 1 - March 31, 2014
Total Landline blended	73.2	76.1
Growth over prior period	*(3.9)%*	
Retail voice[2]	36.7	40.7
Growth over prior period	*(9.7)%*	
Internet	37.5	39.0
Growth over prior period	*(3.9)%*	
Internet & IPTV blended	45.7	45.3
Growth over prior period	*0.8%*	

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

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

Internet & IPTV blended ARPUs have shown a positive trend over the past year. Landline Blended ARPU decreased from CHF 76.1 in the three-month period ended March 31, 2014 by CHF 2.9, or 3.9%, to CHF 73.2 as of March 31, 2015. The negative trend is primarily attributable to lower recurring charges based on migrations to new tariff portfolio and lower voice usage

Retail voice ARPU decreased over the reported period by CHF 4.0, or 9.7%, from CHF 40.7 as of March 31, 2014 to CHF 36.7 in the three-month period ended March 31, 2015. The decrease is primarily due to the reduction in voice volumes due to accelerating fixed-to-mobile substitution and growth of VoIP.

Material affiliate transactions

As outlined above following reorganizations on January 23, 2015, SCG became the ultimate holding company of the Group.

Since 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 as of January 23, 2015.

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

On January 28, 2015 Peter Schöpfer joined the board of directors of Sunrise Communications Group AG.

Material contractual arrangements

In January 2015 Sunrise entered into a factoring agreement with UBS under which Sunrise may sell residential customer receivables from device plans to UBS.

In February 2015 the Company signed a cooperation agreement with Swiss Fibre Net AG. 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. Swiss Fibre Net AG is Sunrise cooperation partner and is providing the sites, including fibre optic access lines, in these cities.

Material debt instruments

On February 6, 2015, Sunrise Communications Group AG, the newly established ultimate holding company of Mobile Challenger Intermediate Group S.A., has 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 1,359.3.0 million from the IPO together with CHF 1,000.0 million of drawdown under the new term loan B facilities to reduce the indebtedness of the Group, pay transaction-related costs and fund cash to the balance sheet.

On February 18, 2015 the Group used the proceeds from the offering of CHF 500.0 million 2.125% senior secured notes due 2022, together with CHF 360.0 million of drawdown under the new term loan B facilities and cash on balance sheet, to redeem in full the remaining indebtedness as well as to pay transaction-related costs. During the refinancing process the Group fully amortized the existing capitalized debt issuance cost, which amounted to CHF 46.5 million as of December 31, 2014. As a result of the aforementioned refinancing transactions, the Group reduced its weighted average cost of debt to 2.4% per annum. Please refer to note 11 for further information.

Credit ratings

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

Material risk factors

Sunrise operates a centralized risk management system which distinguishes between strategic and operating risks. Competition, network performance and maintenance, changes in regulations, acceptance by the market of newly launched products are the main risks and uncertainties the Group is facing.

All identified risks are quantified (according to their realization probability and impact) and tracked on a risk schedule. This risk schedule is subject to an annually repeated detailed discussion process in the Group's board of directors which was performed in the 4th quarter 2014.

The strong Swiss franc does not have a material net effect on the operational activities of the Group, as Sunrise is predominantly active in the domestic market. The foreign currency risk arising from loans and notes denominated in Euros have been fully hedged except the EUR tranche of the PIK toggle note. In February 2015 all existing debt instruments have been fully repaid and replaced by debt instruments only denominated in CHF.

Material recent developments

In addition to the refinancing transactions and the IPO outline above, the following material recent developments occurred in the three-month period as of March 31, 2015:

In February 2015 Sunrise added to new products to its existing offers. For only an additional CHF 5 per month and a one-time charge for a second SIM card, customers can use the same Freedom subscription plan for two devices at the same time. Furthermore Sunrise offers three new prepaid surf options to enable even more attractive data option to its prepaid customers.

In March 2015, the connect magazine's test lab experts have certified the Freedom mobile offers from Sunrise and therefore confirmed that the Freedom offers meet the highest standards in service, price and transparency.

Acquisition, disposals and recapitalizations

Except for the refinancing transactions and the IPO outlined above, no material acquisition, disposals and recapitalization occurred in the three-month period as of March 31, 2015.

