MATTERHORN TELECOM HOLDING S.A.

Consolidated financial statements for the year ended December 31, 2018

Registered office : 4, rue du Fort Wallis
L-2714 Luxembourg
R.C.S. Luxembourg: B 195 766

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CONSOLIDATED STATEMENT OF PROFIT

(in thousands of Swiss Francs)	Notes	January 1, 2018 to December 31, 2018	January 1, 2017 to December 31, 2017
Revenue	4	**1'029'436**	**1'051'769**
Access, backbone, interconnection and content costs	5	(117'020)	(153'292)
Commercial expenses and cost of equipment sold	5	(229'742)	(219'607)
Network, IT, property expenses and other purchases	5	(114'433)	(122'741)
Wages, salaries and post-employment benefits	9	(73'251)	(61'040)
Other operating expenses	12	(27'990)	(26'423)
Other operating income	12	7'855	7'127
Restructuring, transition and transaction costs	5	(5'675)	(2'103)
Corporate and Monitoring fees		(2'118)	(1'772)
Depreciation and amortization	6	(268'879)	(330'221)
Operating profit		**198'183**	**141'696**
Finance costs	10	(92'861)	(121'686)
Finance income	10	2'928	9'186
Finance costs, net		**(89'933)**	**(112'500)**
Profit before tax		**108'250**	**29'196**
Income tax (expenses) / benefit	7	(36'084)	7'741
Profit attributable to owners		**72'165**	**36'937**

the accompanying notes are an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME / (LOSS)

(in thousands of Swiss Francs)	Notes	January 1, 2018 to December 31, 2018	January 1, 2017 to December 31, 2017
Profit		**72'165**	**36'937**
Gain (loss) on cash flow hedge	10	(12'558)	14'462
Exchange differences on translating foreign operations		-	11
Deferred tax on items recognized directly in other comprehensive income / (loss)	7	3'401	(3'916)
Net other comprehensive income / (loss) to be reclassified to profit and loss in subsequent periods		**(9'157)**	**10'557**
Remeasurement of defined benefit obligation	9	1'179	(2'467)
Deferred tax on items recognized directly in other comprehensive income / (loss)	7	(196)	(671)
Net other comprehensive income / (loss) not to be reclassified to profit and loss in subsequent periods		**983**	**(3'137)**
Other comprehensive income / (loss) after tax		**(8'175)**	**7'419**
Total comprehensive income		**63'991**	**44'356**

the accompanying notes are an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of Swiss Francs)	Notes	December 31, 2018	December 31, 2017
ASSETS			
Non-current assets			
Goodwill	6	1'313'793	1'313'793
Other intangible assets	6	874'479	930'472
Property, plant and equipment	6	608'745	597'959
Trade receivables and contract assets	4,11	38'092	36'747
Hedging derivative assets	10	158'551	248'056
Other non-current assets	11,12	9'006	8'544
Total non-current assets		**3'002'666**	**3'135'570**
Current assets			
Inventories	5	18'441	18'585
Trade receivables and contract assets	4,11	285'718	349'229
Other current assets	11,12	2'885	5'671
Prepaid expenses	12	27'878	1'048
Cash and cash equivalents	11,12.2	253'585	207'387
Total current assets		**588'508**	**581'920**
TOTAL ASSETS		**3'591'173**	**3'717'489**

the accompanying notes are an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of Swiss Francs)	Notes	December 31, 2018	December 31, 2017
EQUITY AND LIABILITIES			
Equity			
Share capital	12	8'200	8'200
Share premium	12	142'981	232'981
Retained earnings		163'173	102'819
Other reserves		14'201	22'375
Total equity		**328'555**	**366'375**
Non-current liabilities			
Fixed assets payables	6,11	266'086	251'401
Borrowings and other financial liabilities	10,11	2'400'703	2'449'834
Employee benefits obligations	9	4'266	3'786
Provisions	8	63'682	46'771
Deferred tax liabilities	7	137'175	125'440
Total non-current liabilities		**2'871'913**	**2'877'232**
Current liabilities			
Trade payables	11	207'078	342'340
Fixed assets payables	6,11	73'828	46'163
Borrowings and other financial liabilities	10,11	15'615	15'253
Employee benefits obligations	9	10'748	8'000
Provisions	8	3'077	3'653
Other liabilities	12	44'209	33'003
Deferred income	4	36'151	25'469
Total current liabilities		**390'706**	**473'882**
TOTAL EQUITY AND LIABILITIES		3'591'173	3'717'489

the accompanying notes are an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of Swiss Francs)	Notes	Share capital	Share premium	Translation reserve	Cash flow hedging reserve	Actuarial gains & losses	Retained earnings	Total equity attributable to equity holders
Balance at December 31, 2016		**8'200**	**732'981**	**(11)**	**24'286**	**15'012**	**41'551**	**822'020**
Profit attributable to owners		-	-	-	-	-	36'937	36'937
Gains on cash flow hedge	10	-	-	-	14'462	-	-	14'462
Remeasurement of defined benefit obligation	9	-	-	-	-	(2'467)	-	(2'467)
Deferred tax on items recognized directly in other comprehensive income / (loss)	7	-	-	-	(3'916)	(671)	-	(4'586)
Exchange differences on translating foreign operations		-	-	11	-	-		11
Total comprehensive income		-	-	**11**	**10'546**	**(3'137)**	**36'937**	**44'356**
Reclassification	10	-	-	-	(24'331)	-	24'331	-
Repayment of Share Premium	12	-	(500'000)	-	-	-	-	(500'000)
Balance at December 31, 2017 as previously reported		**8'200**	**232'981**	-	**10'501**	**11'874**	**102'819**	**366'375**
Change in accounting principles	1	-	-	-	-	-	(11'811)	(11'811)
Balance at January 1, 2018		**8'200**	**232'981**	-	**10'501**	**11'874**	**91'008**	**354'564**
Profit attributable to owners		-	-	-	-	-	72'165	72'165
Loss on cash flow hedge	10	-	-	-	(12'558)	-	-	(12'558)
Remeasurement of defined benefit obligation	9	-	-	-	-	1'179	-	1'179
Deferred tax on items recognized directly in other comprehensive income / (loss)	7	-	-	-	3'401	(196)	-	3'204
Total comprehensive income		-	-	-	**(9'157)**	**983**	**72'165**	**63'990**
Repayment of Share Premium	12	-	(90'000)	-	-	-	-	(90'000)
Balance at December 31, 2018		**8'200**	**142'981**	-	**1'344**	**12'857**	**163'173**	**328'555**

the accompanying notes are an integral part of the consolidated financial statements

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CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of Swiss Francs)	Notes	January 1, 2018 to December 31, 2018	January 1, 2017 to December 31, 2017
OPERATING ACTIVITIES			
Profit attributable to owners		**72'165**	**36'937**
Adjustments to reconcile profit/(loss) to funds generated from operations			
Depreciation and amortization	6	268'879	330'221
Change in other provisions	8	(921)	(11'810)
Income tax recognized in the income statement	7	36'084	(7'741)
Finance costs net	10,11	89'933	112'500
Change in inventories, trade receivables and trade payables			
Decrease/(increase) in inventories	5	144	(6'832)
Decrease/(increase) in trade receivables	4	55'873	(28'134)
Increase/(decrease) in trade payables	11	(125'204)	3'668
Other changes in working capital requirements			
Decrease/(increase) in other receivables and payables		1'397	4'260
Other items			
Income tax paid	7	(9'783)	(1'940)
Decrease / (increase) in deposits		(463)	(108)
Net cash provided by operating activities		**388'103**	**431'021**
INVESTING ACTIVITIES			
Purchases of property, plant and equipment and intangible assets	6	(162'744)	(126'283)
Proceeds from sale of a subsidiary, net of cash disposed		-	216
Spectrum licence payment	6	-	(35'242)
Interest income received		23	48
Net cash used in investing activities		**(162'722)**	**(161'260)**
FINANCING ACTIVITIES			
Issuance			
Issuance of bonds	10,11	-	1'157'430
Bonds issuance costs	10,11	-	(40'439)
Redemption and repayment			
Repurchase of bonds net of swap unwind	10	-	(810'454)
Interest paid and other financial charges	10	(88'544)	(82'469)
Finance lease repayment		(164)	-
Equity			
Share premium decrease	12	(90'000)	(500'000)
Net cash used in financing activities		**(178'708)**	**(275'931)**
Net change in cash and cash equivalents		**46'674**	**(6'170)**
Cash and cash equivalents at beginning of period		**207'387**	**214'689**
Effect of exchange rates changes on cash and cash equivalents		(476)	(1'131)
Net change in cash and cash equivalents		46'674	(6'170)
Cash and cash equivalents at end of period	12.2	**253'585**	**207'387**

The accompanying notes are an integral part of the consolidated financial statements

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Note 1 – Description of business and basis of preparation of the consolidated financial statements

1.1 Description of business

Matterhorn Telecom S.A. and Matterhorn Telecom Holding S.A. were incorporated as at March 25, 2015 as Luxemburg public limited liability Companies (S.A.) governed by the laws of the Grand Duchy of Luxembourg. Their registered office is established in Luxembourg-city.

