Financial Report 2015

That makes sense. Sunrise

Operational and Financial Review

Financial KPIs

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

Operational KPIs

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

Environment

Economic environment

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

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

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

Industry and competitive environment

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

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

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

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

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

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

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

Regulatory environment

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

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

Major Events

Swiss franc

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

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

IPO/Refinancing

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

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

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

Organizational streamlining

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

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

Financial Review

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

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

Revenue

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

Mobile services

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

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

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

Landline services

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

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

Landline internet and TV

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

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

Transmission costs and cost of goods sold

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

Adjusted EBITDA

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

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

Reported EBITDA

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

Other operating expenses

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

Wages, salaries and pension costs

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

Although the pension fund of Sunrise Communications AG is overfunded by 16.0 % as of December 31, 2014, according to Swiss GAAP FER 26, the Group reports a net pension liability of CHF 115.4 million in its consolidated financial statements as of December 31, 2015. The different results are driven by differences in valuation methods; Swiss GAAP FER 26 prescribes a static valuation method whereas IFRS (IAS 19) requires the use of a dynamic valuation method. Therefore, the IFRS pension liability should not be considered a current cash liability based on current facts and circumstances.

Other income and expenses, net

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

Net loss

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

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

Depreciation and amortization

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

Net financial items

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

Income taxes

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

Net working capital

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

Trade and other receivables

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

Cash flow

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

Cash flow from operating activities

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

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

Cash flow used in investing activities

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

Cash flow used in financing activities

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

Net debt

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

On February 13, 2015, Sunrise Communications Group AG partially used the gross proceeds from the IPO of CHF 1,359 million together with CHF 1,000 million in a drawdown under the new term loan B facilities to reduce the indebtedness of the Group, pay transaction-related costs and fund cash to the balance sheet. On February 18, 2015, the Group used the proceeds from the offering of CHF 500 million 2.125 % senior secured notes due in 2022 together with a CHF 360 million drawdown under the new term loan B facilities and cash on balance sheet to redeem the remaining indebtedness in full as well as to pay transaction-related costs. During the refinancing process, the Group fully amortized the existing capitalized debt issuance cost, which totaled CHF 47 million as of December 31, 2014.

Dividend proposal and distribution policy

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

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

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

Risks

Overview

Sunrise operates a centralized risk management system that distinguishes between strategic and operating risks. Competition, network performance and maintenance, changes in regulation and market acceptance of newly launched products are the main risks and uncertainties the Group is facing. All identified risks are quantified (according to their realization probability and impact) and tracked on a risk schedule. This risk schedule is subject to an annually recurring detailed discussion process among the Group's Board of Directors, the last of which was performed in the 4th quarter of 2015. The key risks identified are as follows:

Market competition

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

International termination costs and revenue

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

Business continuity and information security

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

Financial risks

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

Additional Disclosures

Material affiliate transactions

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

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

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

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

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

Material contractual arrangements

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

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

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

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

Certain other contractual commitments

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

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

Credit ratings

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

Acquisitions, disposals and recapitalization

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

Research and development

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

Outlook

Guidance

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

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

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

Consolidated Financial Statements

Sunrise Communications Group AG

Consolidated Statements of Income

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

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

Consolidated Statements of Comprehensive Income

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

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

Consolidated Statements of Financial Position

Assets

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

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

Equity and liabilities

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

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

Consolidated Statements of Cash Flow

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

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

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

Consolidated Statements of Changes in Equity

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

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

Notes to the Consolidated Financial Statements

NOTE 1

General information

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

The consolidated financial statements for the year ended December 31, 2015, comprise SCG and its subsidiaries (together referred to as the Group or Sunrise). The Group's principal operating company, Sunrise Communications AG, is the second-largest full-range telecommunications provider in Switzerland and offers mobile voice and data, landline services (retail and wholesale voice, business and integration services) and landline internet including Internet Protocol Television (IPTV) services to both residential and business customers as well as to other operators. Sunrise has its own national backbone landline and IP network as well as its own mobile network based on GSM/EDGE, UMTS/HSDPA and LTE technologies. In connection with the services it provides, Sunrise also resells handsets manufactured by third party suppliers.

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

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

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

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

NOTE 2

Basis of preparation

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

The consolidated financial statements have been prepared on a historical cost basis, except derivative financial instruments measured at fair value. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures at the reporting date. The accounting estimates and judgments considered material to the preparation of the financial statements are summarized in Note 5 on page 36 et seq.

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

NOTE 2

Basis of preparation

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

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

NOTE 3

Changes in presentation

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

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

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

NOTE 4

Significant accounting policies

Principles of consolidation

Subsidiaries

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Gains and losses related to divestment of subsidiaries are recognized as the difference between the fair value of the proceeds (less divestment expenses) and the carrying value of net assets (including goodwill).

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

Business combination

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

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

Foreign currency translation

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

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

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

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

Revenue recognition

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

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

NOTE 4

Significant accounting policies

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

Revenue is recognized gross when the Group acts as a principal in a transaction. For content-based services and the resale of services from content providers where the Group acts as an agent, revenue is recognized net of direct costs.

Other income and other expenses

Other income and other expenses primarily include significant amounts that cannot be attributed to the normal course of operations, such as net collectible fees raised from early termination of contracts, revenue from subleases and restructuring expenses including any reversals of such items.

Intangible assets

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

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

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

The main amortization periods are as follows:

UMTS and spectrum licenses	6 – 16 years
Subscriber base	5 – 11 years
Brands	4 – 10 years
Other rights	2 – 10 years
Development projects/software	3 years

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

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

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

Property, plant and equipment

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

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

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

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

[1] or shorter if the contract period is shorter.