Sunrise Communications Group AG

Condensed consolidated interim financial statements for the three-month period ended March 31, 2015 (unaudited)

Condensed consolidated interim statements of income

CHFk

	Note	January 1 - March 31, 2015 Unaudited	January 1 - March 31, 2014 Unaudited
Revenue	**5,6**	**488'542**	**464'036**
Transmission costs and cost of goods sold		(182'856)	(143'583)
Other operating expenses		(114'735)	(141'289)
Wages, salaries and pension costs		(60'671)	(54'593)
Total operating expenses before other income and expenses, depreciation and amortization		**(358'262)**	**(339'465)**
Other income	7	2'751	7'386
Other expenses		(217)	(447)
Income before depreciation and amortization, net financial items and income taxes		**132'814**	**131'510**
Amortization		(63'753)	(57'004)
Depreciation and impairment losses		(49'648)	(46'262)
Operating income		**19'413**	**28'244**
Foreign currency gains, net		220'477	14'484
Financial income		97'948	48'496
Financial expenses		(505'963)	(99'162)
Net financial items	**10**	**(187'538)**	**(36'182)**
Loss before income taxes		**(168'125)**	**(7'938)**
Income taxes		1'453	(1'570)
Net loss		**(166'672)**	**(9'508)**
Net loss attributable to equity holders of the parent company		**(166'672)**	**(9'508)**
Basic and diluted earnings per share (in CHF)	**8**	**(4.48)**	**n/a**

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

Condensed consolidated interim statements of comprehensive income

	January 1 - March 31, 2015 Unaudited	January 1 - March 31, 2014 Unaudited
Net loss	**(166'672)**	**(9'508)**
Actuarial losses related to defined benefit pension plans	(17'409)	(10'548)
Income tax effect	3'656	2'215
Net other comprehensive loss not to be reclassified to profit and loss in subsquent periods	**(13'753)**	**(8'333)**
Cash flow hedge gains	8'357	129
Net other comprehensive income to be reclassified to profit and loss in subsquent periods	**8'357**	**129**
Other comprehensive loss, net of tax	**(5'396)**	**(8'204)**
Total comprehensive loss	**(172'068)**	**(17'712)**
Comprehensive loss attributable to equity holders of the parent company	**(172'068)**	**(17'712)**

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

Condensed consolidated interim statements of financial position

Assets CHFk

	Note	March 31, 2015 Unaudited	December 31, 2014 Unaudited
Non-current assets			
Intangible assets		2'642'373	2'694'205
Property, plant and equipment		929'064	952'015
Derivative financial assets	12	-	38'140
Non-current portion of trade and other receivables		59'349	52'240
Non-current portion of prepaid expenses		1'400	1'766
Deferred tax assets		1'178	1'249
Other non-current assets		-	153
Total non-current assets		**3'633'364**	**3'739'768**
Current assets			
Inventories		45'830	33'783
Current portion of trade and other receivables		322'013	325'604
Current portion of prepaid expenses	15	40'612	8'566
Cash and cash equivalents		161'319	120'185
Total current assets		**569'774**	**488'138**
Total assets		**4'203'138**	**4'227'906**

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

Condensed consolidated interim statements of financial position (continued)

Equity and liabilities CHFk

	Note	March 31, 2015 Unaudited	December 31, 2014 Unaudited
Equity			
Common shares		45'000	-
Share premium		2'618'159	-
Other reserves		(776'143)	397'812
Valuation reserve		(23)	(8'380)
Accumulated deficit		(767'204)	(410'834)
Total equity	**9**	**1'119'789**	**(21'402)**
Non-current liabilities			
Non-current portion of loans and notes	11	1'827'308	2'780'114
Non-current portion of financial leases	11	21'568	23'509
Non-current portion of trade and other payables	15	138'058	137'278
Deferred tax liabilities		220'921	229'540
Non-current portion of provisions		123'841	122'323
Employee benefit obligations		115'565	96'844
Derivative financial liabilities	12	-	158'045
Non-current portion of deferred income		12'759	14'603
Total non-current liabilities		**2'460'020**	**3'562'256**
Current liabilities			
Current portion of loans and notes	11	-	18'374
Current portion of financial leases	11	6'454	6'350
Current portion of trade and other payables	15	537'612	573'498
Income tax payable		12'187	10'790
Current portion of provisions		9'115	29'321
Current portion of deferred income		56'518	47'557
Other current liabilities		1'443	1'162
Total current liabilities		**623'329**	**687'052**
Total liabilities		**3'083'349**	**4'249'308**
Total equity and liabilities		**4'203'138**	**4'227'906**