Matterhorn Telecom Holding S.A. "The Company" (parent of Matterhorn Telecom S.A.) is the ultimate parent entity for financial information purpose.

Salt Mobile SA and its subsidiaries (hereafter "Salt Switzerland") provide consumers, businesses and other telecommunication operators with a wide range of services including mobile telecommunications, data transmission, Internet / TV / Fixed Telephony and other value-added services.

1.2 Basis of preparation of the consolidated financial statements

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union.

These consolidated financial statements have been prepared under the historical cost convention with the exception of derivative financial instruments that are measured at fair value.

These consolidated financial statements as at December 31, 2018 and the related consolidated statements of profit and loss, comprehensive income, changes in equity and cash flows for the period from January 1, 2018 to December 31, 2018 were approved and authorised for issue on March 12, 2019 by the Board of Directors of Matterhorn Telecom Holding S.A.

1.2.1 New standards and Amendments to IFRS affecting amounts reported in the financial statements

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Annual Improvements 2014-2016 cycle

IFRS 15: Revenue from contracts with customers

IFRS 15 establishes a five-step model related to revenue recognition from contracts with customers. Under IFRS 15, revenue is recognized at amounts that reflect the consideration that an entity expects to be entitled to in exchange for transferring goods or services to a customer. The Group adopted the accounting standard on January 1, 2018 and identified limited impact on its Group financial statements.
The consequences of adopting this standard are the following:

- The cost incurred to obtain a contract (mainly commissions) is now capitalized in the statement of financial position and amortized over the contract term. This results in the recognition of prepaid expenses under current assets on the statement of financial position.
- Activation fees are not considered as a separate service obligation. They are included in the total transaction price and allocated to the performance obligations of the contract and result in the recognition of deferred income (contract liability) on the statement of financial position, no other contract liability originated from the application of IFRS 15.
- There is no material changes in the determination whether the Group acts as principal or an agent. However, within certain contractual relationship, Salt is considered to act as agent.

As the revenue recognition related to the bundle offers was already in line with IFRS 15, there is no change in the revenue recognition. The revenue related to the service component is recognized over the contract term and the revenue related to the handset is recognised at the time of sale. However this results in the reclassification of the receivable related the earlier revenue recognition from the handset component as a contract asset (refer Note 4.2).

The Group has chosen to apply the modified retrospective approach which means that:

- The cumulative impact of the adoption is recognised as an adjustment on opening balance in retained earnings as of January 1, 2018
- Comparatives figures for 2017 have not been restated.
- Disclosures reconciling each financial statement line in 2018 with the current IFRS standards are provided.

IFRS 9 *Financial Instruments*:

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The impacts on the Group's accounting for financial liabilities, as the new requirements affect the accounting for renegotiations and other modifications of the terms of a financial liability, and requires that when the contractual cash flows of a financial liability are renegotiated or modified and the renegotiation or modification does not result in the derecognition of that financial liability the gross carrying amount of the financial liability should be recalculated and a modification gain or loss in profit or loss should be recognized. Under IAS 39, the Group accounted for such modification effect as an adjustment to the modified interest rate. The impact on the financial statements is an increase in the financial liabilities and a decrease in the financial expenses.

The new hedge accounting rules align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. There is no significant impact on the accounting for its hedging relationships.
The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The application of the expected credit loss model had no material impact on the Group's financial statements as the methodology previously applied is considered to be in line with the new IFRS standard

The Group adopted the accounting standard on January 1, 2018. The comparative figures for 2017 have not been restated, the cumulative effect has been recognised as an adjustment on the opening balance in the retained earnings as at January 1, 2018. The following Note presents the reconciliation of each financial statement line in 2018 with the current IFRS standards.

Impacts related to the application of new standards

Consolidated income statement

(in thousands of Swiss Francs)	Reported December 31, 2018	Impact IFRS 9	Impact IFRS 15	Values as per previously applied guidance	Reported December 31, 2017
Revenue	**1'029'436**	-	**21'974**	**1'051'410**	**1'051'769**
Access, backbone, interconnection and content cost	(117'020)	-	(13'198)	(130'218)	(153'292)
Commercial expenses and cost of equipment sold	(229'742)	-	(11'348)	(241'090)	(219'607)
Network, IT, property expenses and other purchases	(114'433)	-	-	(114'433)	(122'741)
Wages, salaries and post-employment benefits	(73'251)	-	613	(72'639)	(61'040)
Other operating expenses	(27'990)	-	-	(27'990)	(26'423)
Other operating income	7'855	-	-	7'855	7'127
Restructuring, transition and transaction costs	(5'675)	-	-	(5'675)	(2'103)
Corporate and monitoring fees	(2'118)	-	-	(2'118)	(1'772)
Depreciation and amortization	(268'879)	-	-	(268'879)	(330'221)
Operating profit	**198'183**	-	**(1'959)**	**196'223**	**141'696**
Finance costs	(92'861)	(4'934)	-	(97'795)	(121'686)
Finance income	2'928	-	-	2'928	9'186
Finance costs, net	**(89'933)**	**(4'934)**	-	**(94'867)**	**(112'500)**
Profit before tax	**108'250**	**(4'934)**	**(1'959)**	**101'356**	**29'196**
Income tax expense	(36'084)	-	173	(35'911)	7'741
Profit attributable to owners	**72'165**	**(4'934)**	**(1'786)**	**65'446**	**36'937**

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Consolidated financial position

(in thousands of Swiss Francs)	Opening balance December 31, 2017	Impact IFRS 9	Impact IFRS 15	January 1, 2018 (IFRS 9 & 15)	Reported December 31, 2018 (IFRS 9 & 15)	Impact IFRS 9	Impact IFRS 15	Values as per previously applied guidance
ASSETS								
Non-current assets								
Goodwill	1'313'793	-	-	1'313'793	1'313'793	-	-	1'313'793
Other intangible assets	930'472	-	-	930'472	874'479	-	-	874'479
Property, plant and equipment	597'959	-	-	597'959	608'745	-	-	608'745
Trade receivables and contract assets	36'747	-	-	36'747	38'092	-	-	38'092
Derivative assets	248'056	-	-	248'056	158'551	-	-	158'551
Other non-current assets	8'544	-	-	8'544	9'006	-	-	9'006
Total non-current assets	**3'135'570**	-	-	**3'135'570**	**3'002'666**	-	-	**3'002'666**
Current assets								
Inventories	18'585	-	-	18'585	18'441	-	-	18'441
Trade receivables	349'229	-	-	349'229	285'718	-	-	285'718
Other current assets	5'671	-	-	5'671	2'885	-	-	2'885
Prepaid expenses	1'048	-	25'369	26'417	27'878	-	(26'762)	1'118
Cash and cash equivalents	207'387	-	-	207'387	253'585	-	-	253'585
Total current assets	**581'920**	-	**25'369**	**607'289**	**588'508**	-	**(26'762)**	**561'746**
TOTAL ASSETS	**3'717'489**	-	**25'369**	**3'742'858**	**3'591'173**	-	**(26'762)**	**3'564'412**