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

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

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

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

NOTE 4

Significant accounting policies

Financial assets

Loans and receivables

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

Embedded derivatives

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

Inventories

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

Trade receivables and other receivables

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

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

Income taxes

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

Current income tax

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

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

Deferred taxes

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

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

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

Provisions

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

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

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

NOTE 4

Significant accounting policies

Pensions

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

Obligations are determined quarterly by independent qualified actuaries using the Projected Unit Credit Method assuming that each year of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligations.

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

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

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

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

Financial liabilities

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

Deferred income

Deferred income comprises payments for services to be rendered in subsequent periods. Deferred income comprises, for example, deferred sales related to prepaid services and leased lines. See also revenue recognition on page 29.

Leases

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

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

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

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

Statements of cash flow, cash and cash equivalents

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

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

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

Cash and cash equivalents are readily convertible into a known amount of cash within original maturities of three months or less. For the purpose of the statement of cash flow, cash and cash equivalents comprise cash at banks and in hand, deposits held on call with banks and other short-term highly liquid investments, net of bank overdrafts.

Derivatives

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

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

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

NOTE 4

Significant accounting policies

Derivatives – Cash flow hedges

Cash flow hedges are used by the Group to protect it against changes in the interest payable and notional repayment at maturity for euro-denominated senior notes and senior secured notes due to changes in foreign exchange rates. Cross currency interest rate swaps are used to hedge specifically identified currency risks. The effective portion of the gain or loss on the hedging instrument is recognized in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of income in "net financial items". Amounts recognized in equity are reclassified to the statement of income in the periods when the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognized in other comprehensive income is transferred to the statement of income within "net financial items".

Share capital

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

NOTE 5

Critical accounting estimates and judgments

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

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

- Useful life of intangible assets and property, plant and equipment as shown in Note 4 on page 28 et seq. is assigned based on periodic studies of the actual useful life and intended use of those assets. Such studies are completed or updated whenever new events occur with the potential to impact the way the useful life of the asset is determined, such as events or circumstances that indicate that the carrying value of the asset may not be recoverable and should therefore be tested for impairment. Any change in the estimated useful life of these assets is recognized in the financial statements as soon as any such change is determined. For details, see Notes 15 and 16 on pages 48 et seq. and 51 et seq., respectively.
- Intangible assets comprise a significant portion of the Group's total assets. Impairment tests on goodwill are performed at least annually and, if necessary, whenever events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable. The measurement of intangibles is a complex process that requires significant management judgment in determining various assumptions, such as cash flow projections, discount rate and terminal growth rates. The sensitivity of the estimated measurement to these assumptions, combined or individually, can be significant. Furthermore, the use of different estimates or assumptions when determining the fair value of such assets may result in different values and could result in impairment charges. For details, see Note 15 on page 48 et seq.
- Net periodic pension cost for defined benefit plans is estimated based on certain actuarial assumptions, the most significant of which relate to discount rate and future salary increases. As shown in Note 23 on page 57 et seq., the assumed discount rate reflects changes in market conditions. The Group believes these assumptions illustrate current market conditions and expectations for market returns in the long term.

- Estimates of deferred taxes and significant items giving rise to the deferred assets and liabilities are shown in Note 13 on page 45 et seq. These reflect the assessment of future taxes to be paid on items in the financial statements, giving consideration to both the timing and probability of these estimates. In addition, such estimates reflect expectations about the amount of future taxable income and, where applicable, tax planning strategies. Actual income taxes and income for the period may vary from these estimates as a result of changes in expectations about future taxable income, future changes in income tax law or the final review of tax returns by tax authorities.
- Provisions for asset retirement obligations are made for costs incurred in connection with the future dismantling of mobile stations and restoration of property owned by third parties. These provisions are primarily based on estimates of future costs for dismantling and restoration and the timing of the dismantling. See Note 28 on page 73 et seq.
- Revenue, as shown in Note 8 on page 41, is recognized when realized or realizable and earned. Revenue from non-refundable up-front connection fees is deferred and recognized as income over the expected term of the related customer relationship. The term is estimated using historical customer churn rates. A change in management estimates may have a significant impact on the amount and timing of the revenue for any period.

NOTE 6

Standards issued but not yet effective

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

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

The following new or amended standards are not expected to have a significant impact on the Group’s consolidated financial statements:

- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
- Annual Improvements to IFRSs 2012–2014 Cycle – Various Standards
- Disclosure Initiative (Amendments to IAS 1 and IAS 7)
- Equity Method in Separate Financial Statements (Amendments to IAS 27)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)
- Recognition of Deferred Tax assets for Unrealized Losses (Amendments to IAS 12)

NOTE 7

Segment reporting

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

Residential provides fixed line and mobile services to residential end customers as well as sales of handsets. Through its investments in local-loop unbundling and IPTV as well as its contractual arrangements with Swiss Fibre Net AG, the joint venture of local energy providers in Switzerland, and Swisscom, Sunrise focuses on selling its products in the Swiss telecommunications market by marketing bundled offers in fixnet/internet, mobile and IPTV.

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

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

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

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

NOTE 7

Segment reporting

Activities

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

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

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

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

NOTE 8

Revenue

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

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

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

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

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

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

NOTE 9

Restructuring

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

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

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

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

NOTE 10

Wages, salaries and pension costs

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

[1] See Note 9 above.