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

Condensed consolidated interim statements of cash flow

	Note	January 1 - March 31, 2015 Unaudited	January 1 - March 31, 2014 Unaudited
Loss before income taxes		**(168'125)**	**(7'938)**
Amortization		63'753	57'004
Depreciation		49'648	46'262
Gain on disposal of property, plant and equipment		(16)	1
Movement in pension		1'055	(23)
Movement in provisions		(36)	(316)
Change in net working capital	14	(110'054)	(98'365)
Cash flow from operating activities before net financial items and tax		**(163'775)**	**(3'375)**
Financial income	10	(97'948)	(48'496)
Financial expense	10	505'963	99'162
Foreign currency gains, net		(219'848)	(14'288)
Interest received		89'233	2'858
Interest paid		(150'024)	(36'419)
Corporate income and withholding tax (paid) / received		(1'890)	6'550
Total cash flow from operating activities		**(38'289)**	**5'992**
Purchase of property, plant and equipment		(26'145)	(45'639)
Purchase of intangible assets		(12'263)	(9'245)
Sale of property, plant and equipment		16	-
Total cash flow used in investing activities		**(38'392)**	**(54'884)**
Incorporation of SCG	9	100	-
Issue of shares	9	20'000	-
Proceeds on the initial public offering		1'339'302	-
Fees capitalized in connection with the initial public offering		(29'708)	-
Proceeds from long-term loans and notes		1'838'040	-
Repayments of long-term loans and notes	11	(2'625'066)	(35'000)
Settlement of derivatives		(328'134)	-
Cost of early debt redemption and derivative settlement		(96'073)	-
Repayments of capital leases	11	(1'837)	(1'344)
Other financing activities		(356)	-
Total cash flow used in financing activities		**116'268**	**(36'344)**
Total cash flow		**39'587**	**(85'236)**
Cash and cash equivalents as of January 1		120'185	150'292
Foreign currency impact on cash	10	1'547	737
Cash and cash equivalents as of March 31		**161'319**	**65'793**

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

Condensed consolidated interim statements of changes in equity CHFk

	Common shares	Share premium	Other reserves	Valuation reserve	Accumulated deficit	Total
Equity as of January 1, 2014	**-**	**-**	**397'812**	**(12'696)**	**(265'088)**	**120'028**
Net loss for the period	-	-	-	-	(9'508)	(9'508)
Other comprehensive income / (loss)	-	-	-	129	(8'333)	(8'204)
Equity as of March 31, 2014	**-**	**-**	**397'812**	**(12'567)**	**(282'929)**	**102'316**
Net loss for the period	-	-	-	-	(105'638)	(105'638)
Other comprehensive income / (loss)	-	-	-	4'187	(22'267)	(18'080)
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)**
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	-	(47'635)	-	-	-	(47'635)
Share based compensation	-	1'492	-	-	-	1'492
Net loss for the period	-	-	-	-	(166'672)	(166'672)
Other comprehensive income / (loss)	-	-	-	8'357	(13'753)	(5'396)
Equity as of March 31, 2015	**45'000**	**2'618'159**	**(776'143)**	**(23)**	**(767'204)**	**1'119'789**

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

Notes to condensed consolidated interim financial statements

Overview

Note 1 General information

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

The condensed consolidated interim financial statements for the three-month period ended March 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), landline internet including IPTV services to both residential and business customers, as well as to other operators. Sunrise has its own national backbone landline and IP network, as well as its own mobile network based on GSM/EDGE, UMTS/HSDPA and LTE technologies. In connection with the provision of services, Sunrise resells handsets manufactured by 3rd party suppliers.

Following reorganizations on January 23, 2015, SCG became the ultimate holding company of the Group. The restructuring 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. ("SCH") 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 March 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 IFRS, under the pooling of interests method, the aforementioned reorganizations are not considered to be 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 condensed consolidated interim financial statements were authorized for issue by the Group's board of directors on May 18, 2015.

Note 2 Basis of preparation

The condensed consolidated interim financial statements of the Group as of and for the three-month period ended March 31, 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 "Interim financial reporting" as issued by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared on a historical cost basis, except derivative financial instruments that have been measured at fair value.

The Company 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 Group has applied the option of publishing condensed consolidated interim financial statements. These condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements of SCH for the year ended December 31, 2014 which were prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union (EU). There are no differences in accounting policies in the prior year consolidated financial statements between IFRS as endorsed by the EU and IFRS as issued by the IASB. Disclosures we deem material to the understanding of the report have been included in this report. Where disclosures that were presented in the consolidated financial statements of Sunrise Communications Holdings S.A. ("SCH") for the year ended December 31, 2014 were not materially impacted by the inclusion of MCIG into the consolidation, no additional notes were included in the condensed consolidated interim financial statements.

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

Note 3 Significant accounting policies

Principles of consolidation

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

The Group accounts for business combinations using the acquisition method when control is transferred to the Group and acquired assets, liabilities and contingent liabilities are measured on initial recognition at fair values on the date of acquisition. Identifiable intangible assets are recognized if they can be separated or arise from contractual or other legal rights as sufficient information exists to measure reliably the fair value of the asset. Deferred tax is recognized in connection with such revaluations to fair value. Any remaining positive differences between the consideration transferred as well as the amount recognized for non-controlling interest and fair value of the assets, liabilities and contingent liabilities acquired on acquisition of subsidiaries are recognized as goodwill in the statement of financial position under intangible assets. The consideration paid is stated at the fair value of submitted shares, debt instruments as well as cash and cash equivalents. Goodwill is not amortized, but is tested annually for impairment. Negative balances (negative goodwill) are recognized in the statement of income on the date of acquisition. Acquisition costs are expensed as incurred.
If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected, adjustments made within twelve months of the acquisition date to the provisional fair value of acquired assets, liabilities and contingent liabilities or cost of the acquisition, are adjusted to the initial goodwill unless they result from new information that did not exist at the date of acquisition.