(in thousands of Swiss Francs)	Opening balance December 31, 2017	Impact IFRS 9	Impact IFRS 15	1 January 2018 (IFRS 9 & 15)	Reported December 31, 2018 (IFRS 9 & 15)	Impact IFRS 9	Impact IFRS 15	Values as per previously applied guidance
EQUITY AND LIABILITIES								
Equity								
Share capital	8'200	-	-	8'200	8'200	-	-	8'200
Share premium	232'981	-	-	232'981	142'981	-	-	142'981
Retained earnings	102'819	(23'699)	11'888	91'008	163'173	18'765	(13'674)	168'264
Other reserves	22'375	-	-	22'375	14'201	-	-	14'201
Total equity	**366'375**	**(23'699)**	**11'888**	**354'564**	**328'555**	**18'765**	**(13'674)**	**333'645**
Non-current liabilities								
Long-lived assets payables	251'401	-	-	251'401	266'086	-	-	266'086
Borrowings and other financial liabilities	2'449'834	23'699	-	2'473'533	2'400'703	(18'765)	-	2'381'940
Post-employment benefits	3'786	-	-	3'786	4'266	-	-	4'266
Provisions	46'771	-	-	46'771	63'682	-	-	63'682
Deferred tax liabilities	125'440	-	2'732	128'172	137'175	-	(2'905)	134'270
Total non-current liabilities	**2'877'232**	**23'699**	**2'732**	**2'903'663**	**2'871'913**	**(18'765)**	**(2'905)**	**2'850'243**
Current liabilities								
Trade payables	342'340	-	-	342'340	207'078	-	-	207'078
Long-lived assets payables	46'163	-	-	46'163	73'828	-	-	73'828
Borrowings and other financial liabilities	15'253	-	-	15'253	15'615	-	-	15'615
Employee benefits obligations	8'000	-	-	8'000	10'748	-	-	10'748
Provisions	3'653	-	-	3'653	3'077	-	-	3'077
Other liabilities	33'003	-	-	33'003	44'209	-	-	44'209
Deferred income	25'469	-	10'749	36'218	36'151	-	(10'183)	25'968
Total current liabilities	**473'882**	-	**10'749**	**484'631**	**390'706**	-	**(10'183)**	**380'523**
TOTAL EQUITY AND LIABILITIES	**3'717'489**	-	**25'369**	**3'742'857**	**3'591'173**	-	**(26'762)**	**3'564'411**

1.2.2 New and revised IFRS in issue but not yet effective

The Group has not early adopted any IFRS as endorsed by the European Union, which is not yet effective.

Other than the impact of IFRS 16 described below, the Group does not expect any material impact from the application of any new standard or amendment that is not yet effective.

IFRS 16 *Leases*:

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

As allowed by the standard as a transition approach, the Group will not reassess whether a contract as of January 1, 2019 constitutes or includes a leasing arrangement. The standard will affect primarily the accounting for the Group's operating leases related to network sites, offices and stores. No exceptions should be applied for short-term and low-value leases.
For the lease commitments the Group expects to recognise right-of-use assets and lease liabilities of CHF [235 - 250] million on 1 January 2019.
The Group expects that the EBITDA will increase by CHF [55-65] million for 2019 as a result of adopting the new rules, as the operating lease payments were included in EBITDA, but the amortization of the right-of-use assets and interest on the lease liability are excluded from this measure.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

The Group will apply the standard from its mandatory adoption date of January 1, 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

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1.3 Use of estimates and judgements

In preparing the Group financial statements, the Group's management makes estimates, judgements and assumptions, insofar as many elements included in the financial statements cannot be measured with precision. These estimates and underlying assumptions are revised if the underlying circumstances evolve or in light of new information or experience.

Consequently, estimates made as at December 31, 2018 may subsequently be changed. The underlying assumptions used for significant estimates are as follows:

		Nature of estimate and judgement
Note 4	Revenue and Trade Receivables	Determination of the bad debt based on an assessment of the future recoverable amount
Note 6	Impairment	Key assumptions used to determine recoverable amounts: value in use (discount rate, perpetual growth rate, expected cash flows), market value (revenue and EBITDA multiples for comparable companies or transactions, cash flows) Assessment of economic and financial environment
Note 8	Provisions	Provisions for dismantling: churn rate, inflation rate, discount rate and restoring cost.
Note 9	Employee benefits (Pension)	Discount rate, inflation rate, salary increases, mortality table

The consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue its operations under the scope defined above.

1.4 Audit fees

The Group's consolidated financial statements are audited by PricewaterhouseCoopers, Luxembourg. The total fees are shown below:

(in thousands of Swiss Francs)	December 31, 2018	December 31, 2017
Audit fees	324	312
Other services	256	512
Fees	**580**	**824**

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Note 2 – Accounting policies

This note describes the accounting policies applied to prepare the consolidated financial statements for the years ended December 31, 2018 and December 31, 2017. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

2.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control on the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit / (loss) and other comprehensive income / (loss) from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup transactions and balances are eliminated in consolidation.

2.2 Business combinations and goodwill

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred to the former owners of the acquiree by the Group, and the equity interests issued by the Group in exchange for control of the acquiree. Transaction costs are recognised as a profit or loss as incurred.

At the acquisition date, the identifiable assets and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefits arrangements are recognised and measured in accordance with IAS 12 and IAS 19 respectively and;
- assets that are classified as held for sale in accordance with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard

Any excess of the cost of the business combination over the acquirer's interest in the net fair value of identifiable assets, liabilities and contingent liabilities taken over, regardless of the level of the investment held, is recognised as goodwill. Goodwill is not amortised, but tested annually for impairment.

Therefore, the evolution of general economic and financial trends, the different levels of resilience of the telecommunication operators with respect to the decline of local economic environments, the changes in the market capitalisation values of telecommunication companies, as well as actual economic performance compared to market expectations represent external indicators that are analysed by the Group, together with internal performance indicators, in order to assess whether an impairment test should be performed more than once a year.

IAS 36 requires that these tests be performed at the level of each Cash Generating Unit (CGU) or groups of CGUs which are likely to benefit from acquisition-related synergies, within an operating segment. A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. This allocation is reviewed if the Group changes the level at which it monitors return on investment for goodwill testing purposes. To determine whether an impairment loss should be recognised,

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the carrying value of the assets and liabilities of the CGUs or groups of CGUs is compared to recoverable amount. The recoverable amount of a CGU is the higher of its fair value less costs to sell and its value in use.

The Company considers that the smallest groups are the operational segments described in Note 3, Consumer and Enterprise.

Impairment loss for goodwill is recorded in operating expenses and is never reversed subsequently.

Intangible assets acquired in business combinations and recognised separately from goodwill are initially recognised at their fair value at the acquisition date.

Contingent consideration, if any, is recognised against the acquisition cost at the acquisition date. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

2.3 Segment reporting

The operating segments are components of the Group that engage in business activities and whose operating results are based on the internal reporting to the Board of Directors (the chief operating decision-maker) in order to determine the allocation of resources and to assess of the operating segments' performance.

The Group operates in two main operating segments: Consumer and Enterprise.

2.4 Effect of changes in foreign exchange rates

Functional and presentation currency

The Swiss Franc (CHF) is the functional currency of all entities within the Group and is the Group's presentation currency.

Transactions in foreign currencies

Transactions in foreign currencies are converted into the entities' functional currency at the exchange rate of the transaction date. Monetary assets and liabilities are remeasured at the exchange rate of the end of each reporting period and the resulting translation differences are recorded in the income statement, in finance income or finance expenses.

Both for transactions qualifying as hedge accounting and for transactions qualifying as economic hedge, the change in fair value of derivatives that can be attributed to changes in exchange rates is recorded in financial result. As the hedged item is not recognised in the statement of financial position in the context of a cash flow hedge of a highly probable forecast transaction, the effective portion of change in fair value of the hedging instrument is recorded in other comprehensive income and reclassified in:

- profit or loss in accordance with the precedent method with respect to financial assets and liabilities;
- the initial cost of the hedged item with respect to the non-financial assets and liabilities.

2.5 Revenue

Revenue from the Group activities is measured and accounted for in accordance with IFRS 15 "Revenue from Contracts with Customers" valid from January 1st, 2018.

Service sales

Revenue from mobile telecommunication access subscription fees, is recognised on a straight-line basis over the minimum contract term, which is generally 12 or 24 months. Revenue related to out of bundle operations is recognised when the service is rendered.

Fixed-network services comprise principally the basic charges for fixed telephony, broadband and TV connections as well as the domestic and international telephony traffic of individuals. Revenues related to monthly flat rate subscription are recognised on a straight-line basis over the term of the contract. Revenue related to out of bundle operations is recognised when the service is rendered.

Revenue from incoming and outgoing telephone calls, including those from the wholesale of traffic data, are recognised when the service is rendered.

Equipment sales

Revenue from equipment sales is recognised at the time customer take delivery of the good.