Sunrise Communications AG is the operating entity of the Group. Remuneration for the Management Board and the Board of Directors is shown below:

Remuneration for the Management Board and the Board of Directors

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

NOTE 11

Other income and other expenses

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

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

[1] See Note 9 opposite.

NOTE 12

Net financial items

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

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

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

NOTE 13

Income taxes

Analysis of income taxes

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

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

Deferred tax assets and liabilities

Deferred tax liabilities are recognized in the statement of financial position in non-current deferred tax liabilities.

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to offset current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

NOTE 13

Income taxes

Analysis of deferred tax assets and liabilities

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

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

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

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

Specification of deferred taxes

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

CHFk 2014	DEFERRED TAX ASSETS/ (LIABILITIES) NET, JANUARY 1	DEFERRED TAX (EXPENSE)/ INCOME	DEFERRED TAX THROUGH OCI	DEFERRED TAX ASSETS/ (LIABILITIES) NET, DECEMBER 31
Intangible assets[1]	(288,208)	20,195	–	(268,013)
Property, plant and equipment	(4,124)	761	–	(3,363)
Customer acquisition costs	30,352	(9,460)	–	20,892
Carryforward tax loss	–	1,249	–	1,249
Deferred income	2,604	(311)	–	2,293
Hedging instruments debt	363,351	(1,485)	–	361,866
Hedging instruments swap	(363,351)	1,485	–	(361,866)
Employee benefit obligations	12,056	148	8,134	20,338
Other	111	(1,798)	–	(1,687)
Total	**(247,209)**	**10,784**	**8,134**	**(228,291)**

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

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

NOTE 14

Earnings per Share

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

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

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

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

NOTE 15

Intangible assets

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

[1] Thereof cash additions CHFk 79,896.

CHFk 2014	GOODWILL	SUBSCRIBER BASE	OTHER RIGHTS, SOFTWARE, LICENSES AND BRANDS	INTANGIBLES UNDER DEVELOPMENT	TOTAL
Cost as of January 1	1,147,769	1,334,683	927,885	18,389	3,428,726
Additions[1]	–	–	79,592	64,343	143,935
Transferred to/(from) other items[2]	–	–	67,517	(61,301)	6,216
Assets disposed of or fully amortized during the period	–	–	(4,012)	–	(4,012)
Cost as of December 31	**1,147,769**	**1,334,683**	**1,070,982**	**21,431**	**3,574,865**
Accumulated amortization and write-downs as of January 1	–	(421,955)	(217,802)	–	(639,757)
Amortization for the period	–	(138,645)	(106,270)	–	(244,915)
Assets disposed of or fully amortized during the period	–	–	4,012	–	4,012
Accumulated amortization and write-downs as of December 31	**–**	**(560,600)**	**(320,060)**	**–**	**(880,660)**
Net carrying value as of December 31	**1,147,769**	**774,083**	**750,922**	**21,431**	**2,694,205**
Net carrying value as of January 1	**1,147,769**	**912,728**	**710,083**	**18,389**	**2,788,969**

[1] Thereof cash additions CHFk 105,898.

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

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

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

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

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

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

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

NOTE 15

Intangible assets

Impairment tests for goodwill

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

Goodwill allocation

CHFk	DECEMBER 31, 2015	DECEMBER 31, 2014	JANUARY 1, 2014
Residental	889,268	889,268	889,268
Business	190,029	190,029	190,029
Wholesale	68,472	68,472	68,472
Total	**1,147,769**	**1,147,769**	**1,147,769**

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

Goodwill has an indefinite useful life and is therefore analyzed for impairment on an annual basis. In 2015, there are no other recorded intangible assets with indefinite useful lives (2014: CHF nil). The recoverable amount of all CGUs has been determined based on its value-in-use using a Discounted Cash Flow (DCF) method. The key assumptions used are listed below:

Key assumptions used for goodwill testing

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

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

Sensitivity analysis

Management has performed sensitivity analyses, which
- increased the discount rate to 7.8 % by stable other key assumptions
- set the long-term growth rate to 0 % by stable other key assumptions
- combined the discount rate of 7.8 % with a growth rate of 0 %

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

NOTE 16

Property, plant and equipment

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

[1] Thereof cash additions CHFk 196,164.

NOTE 16

Property, plant and equipment

CHFk 2014	TELECOMMU-NICATIONS INSTALLATIONS	OTHER INSTALLATIONS	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	TOTAL
Cost as of January 1	1,267,079	86,633	105,802	1,459,514
Additions[1]	54,975	574	202,839	258,388
Transferred to/(from) other items[2]	200,402	24,045	(230,663)	(6,216)
Assets disposed of during the period	(38,911)	(3,978)	–	(42,889)
Cost as of December 31	**1,483,545**	**107,274**	**77,978**	**1,668,797**
Accumulated depreciation and write-downs as of January 1	(497,956)	(45,131)	–	(543,087)
Depreciation for the period	(182,725)	(19,560)	–	(202,285)
Impairment losses	(14,038)	(261)	–	(14,299)
Assets disposed of during the period	38,911	3,978	–	42,889
Accumulated depreciation and write-downs as of December 31	**(655,808)**	**(60,974)**	**–**	**(716,782)**
Net carrying value as of December 31	**827,737**	**46,300**	**77,978**	**952,015**
Net carrying value as of January 1	**769,123**	**41,502**	**105,802**	**916,427**
Carrying value of finance leases as of December 31	**18,909**	**–**	**–**	**18,909**
Carrying value of finance leases as of January 1	**23,052**	**–**	**–**	**23,052**