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

Foreign currency translation

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

Transactions in foreign currencies are translated at the transaction-date rates of exchange. Foreign exchange gains and losses arising from differences between the transaction-date rates and the rates at the date of settlement are recognized as net financial items in the statement of income. Cash, loans and other amounts receivable or payable in foreign currencies (monetary assets and liabilities), if any, are translated into the functional currency at the official rates of exchange, quoted at the reporting date.

Foreign currency translation

These condensed consolidated interim financial statements are presented in CHF which is the functional currency of the parent company and each of its subsidiaries Net foreign currency gains / (losses) are recognized as net financial items in the statement of income.

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

Currency	Balance sheet		Income statement and cash flow	
	March 31, 2015	December 31, 2014	January 1 - March 31, 2015	January 1 - March 31, 2014
Euro	1.0438	1.2024	1.1451	1.2393
US Dollar	0.9727	0.9943	0.9642	0.9079

Note 3 Significant accounting policies (continued)

Revenue recognition

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

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

Revenue is allocated to each component of multi-element arrangements including undelivered elements and other performance conditions, based on fair value. The revenue related to each element is recorded in accordance with the accounting policies stated above.

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, revenues are recognized net of direct costs.

Other income and other expenses

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

Intangible assets

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

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

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

The main amortization periods are as follows:

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

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

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

Note 3 Significant accounting policies (continued)

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

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

Cost comprises purchase price and costs directly attributable to the acquisition until the date on which the asset is ready for use, as well as the estimated costs for dismantling and restoration of the site. The cost of self-constructed assets includes directly attributable payroll costs, materials, parts purchased and services rendered by sub-suppliers during the construction period. Cost also includes estimated asset retirement costs on a discounted basis if the related obligation meets the conditions for recognition as a provision. Directly attributable costs comprise wages, salaries and pension costs, calculated in terms of time consumed on self-constructed assets in the relevant departments together with other external expenses.

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

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

* or shorter if the contract period is shorter.

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

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

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

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

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

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

Note 3 Significant accounting policies (continued)

Inventories

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

Trade receivables and other receivables

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

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

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

Current and deferred corporate income taxes

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

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

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

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

Provisions

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

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

An asset retirement obligation is recognized when the Group has a legal or constructive obligation to remove the asset and to re-establish the site, where the asset was used, at the end of the lease term. The Group has estimated and capitalized the net present value of the obligations and increased the carrying amount of the asset by the respective amount. The estimated cash flows are discounted using a risk-adjusted interest rate and recognized as a provision. Subsequently, the unwinding of the discount is expensed in “financial expenses”. The capitalized amount is amortized over the expected lease period, including the potential extension option if this is expected to be exercised. Provisions are measured at management’s best estimate of the amount at which the liability is expected to be settled. If the timing of the settlement has a significant impact on the measurement of the liability, such liability is discounted.

Note 3 Significant accounting policies (continued)

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

The 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 disposal or discontinuation of part of the business or the outsourcing of business activities. Gains or losses on curtailment or settlement of pension benefits are recognized in the statement of income when the curtailment or settlement occurs.

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

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

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

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

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

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

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

Cash flow from financing activities comprises changes in interest-bearing debt, capital leases and changes in 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. At the reporting date, cash and cash equivalents in the amount of CHF 151.5 million (December 31, 2014: CHF 111.8 million) are pledged.

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

Note 3 Significant accounting policies (continued)

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

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

Derivatives – Cash flow hedge

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

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

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

Share Capital

Ordinary shares are classified as equity. The share premium consists of additional paid in capital net of transaction costs directly attributable to the issuance of shares and share based compensation.

Note 4 Accounting estimates and judgments, changes in accounting estimates and presentation

The preparation of the condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Those estimates affect mainly provisions, goodwill impairment tests, employee benefit obligations, allowance for doubtful receivables, embedded derivatives and taxes.

Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements of Sunrise Communications Holdings SA for the period ended December 31, 2014 except for the change disclosed under note 2.

Note 5 Segment reporting

The operating segments have been determined based on the management reports reviewed by the board of directors. The Group's organizational structure reflects the different customer groups to which the Group provides its telecommunication products and services: "Residential", "Business", "Wholesale" and a reportable segment "Head Office" which includes finance, IT and technology functions of the Group.