Content sales

The accounting for revenue sharing arrangements and supply of content depends on the analysis of the facts and circumstances surrounding these transactions. The revenue is recognized on a gross basis when the Group acts as a principal. The Group is considered as a principal if it controls the specified services or goods before it is transferred to the customer. Otherwise the revenue is recognized on a net basis.

Promotional offers

Revenues are stated net of discounts. Certain commercial offers include a free service over a certain period (time-based incentives) when the customer commits to a fixed period contract. In such circumstances the total revenue generated under the contract is spread over the fixed and non-cancellable contract period.

Separable components of bundled offers

Most products sold by the Group include two components: equipment (e.g. a mobile handset / TV box) and service (fix or mobile). As far as a sale with multiple products or services is concerned, the Group analyses all deliverables in the contract to identify the different performance obligations. The fixed or determinable total amount in the contract is allocated to each identified performance obligation on the basis of relative stand-alone selling prices. Non-refundable connection fees are not considered as a separate performance obligation. They are included in the contract price and allocated on a relative stand-alone selling prices basis to the individual performance obligations under the customer contract.

2.6 Subscriber acquisition and retention costs, advertising and related cost

Subscriber acquisition and retention costs

From January 1st 2018, in accordance with IFRS 15, subscriber acquisition and retention costs, mainly commissions paid to retailers and employees, are capitalized in the statement of financial position and amortized over the contract term if they are directly related to obtaining a contract. This results in the recognition of prepaid expenses under current assets on the statement of financial position.

Advertising and related costs

Advertising, promotion, sponsoring, communication and brand marketing costs are expensed when incurred.

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2.7 Other intangible assets

Intangible assets mainly consist of licenses, content rights, customer contracts, reseller and MVNO agreements, indefeasible rights of use, development costs and software.

Gross value

Intangible assets are initially and subsequently recognised at their acquisition or production cost. When intangible assets are acquired in a business combination, their cost is determined in connection with the purchase price allocation based on their respective market value. When their market value is not readily determinable, cost is determined using generally accepted valuation methods based on revenues, costs or other appropriate criteria.

Internally generated trademarks and subscriber bases are not recognised as assets.

Indefeasible Rights of Use (IRUs) acquired by the Group correspond to the right to use cable or capacity transmission cable granted for a fixed period. IRUs are recognised as assets when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibres or dedicated wavelength bandwidth, and the duration of the right corresponds to the major part of the economic life of the underlying asset. The instalments to be paid for the Group IRUs are spread over a number of years. The related liability is presented as fixed asset payables with a current and a non-current portion.

The Group's research and development projects mainly relate to the upgrade of the network architecture or functionality and the development of service platforms aimed at offering new services to the Group's customers. These projects generally give rise to the development of software. An intangible asset arising from development is recognised if, and only if, the Group can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure the expenditure attributable to the intangible asset during the development phase.

Amortisation

Intangible assets are amortised on straight-line basis over their expected useful life.

Licenses to operate mobile telephone networks are amortised over the license period from the date when the licence is ready to be used. The right to operate a mobile network is recorded in an amount corresponding to the fixed portion of the royalties due when the license was granted. The variable user fee is expensed as incurred.

Intangible assets related to internal and external software developments are amortised over a period from 3-5 years.

The customer relations are amortized over a period from 1-11 years.

The reseller and MVNO contracts are amortized over a period from 9-11 years.

Other intangible assets are amortized over a period from 5–20 years.

Subsequent to initial recognition, intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

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2.8 Property, plant and equipment

Gross Value

Fixed assets are recognised at their purchase or production cost, which include costs directly attributable to bringing the asset to the location and to a working condition for its intended use. It also includes the initial estimate of the costs of dismantling, removing the item and restoring the site on which it is located, representing the obligation incurred by the Group.

The cost of networks includes design and construction costs, as well as costs related to the improvement in equipment and facility capacity.

The total cost of an asset is allocated to its different components. Each component is accounted for separately when the components have different useful lives or when the pattern in which their future economic benefits are expected to be consumed by the entity varies. Depreciation rate and method of such components are different accordingly.

Maintenance and repair costs are recognised in profit or loss as incurred, except where they serve to increase the productivity or useful life of the asset.

Operating / Finance leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the agreement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and the agreement conveys a right to the Group to the use of the asset.

Leases where the lessor does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased item to the Group. These are classified at the inception of the lease, in accordance with its nature and the associated liability, at the lower of the present value of the minimum lease payments or the fair value of the leased property. Lease payments are apportioned between finance costs and reduction of the principal of lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are reflected in the income statement over the lease term.

In firm sale and leaseback transactions resulting in a finance lease, the asset sold is not derecognised and the cash received is considered finance for the lease term. However, when the sale and leaseback transaction results in an operating lease, and it is clear that both the transaction and subsequent lease income are established at fair value, the asset is derecognised and any gain or loss generated on the transaction is recognised.

Depreciation

Depreciation is based on the cost of a property, plant and equipment less any residual value and reflects the pattern in which the future economic benefits of the asset are expected to be consumed. Thus, the asset is usually depreciated on the straight-line basis over the following estimated useful lives:

Buildings	10 to 30 years
Network: Switching, transmission and other network equipment	5 to 10 years
Network: Cables and civil works	15 to 30 years
IT equipment: Computer hardware	3 to 5 years

These useful lives are reviewed annually and are adjusted if they differ from previous estimates. These changes in accounting estimates are recognised prospectively.

2.9 Impairment of non-current assets

At the end of each reporting period, the Group reviews the carrying amount of its property, plant and equipment and intangible assets with definite useful life to determine whether there is any indication that those assets have suffered an impairment loss.

Indicators of impairment include events or circumstances occurring during the period (such as obsolescence, physical damage, significant changes to the manner in which the asset is used, worse than expected economic performance, a drop in revenues or other external indicators).

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the impairment loss (if any).

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use, which is assessed using the discounted cash flows method based on management's best estimate of the set of economic conditions. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of cash-generating units to which the asset belongs to.

The impairment loss recognised is equal to the difference between the net book value and the recoverable amount.

2.10 Financial assets and liabilities

Financial assets and liabilities are recognised initially at fair value. They are subsequently measured either at fair value or at amortised cost using the effective interest method depending on the category in which they are classified.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. This calculation includes all fees and points paid or received between parties to the contract.

2.10.1 Financial assets to be measured at amortised cost.

This category mainly includes trade receivables, cash, certain deposits, as well as other loans and receivables. These instruments are recognised at fair value upon origination and are subsequently measured at amortised cost using the effective interest method. Receivables with no stated interest rate are measured at initial nominal amount unless there is any significant impact resulting from the application of an implicit interest rate.

The loss allowances for loan and receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.
The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 6 months before the closing date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables are written off when there is no reasonable expectation of recovery from the company. Indicators that there is no reasonable expectation of recovery include, amongst others, a failure to make contractual payments for an extended period of time.

Impairment losses on trade receivables are presented as net impairment losses within in other operating expenses

Financial assets are fully or partially derecognised when:

- The rights to receive cash flows from the asset have expired.
- An obligation to pay the cash flows received from the asset to a third party has been assumed.
- The rights to receive cash flows from the asset have been transferred to a third party and all the risks and rewards of the asset have been substantially transferred.

2.10.2 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are:

- assets held for trading that the Group acquired principally for the purpose of selling them in the short term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of recent actual pattern of short-term profit-taking;
- derivative assets not qualifying for hedge accounting.

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2.10.3 Financial liabilities to be measured at amortised cost.

Borrowings and other financial liabilities at amortised cost are recognised upon inception at fair value of the sums paid or received in exchange of the liability, and subsequently measured at amortised cost using the effective interest method. Current interest-free payables are booked at their nominal value.

Transaction costs that are directly related to the acquisition or issuance of a financial liability are deducted from its carrying value. The costs are subsequently amortised over the life of the liability by using the effective interest method.

Within the Group, some financial liabilities at amortised cost are subject to hedge accounting. They mostly relate to foreign currency borrowings in order to hedge future cash flows against changes in currency value (cash flow hedge).

2.10.4 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss consist mainly of derivative instruments described below.

2.10.5 Recognition and measurement of hedging derivatives

Derivatives are measured at fair value and are presented in the statement of financial position according to their maturity date whether or not they qualify for hedge accounting under IFRS 9.

Derivatives are financial assets or liabilities measured at fair value through profit or loss and are classified in a separate line item of the statement of financial position when they qualify for hedge accounting.