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

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

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

NOTE 17

Trade and other receivables

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

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

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

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

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

NOTE 18

Prepaid expenses

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

NOTE 19

Inventories

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

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

NOTE 20

Cash and cash equivalents

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

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

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

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

NOTE 21

Equity

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

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

Share capital

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

Ordinary shares issued and fully paid

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

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

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

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

Other reserve

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

Valuation reserve

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

NOTE 21

Equity

Accumulated deficit

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

Dividend

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

NOTE 22

Share-based payment

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

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

Employee Share Purchase Program (ESPP)

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

Management Long-Term Investment Programs (MLTIPZero and MLTIP)

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

MLTIPZero

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

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

MLTIP

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

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

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

NOTE 23

Employee benefit obligations

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

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

NOTE 23

Employee benefit obligations

Pension (costs)/income resulting from defined benefit plans

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

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

Assets and obligations

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

Movement in defined benefit obligations

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

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

Movement in fair value of plan assets

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

Asset allocation of plan assets

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

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

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

NOTE 23

Employee benefit obligations

Principal actuarial assumptions

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

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

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

Sensitivity analysis

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

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

NOTE 24

Borrowings

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

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

On February 6, 2015, Sunrise Communications Group AG, the newly established ultimate holding company of Mobile Challenger Intermediate Group S.A., listed its shares on the SIX Swiss Exchange (ticker symbol: SRCG). On February 13, 2015, Sunrise Communications Group AG partially used the gross proceeds of CHF 1,359.3 million from the IPO, together with a CHF 1,000.0 million drawdown under the new term loan B facilities, to reduce the indebtedness of the Group, pay transaction-related costs and fund cash to the balance sheet. On February 18, 2015, the Group used the proceeds from the offering of CHF 500.0 million 2.125 % senior secured notes due in 2022, together with a CHF 360.0 million drawdown under the new term loan B facilities and cash on balance sheet, to redeem in full the remaining indebtedness as well as to pay transaction-related costs. During the refinancing process the Group fully amortized the existing capitalized debt issuance cost, which totaled CHF 46.5 million as of December 31, 2014. As a result of the aforementioned highly successful refinancing transactions, the Group reduced its weighted average cost of debt to 2.4 % per annum.

NOTE 24

Borrowings

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

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

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

NOTE 25

Derivatives

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

	DECEMBER 31, 2015	DECEMBER 31, 2014	JANUARY 1, 2014	DECEMBER 31, 2015		DECEMBER 31, 2014		JANUARY 1, 2014	
CHFk	NOTIONAL AMOUNT	NOTIONAL AMOUNT	NOTIONAL AMOUNT	FAIR VALUE ASSETS[5]	FAIR VALUE LIABILITIES[5]	FAIR VALUE ASSETS[5]	FAIR VALUE LIABILITIES[5]	FAIR VALUE ASSETS[5]	FAIR VALUE LIABILITIES[5]
Cross currency interest rate swaps – fixed rate borrowings[1]	–	1,256,198	1,256,198	–	–	–	(143,944)	–	(124,968)
Total cash flow hedges	**–**	**1,256,198**	**1,256,198**	**–**	**–**	**–**	**(143,944)**	**–**	**(124,968)**
Cross currency interest rate swaps – fixed rate borrowings[2]	–	161,878	161,878	–	–	–	(12,165)	–	(9,165)
Cross currency interest rate swaps – variable rate borrowings[3]	–	202,922	200,567	–	–	–	(1,936)	3,014	–
Total economic hedges	**–**	**364,800**	**362,445**	**–**	**–**	**–**	**(14,101)**	**3,014**	**(9,165)**
Interest rate swap[6]	–	–	100,000	–	–	–	–	–	–
Total interest rate derivatives	**–**	**–**	**100,000**	**–**	**–**	**–**	**–**	**–**	**–**
Embedded derivatives[4]	–	–	–	–	–	38,140	–	83,925	–
Total embedded derivatives	**–**	**–**	**–**	**–**	**–**	**38,140**	**–**	**83,925**	**–**
Total derivatives	**–**	**1,620,998**	**1,718,643**	**–**	**–**	**38,140**	**(158,045)**	**86,939**	**(134,133)**

[1] Cross currency interest rate swaps related to senior secured notes EUR 371 million and senior notes EUR 561 million.
[2] Cross currency interest rate swaps related to senior secured notes EUR 125 million.
[3] Cross currency interest rate swap related to senior secured floating rate notes EUR 167 million (also see details provided below).
[4] Embedded derivatives represent early redemption options related to financial instruments issued by the Group.
[5] For fair value estimation, please see Note 26 on page 64 et seq.
[6] Interest rate swap has matured as of January 1, 2014.