Residential provides fixed line and mobile services to residential end customers as well as sales of handsets. Through its investments in Local-Loop Unbundling (LLU) and IPTV as well as its contractual arrangements with Swiss Fibre Net and Swisscom, Sunrise focuses on selling its products in the Swiss telecommunications market by marketing bundled offers in fixnet / internet, mobile and IPTV.

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

The wholesale product portfolio covers voice, data, internet and infrastructure services such as carrier and roaming services which are marketed to national and international telecom service providers as well as Mobile Virtual Network Operators (MVNO's).

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

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

Performance is measured based on the EBITDA as included in the internal financial reports reviewed by the board of directors. EBITDA is defined as operating income before depreciation and amortization, net financial result items and income tax expenses. The EBITDA earned by each segment is considered to be an adequate measure of the operating performance of the segments reported to the board of directors for the purposes of resource allocation and performance assessment.

Assets and liabilities are not allocated to operating segments in the management reports reviewed by the board of directors, as the review focuses on the development in net working capital on Group level.

Note 5 Segment reporting (continued)

Activities — CHFk

	Residential		Business		Wholesale[1]		Head Office activities		Total	
	January 1 - March 31, 2015 Unaudited	January 1 - March 31, 2014 Unaudited	January 1 - March 31, 2015 Unaudited	January 1 - March 31, 2014 Unaudited	January 1 - March 31, 2015 Unaudited	January 1 - March 31, 2014 Unaudited	January 1 - March 31, 2015 Unaudited	January 1 - March 31, 2014 Unaudited	January 1 - March 31, 2015 Unaudited	January 1 - March 31, 2014 Unaudited
Revenue										
External customers	347'144	328'051	72'662	70'320	61'708	58'514	7'028	7'151	488'542	464'036
Inter-segment revenue	-	-	-	-	12'561	14'174	-	-	12'561	14'174
Total	**347'144**	**328'051**	**72'662**	**70'320**	**74'269**	**72'688**	**7'028**	**7'151**	**501'103**	**478'210**
Transmission costs and costs of goods sold										
External customers	(107'182)	(75'228)	(22'540)	(18'460)	(53'134)	(49'895)	-	-	(182'856)	(143'583)
Inter-segment costs	(12'561)	(14'174)	-	-	-	-	-	-	(12'561)	(14'174)
Total	**(119'743)**	**(89'402)**	**(22'540)**	**(18'460)**	**(53'134)**	**(49'895)**	**-**	**-**	**(195'417)**	**(157'757)**
Other operating expenses	(39'511)	(61'932)	(5'857)	(9'549)	(987)	(1'105)	(68'380)	(68'703)	(114'735)	(141'289)
Wages, salaries and pension costs[2]	(15'406)	(14'771)	(13'511)	(13'775)	(673)	(682)	(31'081)	(25'365)	(60'671)	(54'593)
Other income	-	253	-	-	-	-	2'751	7'133	2'751	7'386
Other expenses	-	-	-	-	-	-	(217)	(447)	(217)	(447)
EBITDA	**172'484**	**162'199**	**30'754**	**28'536**	**19'475**	**21'006**	**(89'899)**	**(80'231)**	**132'814**	**131'510**

[1] Including hubbing revenue of CHFk 38'551 generated as of March 31, 2015 and CHFk 37'070 generated as of March 31, 2014
[2] Increase in Q1 2015 is primarily driven by an increase of FTEs in the headquarter, by the insourcing of the engineering department from its managed service provider in March 2014 and first time booking of share based compensation related to the IPO

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

	January 1 - March 31, 2015 Unaudited	January 1 - March 31, 2014 Unaudited
EBITDA from reportable segments	132'814	131'510
Unallocated:		
Amortization	(63'753)	(57'004)
Depreciation	(49'648)	(46'262)
Net financial items	(187'538)	(36'182)
Loss before income taxes	**(168'125)**	**(7'938)**

Note 6 Revenue

	January 1 - March 31, 2015 Unaudited	January 1 - March 31, 2014 Unaudited
Mobile services	320'114	285'141
Landline services	119'193	127'547
thereof hubbing	*38'551*	*37'070*
Landline internet	49'235	51'348
Total	**488'542**	**464'036**

	January 1 - March 31, 2015 Unaudited	January 1 - March 31, 2014 Unaudited
Sales of goods [1)]	82'811	33'988
Sales of services	405'731	430'048
Total	**488'542**	**464'036**

[1)] The increase in sales of goods is mainly attributable to the new Freedom hardware sales introduced in April 2014.

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

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

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

Note 7 Other income

	January 1 - March 31, 2015	January 1 - March 31, 2014
Other income	Unaudited	Unaudited
Early termination fees	1'629	3'530
Sub-leases	1'104	1'156
Aperiodic settlements of charges for access services calculated using the prices of the Swiss regulator	-	1'600
Other	18	1'100
Total	**2'751**	**7'386**

Note 8 Earnings per share

Basic Earnings Per Share (“EPS”) is calculated by dividing net profit / (loss) for the period attributable to ordinary equity holders of the parent company by the weighted numbers of ordinary share 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 (date of the IPO).