Hedge accounting designation:

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

Cash flow hedges that qualify for hedge accounting:

The cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular interest rate and/or currency risk associated with a recognised asset or liability or a highly probable forecast transaction (such as a future purchase or sale) and could affect profit or loss. The hedged item being not recognised, the effective portion of changes in fair value of the hedging instrument is recognised in other comprehensive income. Such amounts are recycled to profit or loss when the hedged financial asset or hedged financial liability affects the income statement. When the hedged item is not a financial asset or a financial liability, such amounts are reclassified in its initial cost.

Hedge accounting is terminated when the hedged item is no longer recognised, when the Group voluntarily revokes the designation of the hedging relationship, or when the hedging instrument is terminated or exercised. The accounting consequences are that amounts booked in other comprehensive income are immediately reclassified in profit or loss when the hedged item is no longer recognised or, in all other cases, when the hedged item affects profit or loss. Subsequent changes in the value of the hedging instrument are recorded in profit or loss.

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2.11 Inventory

Inventory comprises handsets, TV boxes and related accessories for resale and is measured at the lower of their cost and their net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs necessary to make the sale.

Obsolete, defective or slow-moving inventories have been written down to estimated net realisable value. The recoverable amount of inventory is calculated based on inventory age and turnover.

2.12 Income and deferred taxes

The current and deferred income tax expense is reviewed each year and includes both current and deferred taxes.

Current tax is measured by the Group at the amount expected to be paid to or recovered from the tax authorities of each country, based on its interpretation with regard to the application of tax legislation.

Deferred taxes are recognised for all temporary differences between the book values of assets and liabilities and their tax basis, as well as for unused tax losses, using the liability method taking into account the tax rates, which are enacted or substantially enacted at the end of the reporting period. Deferred tax assets are recognised only when their realisation is considered probable.

Deferred tax assets arising from tax losses are not recognised under certain circumstances specific to each tax entity, and particularly when:

- entities cannot assess the probability of the tax loss carryforwards being set off against future taxable profits, due to forecasts horizon and uncertainties as to the economic environment;
- entities do not expect to use the losses within the timeframe allowed by tax regulations;
- tax losses are uncertain to be used due to the risks of divergent interpretations with regard to the application of tax legislation.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

2.13 Provisions

A provision is recognised when the Group has a present obligation towards a third party as resulting from a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

The obligation may be legal, regulatory or contractual or it may represent a constructive obligation deriving from the Group's actions where, by an established pattern of past practice or published policies creating a valid expectation on the part of other parties that the Group will discharge certain responsibilities.

The estimate of the amount of the provision corresponds to the probable outflow of resources likely to be incurred by the Group to settle its obligation.

Contingent liabilities are disclosed in the Notes to the financial statements. They correspond to:

- probable obligations resulting from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Group's control; or
- present obligations arising from past events that are not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or because the amount of the obligation cannot be measured with sufficient reliability.

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Litigation

In the ordinary course of business, the Group is involved in a number of legal and arbitration proceedings and administrative actions. The costs that might result from these proceedings are only accrued when they are probable and when their amount can be quantified or estimated within a reasonable range. The amount of provision recorded is based on a case-by-case assessment of the risk level, and events arising during the course of legal proceedings may require a reassessment of this risk.

Restructuring

Provisions for restructuring costs are recognised only when the restructuring has been announced and the Group has drawn up or has started to implement a detailed formal plan, prior to the end of the reporting period.

Asset Retirement Obligation

The Group is required to dismantle equipment and restore sites and office buildings. Provision is measured as the best estimate of the amount required to settle its obligations (on a per site basis for mobile antennas). These dismantling costs are calculated on the basis of the identified costs for the current financial year, extrapolated for future years using the best estimate of future trends in prices, inflation, etc., and are discounted at a risk-free rate (same discount rate as the one used for the employee benefits), based on market yields on high quality corporate bonds.

This estimate is revised at the end of each reporting period and adjusted, when appropriate. The asset to which the provision relates is also adjusted for the corresponding amount.

2.14 Employee benefits

The Group is affiliated to a legally independent pension fund. The annual contributions to this fund are made by both employee and employer in accordance with unchanged regulatory provisions. This is a defined contribution plan according to Swiss legislation, but it qualifies as a defined benefit plan under IAS 19 due to the constructive obligation of the employer to guarantee a minimum rate of interest and a fixed conversion rate.

The plan is providing several categories of coverage and the employees' contributions are based on various percentages of their gross salaries. All employees are entitled to participate in the plan for retirement, disability or death. The Group's contributions exceed those of the employees. The risks of disability and death are entirely reinsured by an insurance company.

The Group's obligation in respect of its defined benefit plan is calculated by estimating the amount of the future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value of the obligation, and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary in accordance with the projected unit credit method using information available at year end. Current pension entitlements are charged to income in the period in which they arise. Actuarial gains and losses are recorded in full under other comprehensive income in the reporting period in which they arise.

2.15 Cash & cash equivalents

Cash and cash equivalents comprise cash on hand and at banks, deposits and other highly liquid investments with an original maturity of three months or less. Restricted cash is considered as cash equivalent if it can be available with a short notice period (less than 3 months). These items are stated at historical cost.

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Note 3 – Segment Information

Operating segments are reported based on the internal reporting to the Chief Operating Decision-Maker (the Board of Directors), and have been prepared in accordance with the Group's accounting policies. The below operating segments have been determined based on the internal reporting.

Assets and liabilities are not allocated to operating segments in the monthly management reports reviewed by the Board of Directors, as the review focuses on the development in net working capital for the Group.

Revenue is the main measure reported to the Board of Directors for the purposes of resource allocation and assessment of segment performance. In addition the Board of Directors reviews Net Margin (calculated as revenue less access, backbone, interconnection, content costs, commercial expenses and cost of equipment sold) on a combined segment basis.

The Group activity is mainly operated in Switzerland.

The Group's internal reporting is based on two following segments:

- Consumer: relates to consumers
- Enterprise: relates to the Business segment, Resellers (Coop Mobile), Wholesale & MVNO segments

Activities related to the head office are disclosed as other.

	Consumer		Enterprise		Other		Total	
(in thousands of Swiss Francs)	January 1, 2018 to December 31, 2018	January 1, 2017 to December 31, 2017	January 1, 2018 to December 31, 2018	January 1, 2017 to December 31, 2017	January 1, 2018 to December 31, 2018	January 1, 2017 to December 31, 2017	January 1, 2018 to December 31, 2018	January 1, 2017 to December 31, 2017
Services revenue	660'642	673'625	176'126	189'090	8'064	7'577	844'832	870'292
Equipement revenue	170'621	165'561	13'983	15'916	-	-	184'604	181'477
Revenue	**831'263**	**839'186**	**190'109**	**205'006**	**8'064**	**7'577**	**1'029'436**	**1'051'769**
Access, backbone, interconnection and content costs							(117'020)	(153'292)
Commercial expenses and cost of equipment sold							(229'742)	(219'607)
Net Margin							**682'674**	**678'870**

Net margin to Operating profit before tax reconciliation:

(in thousands of Swiss Francs)	January 1, 2018 to December 31, 2018	January 1, 2017 to December 31, 2017
Net Margin	**682'674**	**678'870**
Network, IT, property expenses and other purchases	(114'433)	(122'741)
Labour expenses	(73'251)	(61'040)
Other operating expenses	(27'990)	(26'423)
Other operating income	7'855	7'127
Adjusted EBITDA	**474'854**	**475'792**
Restructuring, transition and transaction costs	(5'675)	(2'103)
Corporate and brand fees	(2'118)	(1'772)
EBITDA	**467'061**	**471'918**
Depreciation and amortization	(268'879)	(330'221)
Operating profit	**198'183**	**141'696**
Finance costs	(92'861)	(121'686)
Finance income	2'928	9'186
Finance costs, net	**(89'933)**	**(112'500)**
Profit before tax	**108'250**	**29'196**

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Note 4 – Sales

4.1 Revenue

(in thousands of Swiss Francs)	January 1, 2018 to December 31, 2018	January 1, 2017 to December 31, 2017
Services revenue	844'832	870'292
Equipment revenue	184'604	181'478
Revenue	**1'029'436**	**1'051'769**

Generally, services revenue is recognized over time whereas equipment revenue is recognized at a point in time.