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

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

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

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

NOTE 26

Financial instruments

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

CHFk DECEMBER 31, 2014	LOANS AND RECEIVABLES	FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	DERIVATIVES USED FOR HEDGING	DERIVATIVES HELD FOR TRADING	TOTAL
Non-current financial assets					
Derivative financial assets	–	–	–	38,140	38,140
Other non-current assets	153	–	–	–	153
Non-current portion of trade and other receivables	52,240	–	–	–	52,240
Total non-current financial assets	**52,393**	**–**	**–**	**38,140**	**90,533**
Current financial assets					
Trade receivables and other receivables	321,046	–	–	–	321,046
Cash and cash equivalents	120,185	–	–	–	120,185
Total current financial assets	**441,231**	**–**	**–**	**–**	**441,231**
Total financial assets	**493,624**	**–**	**–**	**38,140**	**531,764**
Non-current financial liabilities					
Non-current portion of loans and notes	–	(2,780,114)	–	–	(2,780,114)
Non-current portion of financial leases	–	(23,509)	–	–	(23,509)
Non-current portion of trade payables and other payables	–	(137,278)	–	–	(137,278)
Derivative financial liabilities	–	–	(143,944)	(14,101)	(158,045)
Total non-current financial liabilities	**–**	**(2,940,901)**	**(143,944)**	**(14,101)**	**(3,098,946)**
Current financial liabilities					
Current portion of loans and notes	–	(18,374)	–	–	(18,374)
Current portion of financial leases	–	(6,350)	–	–	(6,350)
Current portion of trade payables and other payables	–	(562,239)	–	–	(562,239)
Other current liabilities	–	(1,162)	–	–	(1,162)
Total current financial liabilities	**–**	**(588,125)**	**–**	**–**	**(588,125)**
Total financial liabilities	**–**	**(3,529,026)**	**(143,944)**	**(14,101)**	**(3,687,071)**
Total	**493,624**	**(3,529,026)**	**(143,944)**	**24,039**	**(3,155,307)**

NOTE 26

Financial instruments

CHFk JANUARY 1, 2014	LOANS AND RECEIVABLES	FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	DERIVATIVES USED FOR HEDGING	DERIVATIVES HELD FOR TRADING	TOTAL
Non-current financial assets					
Derivative financial assets	–	–	–	86,939	86,939
Other non-current assets	200	–	–	–	200
Total non-current financial assets	**200**	**–**	**–**	**86,939**	**87,139**
Current financial assets					
Trade receivables and other receivables	264,265	–	–	–	264,265
Cash and cash equivalents	150,292	–	–	–	150,292
Total current financial assets	**414,557**	**–**	**–**	**–**	**414,557**
Total financial assets	**414,757**	**–**	**–**	**86,939**	**501,696**
Non-current financial liabilities					
Non-current portion of loans and notes	–	(2,810,499)	–	–	(2,810,499)
Non-current portion of financial leases	–	(29,454)	–	–	(29,454)
Non-current portion of trade payables and other payables	–	(207,420)	–	–	(207,420)
Derivative financial liabilities	–	–	(124,968)	(9,165)	(134,133)
Total non-current financial liabilities	**–**	**(3,047,373)**	**(124,968)**	**(9,165)**	**(3,181,506)**
Current financial liabilities					
Current portion of loans and notes	–	(35,000)	–	–	(35,000)
Current portion of financial leases	–	(5,991)	–	–	(5,991)
Current portion of trade payables and other payables	–	(404,364)	–	–	(404,364)
Other current liabilities	–	(1,705)	–	–	(1,705)
Total current financial liabilities	**–**	**(447,060)**	**–**	**–**	**(447,060)**
Total financial liabilities	**–**	**(3,494,433)**	**(124,968)**	**(9,165)**	**(3,628,566)**
Total	**414,757**	**(3,494,433)**	**(124,968)**	**77,774**	**(3,126,870)**

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

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

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

A: Foreign-currency exposures

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

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

The following table shows the impact of a reasonably possible change in the euro against the Swiss franc, with all other variables held constant. The impact on the Group's profit before tax is mainly driven by foreign exchange gains/losses of euro-denominated cash and cash equivalents, trade and other receivables as well as trade and other payables. The potential impact on the Group's other comprehensive income results from fair value movements in cross currency interest rate swaps designated as cash flow hedges. As of December 31, 2015, the Group has no other material exposure to foreign currencies.

Foreign currency sensitivity

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

B: Interest rate risk

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

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

NOTE 26

Financial instruments

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

Interest rate sensitivity

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

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

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

C: Maturity profiles

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

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

CHFk JANUARY 1, 2014	<1 YEAR	BETWEEN 1 RAND 2 YEARS	BETWEEN 2 AND 5 YEARS	OVER 5 YEARS	TOTAL
Trade payables and other payables	(404,364)	(103,710)	(103,710)	–	(611,784)
Borrowings – notional	(35,000)	–	(2,186,644)	(623,855)	(2,845,499)
Borrowings – interest	(39,937)	(211,592)	(694,087)	(11,710)	(957,326)
Financial leases	(5,991)	(6,350)	(20,294)	(2,810)	(35,445)
Derivative liabilties	–	–	(134,133)	–	(134,133)
Other current liabilities	(1,705)	–	–	–	(1,705)
Total financial liabilities	**(486,997)**	**(321,652)**	**(3,138,868)**	**(638,375)**	**(4,585,892)**

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

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

D: Undrawn credit lines

The Group had the following undrawn borrowing facilities:

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

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

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

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

E: Credit risk

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

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

Concentrations of credit risk with respect to trade receivables are limited due to the Group's wide distribution of customers (see Note 17 on page 53 for detailed information on receivables). On a regular basis, trade accounts receivable are sold without recourse.

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

F: Capital management

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

The Group's managed capital structure consists of equity (as disclosed in Note 21 on page 55 et seq.), current and non-current borrowings (see Note 24 on page 61 et seq.) less cash and cash equivalents.

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

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

G: Fair value estimation

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

Fair value hierarchy

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

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

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

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

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

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

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

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

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

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

NOTE 27

Trade and other payables

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

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

NOTE 28

Provisions

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

[1] See Note 9 on page 42 for further information on restructuring obligations.

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

NOTE 28

Provisions

Restructuring costs mainly relate to the restructuring program announced on September 22, 2015.