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

The following reflects the income / (loss) and share data used in the basic and diluted EPS calculation:

Earnings per share	March 31, 2015
Net loss attributable to equity holders of SCG (CHFk)	(166'672)
Weighted average number of shares outstanding	37'222'222
Basic and diluted earnings per share (in CHF)	**(4.48)**

Sunrise has no share options and share subscription rights outstanding which could lead to a dilution of earnings per share.

Note 9 Equity

CHFk

	March 31, 2015 Unaudited	December 31, 2014 Unaudited
Common shares	45'000	-
Share premium[1)]	2'618'159	-
Other reserve	(776'143)	397'812
Valuation reserve	(23)	(8'380)
Accumulated deficit	(767'204)	(410'834)
Total equity	**1'119'789**	**(21'402)**

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

Share capital

As of March 31, 2015 the total authorized and issued number of ordinary shares comprises 45,000,000 shares with a nominal value of CHF 1 each. The split of the share capital is shown in the table below:

Common shares and share premium	March 31, 2015
Incorporation shares	100'000
Nominal value per share (CHF)	1.00
Capital increase via contribution in kind	24'900'000
Nominal value per share (CHF)	1.00
Issue of shares in initial public offering	20'000'000
Nominal value per share (CHF)	1.00
Total number of shares	**45'000'000**
Total amount of shares (CHFk)	**45'000**
Share premium (CHFk)	2'618'159
Total common shares and share premium (CHFk)	**2'663'159**

Note 9 Equity (continued)

From 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 issuing 24,9000,000 registered shares with a nominal value of CHF 1 by CHF 24.9 million to CHF 25.0 million 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 for CHF68 per share with a nominal value of CHF 1 amounting to CHF 1,360.0 million of gross proceeds. Transaction costs directly related to the share issuance of CHF 47.6 million were deducted from share premium.

Other reserve
The movement in other reserves represents the difference in fair value of the contribution in kind and the book value of asset and liabilities as part of the business restructuring in 2015. Please refer to note 1 and 2 for further information.

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

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

Note 10 Net financial items CHFk

	Interest	Debt redemption and derivative settlement costs	Fair value adjustments	Total financial income and (expenses) before foreign currency	Net foreign currency gains/(losses)	January 1 - March 31, 2015 Unaudited Total
Income						
Cash and cash equivalents	2	-	-	2	1'547	1'549
Financial liabilities measured at amortized cost	-	-	-	-	218'587	218'587
Cash flow hedges and economic hedges	97'895	-	-	97'895	-	97'895
Other	51	-	-	51	343	394
Total	**97'948**	**-**	**-**	**97'948**	**220'477**	**318'425**
Expenses						
Financial liabilities measured at amortized cost	(30'737)	(81'064)	-	(111'801)	-	(111'801)
Amortization of existing debt transaction cost	-	(46'903)	-	(46'903)	-	(46'903)
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	(3'530)	(3'139)	-	(6'669)	-	(6'669)
Total	**(138'397)**	**(150'955)**	**(216'611)**	**(505'963)**	**-**	**(505'963)**
Net financial items	**(40'449)**	**(150'955)**	**(216'611)**	**(408'015)**	**220'477**	**(187'538)**

	Interest	Debt redemption and derivative settlement costs	Fair value adjustments	Total financial income and (expenses) before foreign currency	Net foreign currency gains/(losses)	January 1 - March 31, 2014 Unaudited Total
Income						
Cash and cash equivalents	258	-	-	258	737	995
Financial liabilities measured at amortized cost	-	-	-	-	13'773	13'773
Cash flow hedges and economic hedges	28'045	-	-	28'045	-	28'045
Embedded derivatives[1)]	-	-	19'792	19'792	-	19'792
Other	401	-	-	401	199	600
Total	**28'704**	**-**	**19'792**	**48'496**	**14'709**	**63'205**
Expenses						
Financial liabilities measured at amortized cost	(56'482)	-	-	(56'482)	-	(56'482)
Cash flow hedges and economic hedges	(28'354)	-	(11'087)	(39'441)	-	(39'441)
Other	(3'239)	-	-	(3'239)	(225)	(3'464)
Total	**(88'075)**	**-**	**(11'087)**	**(99'162)**	**(225)**	**(99'387)**
Net financial items	**(59'371)**	**-**	**8'705**	**(50'666)**	**14'484**	**(36'182)**

[1)] “Embedded derivatives” represent early redemption options related to financial instruments issued by the Group (refer to note 12).