The Group applies the practical expedient from IFRS 15.121 to the non-disclosure of the transaction price allocated to unsatisfied subscription based performance obligations since the Group's right to consideration corresponds directly with the value to the customers. With respect to bundle offers with a sale of a subsidised device together with a subscription service, revenues of CHF 255.3 million will be recognised from such contracts in the coming years (CHF 65.3 million in 2020).

4.2 Trade receivables and contract assets

Trade receivables and contract assets are presented as follows at the face of the statement of financial position:

(in thousands of Swiss Francs)	December 31, 2018	Re-presented December 31, 2017
Contract assets	61'374	63'993
Trade receivables	284'817	344'569
Allowance for doubtful receivables	(22'381)	(22'586)
Trade receivables and contract assets	**323'810**	**385'976**

Contract assets mainly include deferrals related to the sale of bundled offers. When subsidised devices are sold with a service contract, the allocation of the revenue for the delivered device based on standalone selling price results in an earlier revenue recognition. This results in the recognition of a contract asset.

(in thousands of Swiss Francs)	December 31, 2018	December 31, 2017
Gross trade receivables and contract assets	346'191	408'562
Allowance for doubtful receivables	(22'381)	(22'586)
Trade receivables and contract assets	**323'810**	**385'976**

The following table provides an ageing balance of gross trade receivables and contract assets:

(in thousands of Swiss Francs)	Expected Credit Loss rate	December 31, 2018	December 31, 2017
Past due - under 60 days	10%	41'959	59'613
Past due - 60 to 120 days	14%	9'079	5'475
Past due - over 120 days	27%	46'183	34'435
Gross trade receivables and contract assets past due		**97'222**	**99'524**
Gross trade receivables and contract assets not past due	**2%**	**248'970**	**309'038**
Gross trade receivables and contract assets		**346'191**	**408'562**

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The Group outsources part of its receivables collection. Customer receivables are transferred to an agency if overdue by 121 days or more. Enterprise and MVNO customers are treated on a case by case basis. Receivables under servicing agreement are recognised in 2018 for a total value of CHF 11.4 million (CHF 11.9 million in 2017), most of them being covered by a bad debt provision amounting CHF 11.0 million (CHF 11.4 million in 2017).

The Group sold certain trade receivables to a collection agency for cash. These financial assets, that are classified as financial assets at fair value through profit or loss, are derecognised in their entirety at the date of the transfer. As of 31 December 2018, the receivables classified as fair value through profit or loss, had a carrying amount, equivalent to their fair value, of approximately CHF 2.2 million.

Information about the credit quality of trade receivable and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 11.1.

Tables below provide an analysis of the changes in provision for trade receivables in the statement of financial position:

(in thousands of Swiss Francs)	January 1, 2018	Additions	Used	December 31, 2018
Allowance for doubtful receivables	(22'586)	(20'063)	20'268	(22'381)

(in thousands of Swiss Francs)	January 1, 2017	Additions	Used	December 31, 2017
Allowance for doubtful receivables	(25'172)	(19'724)	22'310	(22'586)

4.3 Deferred income

(in thousands of Swiss Francs)	December 31, 2018	Re-presented December 31, 2017
Customer contract liabilities	26'471	16'675
Other deferred income	9'681	8'794
Deferred income	**36'151**	**25'469**

Customer contract liabilities mainly corresponds to the deferrals arising on the payment of prepaid cards and activation fees.

Other deferred income is mainly composed of deferred sites rental income.

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Note 5 – Purchases and restructuring, transaction and transition costs

5.1 Access, backbone, interconnection and content costs

(in thousands of Swiss Francs)	January 1, 2018 to December 31, 2018	January 1, 2017 to December 31, 2017
Interconnection costs	(103'199)	(127'816)
Transmission costs	(11'505)	(13'570)
Content costs	(2'316)	(11'907)
Access, backbone, interconnection and content costs	**(117'020)**	**(153'292)**

Lower content costs are due to the reclassification of certain costs as a reduction of revenue when the Group is considered as an agent under IFRS 15.

5.2 Commercial expenses and cost of equipment sold

(in thousands of Swiss Francs)	January 1, 2018 to December 31, 2018	January 1, 2017 to December 31, 2017
Commercial expenses	(51'722)	(59'778)
Cost of equipment sold	(178'021)	(159'829)
Commercial expenses and cost of equipment sold	**(229'742)**	**(219'607)**

5.3 Network, IT, property expenses and other purchases

(in thousands of Swiss Francs)	January 1, 2018 to December 31, 2018	January 1, 2017 to December 31, 2017
Network and IT expenses	(21'782)	(33'982)
Property expenses	(64'201)	(62'742)
Subcontracting and professional services	(14'131)	(12'581)
Other purchases	(14'318)	(13'437)
Network, IT, property expenses and other purchases	**(114'433)**	**(122'741)**

5.4 Restructuring, transition and transaction costs

(in thousands of Swiss Francs)	January 1, 2018 to December 31, 2018	January 1, 2017 to December 31, 2017
Restructuring costs	(1'788)	(1'209)
Transition costs	(2'752)	(893)
Transaction costs	(1'135)	-
Restructuring, transition and transaction costs	**(5'675)**	**(2'103)**

Transition cost mainly include costs incurred for the launch of the fixed activity and our IT transformation in 2018.

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5.5 Inventories

(in thousands of Swiss Francs)	December 31, 2018	December 31, 2017
Handsets	16'809	19'250
Other products	4'070	1'851
Gross value	**20'879**	**21'101**
Provisions	(2'438)	(2'516)
Inventories	**18'441**	**18'585**

Cost of equipment sold amounted to CHF 178.0 million (CHF 159.8 million for the period from January 1, 2017 to December 31, 2017).

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Note 6 – Long-lived assets

6.1 Goodwill

Goodwill as of December 31, 2018 amounts to CHF 1'313.8 million (CHF 1'313.8 million in 2017). As per IAS 36, goodwill is tested for impairment annually.

1. Key assumptions and impairment testing

A cash-generating unit to which goodwill has been allocated shall be tested for impairment at least annually by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit:

- if the recoverable amount of the unit exceeds its carrying amount, the unit (including the goodwill allocated to it) is not impaired
- if the carrying amount of the unit exceeds its recoverable amount, an impairment loss must be recognized

As described in our accounting policies, the goodwill is allocated to our operating segments, Consumer and Enterprise.

At the end of each reporting period, an entity is required to assess whether the goodwill may be impaired (i.e. its carrying amount may be higher than its recoverable amount).

The basis chosen to calculate both CGU's recoverable value is "value in use".

The following key assumptions have been used in the economic model (Discounted Cash Flows "DCF" model) used for impairment testing:

- Perpetual growth: -0.5% (-0.5% in 2017)
- Discount rate (WACC) after tax: 6.5% (6.5% in 2017)

These hypotheses have been calculated by taking into account the following economic criteria:

- Geographic area: Switzerland and Liechtenstein
- Industry sector: Telecommunications
- Market assessment: Mature
- Investment requirements: High
- Commercial position: Major player (3rd operator)
- Effective tax rate: 21.53% (21.53% in 2017)

More specifically, perpetual growth rate considers both economic environment and market conditions, weighted by 1/3 and 2/3 factors respectively. Economic environment assessment relies on economic growth projections built by public and private financial institutions.

The DCF model uses a projection of the most reliable information available as of the testing date and for the next 3 years in order to measure free cash flows generated by operations. The projection is based on approved Company's budget and business plan.

The perpetual growth rate is taken into account for the calculation of the terminal value in the DCF valuation model.

Based on the evaluation performed, no impairment charge has been recorded as of December 31, 2018 (no impairment as of December 31, 2017).

2. Sensitivity analysis

A sensitivity analysis has been performed on recoverable values, based on significant variations of the perpetual growth rate (-0.5%), the discount rate after tax (+2%) and expected cash-flows after tax (-20%). As at December 31, 2018 and 2017, the outcome of the impairment test was not sensitive to any of the changes described above.