Other provisions are related to warranties, litigations and legal claims.

NOTE 29

Deferred income

CHFk	DECEMBER 31, 2015	DECEMBER 31, 2014	JANUARY 1, 2014
Deferred income from dark fibers	11,913	15,291	18,743
Deferred income from other telecommunication services	42,672	46,869	49,079
Total	**54,585**	**62,160**	**67,822**
Thereof current	*42,895*	*47,557*	*52,392*
Thereof non-current	*11,690*	*14,603*	*15,430*

NOTE 30

Change in net working capital

CHFk JANUARY 1 – DECEMBER 31	2015	2014
Change in inventories	3,868	4,477
Change in trade and other receivables	(15,874)	(110,614)
Change in trade and other payables	(28,116)	50,762
Change in other items, net	(4,886)	2,829
Total	**(45,008)**	**(52,546)**

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

In January 2015, Sunrise entered into a factoring agreement with UBS under which Sunrise may sell residential customer receivables from device plans to UBS. As of December 31, 2015, CHF 41.7 million in receivables are derecognized.

The change in net working capital is primarily attributable to changes in trade and other payables driven by different spending patterns and timing of payments as well as newly negotiated roaming contracts with different invoicing terms. This effect is partially offset by an improved change in trade and other receivables due to the partial factoring of handset receivables related to Freedom as well as a positive development of deferred revenue.

NOTE 31

Overview of Group companies

COMPANY NAME	OPERATING PURPOSE	REGISTERED OFFICE	CURRENCY	VOTING RIGHTS	CONSOLI-DATION METHOD
Switzerland					
Sunrise Communications Group AG	Holding	Zurich			
Sunrise Communications AG	Telecommunications services	Zurich	CHF	100	Full
TelCommunication Services AG	Telecommunications services	Zurich	CHF	100	Full
YOL Communications GmbH	Telecommunications services	Zurich	CHF	100	Full
YOL Services AG	Telecommunications services	Zurich	CHF	100	Full
Luxembourg					
Mobile Challenger Intermediate Group S.A.	Subholding	Luxembourg	CHF	100	Full
Sunrise Communications Holdings S.A.	Subholding	Luxembourg	CHF	100	Full
Sunrise Communications International S.A.	Subholding	Luxembourg	CHF	100	Full
Skylight S.à r.l.	Subholding	Luxembourg	CHF	100	Full

NOTE 32

Related parties

NAME OF RELATED PARTY	NATURE OF RELATIONSHIP	DOMICILE
Mobile Challenger Group S.à r.l.[1]	Ultimate holding company (until January 23, 2015)	Luxembourg
New Dawn MEP HoldCo S.à r.l.	Subsidiary of ultimate holding company	Luxembourg
New Dawn MEP Issuer Co. S.A.	Subsidiary of New Dawn MEP Holder S.à r.l.	Luxembourg
New Dawn MEP EPP Issuer Co. S.A.	Subsidiary of New Dawn MEP Holder S.à r.l.	Luxembourg
Pensionskasse Sunrise	Pension fund	Zurich

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

As described in Note 22 on page 56 et seq., certain managers and employees of Sunrise Communications AG participate in a management equity program and employee participation program involving Sunrise Communications Group AG.

NOTE 32

Related parties

The key management of Sunrise Communications Group AG is composed of:

Sunrise Communications Group AG

BOARD OF DIRECTORS	
Lorne Somerville	Chairman
Peter Schöpfer	Vice-Chairman
Jesper Ovesen	Member
Siddharth Patel	Member
Dr. Daniel Pindur	Member

Sunrise Communications AG (main operating entity of the Group)

BOARD OF DIRECTORS	
Peter Schöpfer	Chairman
Libor Voncina	Member
André Krause	Member

GROUP MANAGEMENT BOARD	
Libor Voncina	Chief Executive Officer (CEO)
André Krause	Chief Financial Officer (CFO)
Elmar Grasser	Chief Operating Officer (COO)
Timm Degenhardt	Chief Commercial Officer (CCO)
Sebastian Prange	Chief Sales Officer (CSO)
Massimiliano Nunziata	Chief Customer Experience Officer (CCE)
Markus Naef	Chief Commercial Officer Business (CCB)

Related party transactions in 2015 are limited to the contribution in kind as part of the integration of MCIG into SCG. Please see Note 1 on page 27 for more information.

NOTE 33

Other financial commitments

CHFk DECEMBER 31	2015	2014
Non-cancelable lease commitments for operating leases		
Rental expense relating to properties and mobile sites in the period of interminability	230,148	261,618
Lease commitments for machinery, equipment, computers and other equipment	31,578	32,418
Total	**261,726**	**294,036**
Broken down as follows:		
– Less than 6 months	49,047	53,039
– Between 6 and 12 months	47,186	41,071
– Between 1 and 2 years	49,192	50,264
– Between 2 and 5 years	81,020	102,515
– Over 5 years	35,281	47,147
Total	**261,726**	**294,036**
Total rental expense recognized for all operating leases		
Minimum lease payments	96,699	101,234
Sublease receipts	(4,643)	(4,904)
Total	**92,056**	**96,330**
Contractual and purchase commitments[1]	141,253	142,974

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

NOTE 34

Contingencies

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

Under the terms of the intercreditor agreement, certain entities of the Group are guarantors. As of December 31, 2015, the maximum guarantee totals the value of the shares, preferred equity certificates and intercompany receivables. As of December 31, 2014, the guarantee totals CHF 1,416.4 million.

NOTE 35

Events after the balance sheet date

There are no significant subsequent events to report after the balance sheet date.