Note 11 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	March 31, 2015 Carrying value Unaudited	December 31, 2014 Carrying value Unaudited
Floating rate						
Term loan B - CHF [3)]	1'360'000	-	(26'152)	-	1'333'848	-
Floating rate notes - EUR	200'570	(25'248)	-	(175'322)	-	198'470
Revolving credit facility - CHF	73'497	-	-	(73'497)	-	73'497
Fixed rate						
Senior secured notes - CHF [4)]	500'000	-	(6'540)	-	493'460	-
Senior secured notes - CHF [5)]	300'000	-	-	(300'000)	-	293'887
Senior secured notes - CHF [6)]	370'000	-	-	(370'000)	-	365'655
Senior secured notes - EUR [7)]	658'641	(131'482)	-	(527'159)	-	590'299
Senior notes - EUR	755'942	(165'557)	-	(590'385)	-	657'394
PIK toggle note						
Senior PIK toggle note - CHF [8)]	300'000	-	-	(300'000)	-	294'597
Senior PIK toggle note - EUR [8)]	336'168	(47'465)	-	(288'703)	-	324'689
Total loans and notes	**4'854'818**	**(369'752)**	**(32'692)**	**(2'625'066)**	**1'827'308**	**2'798'488**
Other						
Debt relating to finance leases	-	-	-	(1'837)	28'022	29'859
Total borrowings					**1'855'330**	**2'828'347**
Of which current					6'454	24'724
Of which non-current					1'848'876	2'803'623

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 rates senior secured notes

8) Issued March 15, 2013

On February 6, 2015, Sunrise Communications Group AG, the newly established ultimate holding company of Mobile Challenger Intermediate Group S.A., has 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 CHF 1,000.0 million of drawdown under the new term loan B facilities to reduce the indebtedness of the Group, pay transaction-related costs and fund cash to the balance sheet.

On February 18, 2015 the Group used the proceeds from the offering of CHF 500.0 million 2.125% senior secured notes due 2022, together with CHF 360.0 million of drawdown under the new term loan B facilities and cash on balance sheet, to redeem in full the remaining indebtedness as well as to pay transaction-related costs. During the refinancing process the Group fully amortized the existing capitalized debt issuance cost, which amounted to 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.

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 per each half year date within the financial year of the Group. The next covenant testing will be performed as per June 30, 2015.

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

Note 12 Derivatives

CHFk

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

	March 31, 2015 Notional amount	December 31, 2014 Notional amount	March 31, 2015 Fair value assets [5]	March 31, 2015 Fair value liabilities [5]	December 31, 2014 Fair value assets [5]	December 31, 2014 Fair value liabilities [5]
Cross currency interest rate swaps – fixed rate borrowings [1]	-	1'256'198	-	-	-	(143'944)
Total cash flow hedges	**-**	**1'256'198**	**-**	**-**	**-**	**(143'944)**
Cross currency interest rate swaps – fixed rate borrowings [2]	-	161'878	-	-	-	(12'165)
Cross currency interest rate swaps – variable rate borrowings [3]	-	202'922	-	-	-	(1'936)
Total economic hedges	**-**	**364'800**	**-**	**-**	**-**	**(14'101)**
Embedded derivatives [4]	-	-	-	-	38'140	-
Total embedded derivatives	**-**	**-**	**-**	**-**	**38'140**	**-**
Total derivatives	**-**	**1'620'998**	**-**	**-**	**38'140**	**(158'045)**

[1] Cross currency interest rate swaps related to senior secured notes EUR 371 million and senior notes EUR 561 million.
[2] Cross currency interest rate swaps related to senior secured notes EUR 125 million.
[3] Cross currency interest rate swap related to senior secured floating rate notes EUR 167 million (also refer to details provided below).
[4] Embedded derivatives represent early redemption options related to financial instruments issued by the Group.
[5] For fair value estimation, please refer to note 13.

The Group settled all existing cross currency principal and interest rate swap agreements partially on February 13, 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 - March 31, 2015 Unaudited	January 1 - March 31, 2014 Unaudited
The change in the fair value of derivatives in the period can be summarized as:		
Cash flow hedges – movement in hedge reserve	(135'947)	(8'733)
Economic hedges	(42'524)	(2'354)
Total impact of hedging derivatives in the statement of income (note 10)	**(178'471)**	**(11'087)**
Impact of embedded derivatives in the statement of income (note 10)	(38'140)	19'792
Total impact of derivatives in the statement of income (note 10)	**(216'611)**	**8'705**