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6.2 Intangible assets

Intangible assets were as follows as at December 31, 2018:

(in thousands of Swiss Francs)	December 31, 2018			
	Cost	Accumulated amortization	Accumulated Impairment	Net
Telecommunication licenses	269'597	(114'723)	-	154'874
Softwares	168'763	(142'010)	(4'515)	22'238
Customer contracts	680'846	(323'221)	-	357'625
Reseller Agreements	35'439	(35'439)	-	-
MVNO agreements	36'909	(36'909)	-	-
Other intangibles assets	382'135	(42'303)	(90)	339'742
Intangible assets	**1'573'689**	**(694'605)**	**(4'605)**	**874'479**

Intangible assets were as follows as at December 31, 2017:

(in thousands of Swiss Francs)	December 31, 2017			
	Cost	Accumulated amortization	Accumulated Impairment	Net
Telecommunication licenses	269'597	(99'329)	-	170'268
Softwares	158'200	(132'828)	(4'461)	20'911
Customer contracts	680'846	(235'834)	-	445'012
Reseller Agreements	35'439	(35'439)	-	-
MVNO agreements	36'909	(33'509)	-	3'400
Other intangibles assets	315'102	(24'151)	(69)	290'882
Intangible assets	**1'496'093**	**(561'089)**	**(4'530)**	**930'472**

Intangible assets under construction amounted to CHF1 million as at December 31, 2018 (CHF 5.0 million as at December 31, 2017).

Movements in the Net Book Value of Intangible assets were as follows:

(in thousands of Swiss Francs)	Telecom-munication licenses	Softwares	Customer contracts	Reseller Agreements	MVNO agreements	Other Intangibles assets	TOTAL
Opening balance as at January 01, 2018	170'268	20'911	445'012	-	3'400	290'882	930'473
Additions	-	10'563	-	-	-	67'121	77'684
Amortization	(15'393)	(9'236)	(87'386)	-	(3'400)	(18'262)	(133'677)
Closing balance as at December 31, 2018	**154'874**	**22'238**	**357'625**	**-**	**-**	**339'741**	**874'479**

(in thousands of Swiss Francs)	Telecom-munication licenses	Softwares	Customer contracts	Reseller Agreements	MVNO agreements	Other Intangibles assets	TOTAL
Opening balance as at January 01, 2017	185'662	45'510	531'698	28'681	31'167	14'061	836'778
Additions	-	9'620	-	-	-	282'868	292'488
Amortization	(15'393)	(34'219)	(86'686)	(28'681)	(27'767)	(6'046)	(198'794)
Closing balance as at December 31, 2017	**170'268**	**20'911**	**445'012**	**-**	**3'400**	**290'882**	**930'472**

During the year ended December 31, 2018 the Group continued to renew and extend agreements for mobile backhauling (core network and antennas) and for FTTH access by ways of operating Indefeasible Rights of Use (IRUs) for a total of CHF 66.0 million (CHF 282.4 million as at December 31, 2017).

No accelerated depreciation has been recognised in 2018. CHF 61.3 million of accelerated depreciation was recognized in 2017 and was related to:

- IT assets that are no longer in use for CHF 12.2 million.
- Resellers agreements for CHF 24.7 million
- MVNO agreements for CHF 24.4 million

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Capitalised expenditure

The labour expenses capitalised during the year amounted to CHF 3.7 million (CHF 3.5 million as at December 2017).

6.3 Property, Plant and Equipment

Tangible assets were as follows as at December 31, 2018:

	December 31, 2018			
(in thousands of Swiss Francs)	Cost	Accumulated depreciation	Accumulated Impairment	Net
Land and buildings	131'323	(74'595)	(18'142)	38'586
Network	2'551'956	(1'934'851)	(67'352)	549'753
IT equipment	20'152	(12'786)	(4'777)	2'589
Other property, plant and equipment	40'421	(20'456)	(2'147)	17'817
Property, Plant and Equipment	**2'743'852**	**(2'042'688)**	**(92'418)**	**608'745**

Tangible assets were as follows as at December 31, 2017:

	December 31, 2017			
(in thousands of Swiss Francs)	Cost	Accumulated depreciation	Accumulated Impairment	Net
Land and buildings	128'218	(68'346)	(17'768)	42'103
Network	2'428'732	(1'814'197)	(61'635)	552'900
IT equipment	18'862	(11'818)	(4'750)	2'293
Other property, plant and equipment	22'055	(19'246)	(2'147)	662
Property, Plant and Equipment	**2'597'866**	**(1'913'608)**	**(86'300)**	**597'958**

Tangible assets under construction amounted to CHF 44.3 million as at December 31, 2018 (CHF 59.7 million as at December 31, 2017).

The Group acquired no tangible asset under finance lease as at December 31, 2018 (CHF 6.1 million as at December 31, 2017).

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Movements in the Net Book Value of Tangibles assets were as follows:

(in thousands of Swiss Francs)	Land and buildings	Network	IT Equipment	Other property, plant and equipment	TOTAL
Opening balance as at January 01, 2018	42'103	552'900	2'293	662	597'958
Additions	2'935	104'820	1'291	18'366	127'411
Depreciation and Impairment	(6'623)	(126'371)	(995)	(1'210)	(135'199)
Other movements (1)	170	18'405	-	-	18'575
Closing balance as at December 31, 2018	**38'586**	**549'753**	**2'589**	**17'817**	**608'745**

(in thousands of Swiss Francs)	Land and buildings	Network	IT Equipment	Other property, plant and equipment	TOTAL
Opening balance as at January 01, 2017	41'460	582'452	11'333	610	635'855
Transfer	(55)	9'806	(9'747)	(4)	-
Opening balance as at January 01, 2017	41'405	592'258	1'586	606	635'855
Additions	7'090	79'599	1'943	422	89'053
Depreciation and Impairment	(6'160)	(123'826)	(1'236)	(206)	(131'427)
Other movements (1)	(232)	4'869	-	(160)	4'477
Closing balance as at December 31, 2017	**42'103**	**552'900**	**2'293**	**662**	**597'959**

(1) In 2018 and 2017, other movements are related to the change in the asset retirement obligation (please refer to the Note 8 for further information).

Impairment loss recognised in 2018 amounted to CHF 5.3 million and was mainly related to Network assets that are no longer in use (CHF 2.9 million in 2017).

Capitalised expenditure

The labour expenses capitalised during the year amounted to CHF 4.3 million (CHF 3.9 million as at December 2017).

6.4 Purchases of Property, Plant, Equipment and Intangible assets

For cash flow statement purposes, purchases of Property, Plant, Equipment and Intangible assets were as follows:

(in thousands of Swiss Francs)	January 1, 2018 to December 31, 2018	January 1, 2017 to December 31, 2017
Additions in property, plant and equipment and intangible assets	**(205'095)**	**(381'541)**
Adjustments of non cash-flow effect items		
Increase / (decrease) in amounts due to fixed assets suppliers (excluding spectrum)	42'350	249'158
Additions in property, plant and equipment and intangible assets under finance lease	-	6'100
Total adjustments of non cash-flow effect items	**42'350**	**255'258**
Cash effect of purchases of property, plant and equipment and intangible assets	**(162'744)**	**(126'283)**

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Note 7 – Income Tax

7.1 Corporate income Tax profit / (loss)

Salt Mobile S.A. and Salt Network S.A. are liable for taxes in all Swiss cantons based on an inter-cantonal allocation at various rates. With this regard the current average tax rate is our estimated rate of 21.50% (21.50% in 2017) based on the statutory tax rates applicable in Switzerland, which can potentially vary in the upcoming years.

The Group is liable for capital and income taxes. Matterhorn Telecom S.A. and Matterhorn Telecom Holding S.A., which are registered in Luxemburg, are subject to an income tax at a rate of 26.01% (27.08% in 2017).

In Luxemburg, companies may carry over losses arisen before 2017 until they are used up for an unlimited number of years to offset taxable profits. From 2017, losses arisen can be used for a period of seventeen years. In Switzerland, tax losses are normally available to be set off against future taxable income for a period of seven years.

The income tax is broken down as follows:

(in thousands of Swiss Francs)	January 1, 2018 to December 31, 2018	January 1, 2017 to December 31, 2017
Total tax expense relating to continuing operations	**(36'084)**	**7'741**
Current tax expense in respect of the current year	(23'877)	(9'103)
Deferred tax income / (expense)	(12'208)	16'844

7.2 Group Tax proof

The reconciliation between effective income tax expense and the theoretical tax calculated based on the Luxemburg statutory tax rate is as follows:

(in thousands of Swiss Francs)	January 1, 2018 to December 31, 2018	January 1, 2017 to December 31, 2017
Profit / (loss) before tax	**108'250**	**29'196**
Income tax rate	26.01%	27.08%
Theoretical income tax income / (expense)	**(28'156)**	**(7'906)**
Reconciliation items:		
Effect on deferred tax balances due to the change in income tax rate	8'397	33'652
Effect of different tax rates of subsidiaries operating in other jurisdictions	10'461	1'236
Deferred tax assets not recognized on tax loss carry forwards arising in the period	(8'135)	(19'091)
Effect of previously unrecognized deferred tax assets	6'164	-
Impairment of deferred tax assets	(24'668)	-
Other	(148)	(149)
Income tax expense recognised in profit or loss	**(36'084)**	**7'741**

The effect on deferred tax balances due to the change in income tax rate is mainly due to the enacted decrease of the income tax rate in the Canton of Vaud from January 1, 2019. The income tax rate in this canton will decrease from 21.4% to 13.8%.