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

Zurich, March 8, 2016

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Sunrise Communications Group AG, which comprise the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of financial position, consolidated statements of cash flow, consolidated statements of changes in equity and notes (pages 20 to 77), for the year ended December 31, 2015.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law, Swiss Auditing Standards and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended December 31, 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

André Schaub
Licensed audit expert
(Auditor in charge)

Tobias Meyer
Licensed audit expert

Statutory Financial Statements

Sunrise Communications Group AG

Income Statement

CHFk JANUARY 13 – DECEMBER 31	NOTES	2015
Interest income from investments		421
Total operating income		**421**
Other operating expenses		(2,506)
Operating loss		**(2,085)**
Extraordinary, non-recurring or prior period expenses	3.1	(50,210)
Loss for the period before tax		**(52,295)**
Direct taxes	3.2	(931)
Loss for the period		**(53,226)**

Balance Sheet

Assets

CHFk	NOTES	2015
Cash and cash equivalents		14,591
Other receivables		
due from third parties		*49*
due from investments	*3.3*	*50,500*
Prepayments and accrued income		220
Total current assets		**65,360**
Investments	3.4	2,593,630
Total non-current assets		**2,593,630**
Total assets		**2,658,990**

Liabilities and shareholders' equity

CHFk	NOTES	2015
Accruals and deferred income		
due from third parties		*414*
due from investments		*1,821*
Total short-term liabilities		**2,235**
Share capital	3.5	45,000
Legal capital reserves		
– Reserves from capital contributions	3.6	2,659,164
– Other capital reserves		5,817
Accumulated losses		
– Loss for the period		(53,226)
Total shareholders' equity		**2,656,755**
Total liabilities and shareholders' equity		**2,658,990**

Notes to the Statutory Financial Statements

NOTE

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3	Information on balance sheet and income statement items
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4.1	Full-time equivalents
4.2	Significant shareholders
4.3	Shares held by the Group Management Board and the Board of Directors, including any related parties
4.4	Indirect economic interest in shares for members of the Group Management Board

NOTE 1

General

Sunrise Communications Group AG (SCG or the Company) was incorporated on January 13, 2015. The registered offices of the Company are located at Binzmühlestrasse 130, CH-8050 Zurich, Switzerland. On January 23, 2015, SCG became the parent entity of Mobile Challenger Intermediate Group S.A., the Company's only direct investment brought from its individual shareholders.

On February 6, 2015, SCG made an initial public offering (IPO) in Switzerland and was listed on the SIX Swiss Exchange.

NOTE 2

Principles

NOTE 2.1

General aspects

These financial statements were prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law the significant accounting and valuation principles applied are described below.

NOTE 2.2

Share-based payment

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

Employee Share Purchase Program (ESPP)

Shares allocated to employees of Sunrise at a discount of 30 % off the IPO price. Purchasers of such shares are subject to a blocking period of two years from the first day of trading, during which shares cannot be sold or otherwise disposed of. There are no minimum service requirements for employees. Upon termination of employment (for any reason), the blocking period of shares remains in effect and the shares remain with the program administrator.

Management Long-Term Investment Program (MLTIPZero)

Shares allocated to certain members of the Group Management Board and selected Other Top Management members of Sunrise at the initial public offer price. Purchasers of such offered shares (Investment Shares) will be subject to a blocking period of three years after the first day of trading, during which shares cannot be sold or otherwise disposed of, no service period is required by the employee for the Investment Shares, however the matching number of Performance Shares awarded at the end of the blocking period are subject to continued employment and satisfaction of certain performance targets.

Annual tranches of Long-Term Investment Program (MLTIP)

Under this plan there is no allocation of shares from the initial public offering. However, eligible participants, including members of the Group Management Board and selected Other Top Management members, will have the opportunity to elect to receive a portion of their annual short-term incentive, capped at a maximum of 50 % of such short-term incentive, in the form of shares, which will then be blocked for a three-year period (Investment Shares). There are no minimum service requirements for employees for the Investment Shares; however the matching shares awarded at the end of the blocking period are subject to continued employment and satisfaction of certain performance targets.

The respective shares for MLTIPZero and MLTIP will either be bought back on the market or received via a capital increase. As SCG itself does not have any employees, a possible expense related to the buying back of shares at the market will be charges to Sunrise Communications AG, the operative company indirectly held by SCG.

NOTE 2.3

Transaction costs

Transaction costs related to the issuance of new shares following the IPO on February 6, 2015, have been directly expensed as incurred.

NOTE 2.4

Foregoing a cash flow statement and additional disclosure in the Notes

As Sunrise Communications Group AG has prepared its consolidated financial statements in accordance with a recognized accounting standard (IFRS), it has decided to forego presenting additional information on interest-bearing liabilities and audit fees in the Notes as well as a cash flow statement in accordance with the law (Art. 961d Para. 1 CO).

NOTE 3

Information on balance sheet and income statement items

NOTE 3.1

Extraordinary, non-recurring or prior period expenses

Recorded expenses are related to the issuance cost of the IPO on February 6, 2015, and represent non-recurring cost in 2015.

NOTE 3.2

Direct taxes

Direct taxes are related to capital taxes. As the Company shows a loss for the reporting period, there are no expenses related to income taxes.