Note 13 Fair value estimation

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

Fair value hierarchy

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

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

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

CHFk

	Measurement principle	March 31, 2015 Fair value	March 31, 2015 Carrying value	December 31, 2014 Fair value	December 31, 2014 Carrying value
Cash[1)]	Amortized cost	161'319	161'319	120'185	120'185
Trade and other receivables[1)]	Amortized cost	376'959	376'959	373'286	373'286
Other non-current assets[1)]	Amortized cost	-	-	153	153
Derivatives - held for trading	Fair value - Level 2	-	-	38'140	38'140
Total financial assets		**538'278**	**538'278**	**531'764**	**531'764**
Trade payables and other payables[1)]	Amortized cost	(675'670)	(675'670)	(710'776)	(710'776)
Loans and notes[2)]	Amortized cost	(1'852'950)	(1'827'308)	(2'857'064)	(2'798'488)
Financial leases[1)]	Amortized cost	(28'022)	(28'022)	(29'859)	(29'859)
Derivatives - held for trading	Fair value - Level 2	-	-	(14'101)	(14'101)
Derivatives - held for hedging	Fair value - Level 2	-	-	(143'944)	(143'944)
Other current liabilities[1)]	Amortized cost	(1'443)	(1'443)	(1'162)	(1'162)
Total financial liabilities		**(2'558'085)**	**(2'532'443)**	**(3'756'906)**	**(3'698'330)**

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

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

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

There have been no transfers between the different hierarchy levels during the three- month period ended March 31, 2015.

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Note 14 Change in net working capital

	January 1 - March 31, 2015 Unaudited	January 1 - March 31, 2014 Unaudited
Change in inventories	(12'047)	(12'382)
Change in trade and other receivables	428	(16'471)
Change in trade and other payables	(63'045)	(35'471)
Change in other items, net	(35'390)	(34'041)
Total	**(110'054)**	**(98'365)**

The table above outlines cash relevant transactions which have been recognized in the caption "change in net working capital" in the condensed consolidated interim statement of cash flow of the Group (see page 21).

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

In January 2015 Sunrise entered into a factoring agreement with UBS under which Sunrise may sell residential customer receivables from device plans to UBS. During Q1 2015 Sunrise sold CHF 36.9 million of receivables and derecognized CHF 15.1 million.

The higher 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 of 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 15 Other balance sheet items

Non-current trade and other payables

As of March 31, 2015 this financial statement item mainly consists of the 3rd installment (due in 2016) related to the acquisition of the spectrum licenses in 2012 in the amount of CHF 103.0 million as well as the 2nd and 3rd installments related to the investment into broadband connectivity services from Swisscom in the total amount of CHF 29.7 million.

Current portion of prepaid expenses

The balance mainly consists of prepaid rent expenses and prepaid IT related payments for licenses and services. The prepayments are normally made at the beginning of the year and amortized of the contractual duration. As of December 31, 2014 most of the prepayments are fully amortized. Contracts with duration of more than 2 years are split into a current- and non-current portion.

Note 16 Dividend distribution

No dividend resolutions have been taken by the board of directors of Sunrise Communications Group AG – the ultimate parent of the Group – or any other entity of the Group during the period under review (during the three-month period ended as of March 31, 2015).

Note 17 Contractual commitments

On March 20, 2015 Sunrise extended the scope of the contract with its network provider resulting in an additional CHF 100.0 million purchase commitment. The total contractual and purchase commitments as of March 31, 2015 amounted to CHF 227.0 million consisting of future investments in property, plant and equipment and intangibles assets.

Note 18 Financial risk management

The strong Swiss franc does not have a material net effect on the operational activities of the Group, as Sunrise is predominantly active in the domestic market. The foreign currency risk arising from loans and notes denominated in Euros have been fully hedged except the EUR tranche of the PIK toggle note. In February 2015 all existing debt instruments have been fully repaid and replaced by debt instruments only denominated in CHF.

Note 19 Events after the balance sheet date

Mobile Challenger Intermediate Group S.A., Sunrise Communications Holdings S.A., Sunrise Communications International S.A. and Skylight S.à r.l. each announced that Stefan Oostvogels has resigned from his position as member of the board of directors. As of May 18, 2015, François Pfister is appointed as a new member of the board of directors of the respective entities. Libor Voncina, André Krause and Emanuela Brero will continue their role as members of the respective boards.

Report on the review of condensed consolidated interim financial statements

as of 31 March 2015 of

Sunrise Communications Group AG, Zürich

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To the Board of Directors of

Sunrise Communications Group AG, Zürich

Zürich, 18 May 2015

Report on the review of condensed consolidated interim financial statements

Introduction
We have reviewed the accompanying condensed consolidated interim financial statements (consolidated statement of income, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and notes) of Sunrise Communications Group AG for the period from 1 January 2015 to 31 March 2015. The Board of Directors is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standard IAS 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review
We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 “Interim Financial Reporting”.

Ernst & Young Ltd

André Schaub
Licensed audit expert
(Auditor in charge)

J Spence

Jessica Spence
Licensed audit expert

Enclosure
- Condensed consolidated interim financial statements