NOTE 3.3

Other receivables due from investments

CHFk DECEMBER 31	2015
Loan granted to indirectly held subsidiary	50,000
Accrued interest on loan granted	421
Other receivables due from investments	79
Total	**50,500**

NOTE 3.4

Investments

		DECEMBER 31, 2015	
COMPANY	DOMICILE	CAPITAL IN CHFk	SHARE IN CAPITAL AND VOTING RIGHTS
Mobile Challenger Intermediate Group S.A.	Luxembourg	1,346	100 %[1]
Sunrise Communications Holdings S.A.	Luxembourg	1,000	100 %[2]
Sunrise Communications International S.A.	Luxembourg	1,000	100 %[2]
Skylight S.à r.l.	Luxembourg	1,500	100 %[2]
Sunrise Communications AG	Zurich	50,000	100 %[2]
YOL Communications GmbH	Zurich	21	100 %[2]
YOL Services AG	Zurich	105	100 %[2]
TelCommunication Services AG	Zurich	2,000	100 %[2]

[1] Directly held
[2] Indirectly held

NOTE 3.5

Share capital

Share capital in the amount of CHFk 45,000 consists of 45,000,000 registered shares at a par value of CHF 1.00 each.

On January 13, 2015, SCG was incorporated with a fully paid-in share capital of CHFk 100. On January 23, 2015, the existing share capital was increased by CHF 24.9 million to CHF 25.0 million by issuing 24,900,000 registered shares with a nominal value of CHF 1 in exchange for the entire share capital of Mobile Challenger Intermediate Group S.A. (MCIG) from its individual shareholders. Subsequently SCG made an IPO in Switzerland and was listed on the SIX Swiss Exchange on February 6, 2015. A total of 20,000,000 shares was issued with a nominal value of CHF 1.

NOTE 3.6

Reserves from capital contributions

The reserves from capital contributions consist of the following:

CHFk DECEMBER 31	2015
Premium from share capital increase due to integration of MCIG	1,319,862
Premium from IPO proceeds	1,339,302
Total	**2,659,164**

From a fiscal point of view, any distributions made from reserves from capital contributions are treated the same as a repayment of share capital. The Swiss Federal Tax Administration has confirmed that it will recognize disclosed reserves from capital contributions as a capital contribution as per Art. 5 Para. 1bis Withholding Tax Act.

NOTE 4

Other information

NOTE 4.1

Full-time equivalents

Sunrise Communications Group AG does not have any employees.

NOTE 4.2

Significant shareholders

The following shareholders owned more than 5 % of voting rights as of December 31, 2015:

SHAREHOLDER	VOTING RIGHTS DECEMBER 31, 2015
CVC Capital Partners SICAV-FIS S.A., Luxembourg	25.27 %
Allianz SE, Munich	5.80 %
Represented by Hengistbury Investment Partners LLP, London	5.22 %

NOTE 4.3

Shares held by the Group Management Board and the Board of Directors, including any related parties

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

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

GROUP MANAGEMENT BOARD	NUMBERS OF SHARES DECEMBER 31, 2015
Libor Voncina, CEO	37,584
André Krause, CFO	22,576
Sebastian Prange, CSO	12,473
Timm Degenhardt, CCO	12,000
Elmar Grasser, COO	9,299
Massimiliano Nunziata, CCE	6,529
Markus Naef, CCB	6,504

None of the members of the Board of Directors or the Group Management Board holds conversion or option rights.

NOTE 4.4

Indirect economic interest in shares for members of the Group Management Board

As of December 31, 2015, the members of the Group Management Board held an indirect economic interest in Sunrise Communications Group AG through their shares in New Dawn MEP Issuer Co S.A. as part of a management investment program corresponding to the shares of Sunrise Communications Group AG listed in the following table. 50 % of this indirect economic interest may be sold to the issuer of the program (at no cost to Sunrise Communications Group AG) one year after the completion of the IPO, and the remaining 50 % may be sold two years after the completion of the IPO.

The allocation is as follows:

GROUP MANAGEMENT BOARD	NUMBERS OF SHARES DECEMBER 31, 2015
Libor Voncina, CEO	123,446
André Krause, CFO	73,618
Timm Degenhardt, CCO	44,889
Sebastian Prange, CSO	44,889
Elmar Grasser, COO	28,056
Massimiliano Nunziata, CCE	13,702

Appropriation of Accumulated Losses and Capital Reserves

The Board of Directors proposes to:
- carry forward the accumulated losses
- allocate CHF 135.0 million from the reserves from capital contributions to the dividend reserves
- pay a dividend of CHF 3.00 (5.08 %) per share (total of CHF 135.0 million) from the dividend reserves:

CHFk	2015
Unappropriated accumulated losses	
Balance brought forward from previous years	–
Accumulated loss of the year	(53,226)
Accumulated losses to be carried forward	**(53,226)**
Reserves from capital contributions	
Reserves from capital contributions	2,659,164
Allocation to dividend reserves	(135,000)
Balance to be carried forward	**2,524,164**
Appropriation of dividend reserves	
Dividend reserves at the end of the year	–
Allocation of reserves from capital contributions	135,000
Dividend proposed by the Board of Directors	(135,000)
Dividend reserves to be carried forward	**–**

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

Zurich, March 8, 2016

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Sunrise Communications Group AG, which comprise the income statement, balance sheet, and notes (pages 82 to 90), for the period from January 13, 2015 to December 31, 2015.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended December 31, 2015, comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of accumulated losses and capital reserves complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

André Schaub	Tobias Meyer
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

Legal Notice

IMPORTANT DATES 2016

April 15, 2016
Annual General Meeting

May 12, 2016
2016 first-quarter results

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

November 10, 2016
2016 third-quarter results

FURTHER INFORMATION

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

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