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7.3 Statement of financial position - tax position

The tax position by class of temporary difference is as follows:

(in thousands of Swiss Francs)	December 31, 2018	December 31, 2017
Pension provision	711	631
Intangible assets & Property, plant, equipment	(128'099)	(115'037)
Tax loss carryforwards	41'953	68'766
Hedge & Instalment accounting	(55'851)	(78'831)
Other	4'110	(970)
Net deferred taxes - Group	**(137'175)**	**(125'440)**
- Deferred tax assets	-	
- Deferred tax liabilities	*(137'175)*	*(125'440)*

7.4 Change in Group net deferred taxes

(in thousands of Swiss Francs)	December 31, 2017	Recognized in Retained Earnings	Recognized as a profit or loss	Recognized in other comprehensive income	December 31, 2018
Pension	631	-	276	(196)	711
Intangible assets & Property, plant, equipment	(115'037)	-	(13'062)	-	(128'099)
Tax loss carryforwards	68'766	-	(26'813)	-	41'953
Hedge & IFRS 15	(78'831)	(2'732)	22'311	3'401	(55'851)
Other	(970)	-	5'080	-	4'110
Deferred taxes on temporary differences	**(125'440)**	**(2'732)**	**(12'208)**	**3'204**	**(137'175)**

(in thousands of Swiss Francs)	December 31, 2016	Recognized in Retained Earnings	Recognized as a profit or loss	Recognized in other comprehensive income	December 31, 2017
Pension	2'628	-	(1'327)	(671)	631
Intangible assets & Property, plant, equipment	(146'349)	-	31'312	-	(115'037)
Tax loss carryforwards	37'335	-	31'431	-	68'766
Hedge & Instalment accounting	(30'685)	-	(44'230)	(3'916)	(78'831)
Other	(626)	-	(344)	-	(970)
Deferred taxes on temporary differences	**(137'697)**	**-**	**16'844**	**(4'586)**	**(125'440)**

Deferred tax assets not recognised as at the reporting date are as follows:

(in thousands of Swiss Francs)	December 31, 2018	December 31, 2017
- unused tax losses	75'316	45'367
- temporary differences	-	-
Unrecognized deferred tax assets	**75'316**	**45'367**

The total of tax loss to be carry-forward as at December 31, 2018 amounted to CHF 450.0 million of which CHF 289.6 million was not recognized (CHF 422.1 million as at December 31, 2017 of which CHF 167.5 million was not recognized). The tax losses will not expire in the 15 coming years. The unrecognised tax loss only relates to the Luxembourg companies.

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Note 8 – Provisions

(in thousands of Swiss Francs)	January 1, 2018	Additions	Used	Released	Discounting	December 31, 2018
Restructuring provisions	287	1'582	(1'364)	185	-	690
Provisions for dismantling and restoring sites	47'817	18'494	(625)	(1'380)	423	64'728
Other provisions	2'320	-	(577)	(402)	-	1'341
Provisions	**50'424**	**20'076**	**(2'567)**	**(1'597)**	**423**	**66'759**
of which non-current provisions	46'771	18'494	(625)	(1'380)	423	63'682
of which current provisions	3'653	1'582	(1'942)	(217)	-	3'077

In 2018, the addition in provision for dismantling costs is mainly due to the increase in the actual dismantling costs. The approach and underlying assumptions used for calculating the provisions for dismantling and restoring sites are described in Note 2.13. The discount rate used as at December 31, 2018 amounted to 0.9% (0.85% as at December 31, 2017).

Note 9 – Employee benefits

9.1 Wages, salaries and post-employment benefits

(in thousands of Swiss Francs)	January 1, 2018 to December 31, 2018	January 1, 2017 to December 31, 2017
Wages, social contributions & individual incentive / bonus plans	(75'358)	(75'096)
Capitalised Labour	8'030	7'418
Post-employment benefits	(5'923)	6'639
Labour expenses	**(73'251)**	**(61'040)**

The wages, social contributions & individual incentive / bonus plans include the wages, bonus and related social charges. Capitalised labour reflects the time spent by Salt Mobile S.A. employees on tangible and intangible assets. Post-employment benefits include the net service costs.

The number of FTE's (excluding apprentices and trainees) at the end of 2018 was 732 (703 in 2017).

9.2 Non Current Employee benefits obligation

The Group's employees are insured for the risks of old age, death and disability.

Under this plan the retirement benefit is determined by the amount in the employee retirement savings account at the time of retirement. If an employee retires at the normal retirement age (64), the saving account is converted into a retirement pension at a rate of 6.2% from December 31, 2018 (6.45% as at December 31, 2017) which will decrease progressively to 5.1% from January 1st, 2018 over five years. If the employee retires before the age of 58, his saving account is converted into a retirement pension at a lower rate.

Actuarial valuations of the plan assets and of the defined benefit obligation were carried out at December 31, 2018 and 2017 by an external actuarial expert. The present value of the defined benefit obligation, and the related current service cost, were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31, 2018	December 31, 2017
Discount rate	0.90%	0.85%
Salary increase	0.75%	0.75%
Cost-of-living adjustment	0.00%	0.00%
Interest credit on total account balance	0.90%	0.85%
Mortality and disability - Swiss official tables	Swiss BVG 2015	Swiss BVG 2015

The evaluation is done on a yearly basis.

The amount recognised in the consolidated statement of financial position in respect of the Group's defined benefit retirement plan is as follows:

(in thousands of Swiss Francs)	December 31, 2018	December 31, 2017
Present value of funded obligations	(121'437)	(124'787)
Fair value of plan assets	117'171	121'000
Present value of net obligations	(4'266)	(3'786)
Employee benefit obligations	**(4'266)**	**(3'786)**

The amount recognised in the consolidated statement of profit / (loss) in respect of the defined benefit plan is as follows:

(in thousands of Swiss Francs)	December 31, 2018	December 31, 2017
Service costs	(5'923)	6'639
Net interest expenses	(3)	(57)
Net periodic pension cost	**(5'926)**	**6'582**

Service costs were determined as follows:

(in thousands of Swiss Francs)	December 31, 2018	December 31, 2017
Current service cost	(5'923)	(7'803)
Past service cost (1)	-	13'564
Settlement gains [2]	-	878
Service costs	**(5'923)**	**6'639**

(1) The past service cost is related to the decrease in the conversion rate from 6.5% to 5.1%.
(2) The term "settlement" refers to non-routine settlements. Routine lump sum payments are included in benefit payments and gains or losses on those routine payments are included in experience gains and losses.

Change in the present value of the defined benefit obligation is as follows:

(in thousands of Swiss Francs)	December 31, 2018	December 31, 2017
Defined Benefit Obligation (DBO) at the beginning of period	124'787	127'734
Current Service cost	5'923	7'803
Past service cost	-	(13'564)
Interest cost	1'037	877
Employee contributions	3'480	3'113
Actuarial (gain) / loss - experience	(421)	11'996
Actuarial (gain) / loss - financial assumptions	(861)	(4'035)
Benefits paid	(12'508)	(7'067)
Settlements	-	(2'070)
Defined Benefit Obligation (DBO) at the end of the period	**121'437**	**124'787**

The duration of the DBO is 20.3 years (22.4 years as at December 31, 2017).

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The plan assets consist of the following categories of assets:

	December 31, 2018	December 31, 2017
Equity Securities	43%	47%
Bonds Securities	27%	21%
Real Estate / Property	15%	15%
Other	15%	17%
	100%	**100%**

The strategic asset allocation is diversified within the requirements of providing long-term returns with an acceptable level of risk. The plan assets are primarily invested in listed investments which insure good liquidity.

Change in the fair value of plan assets is as follows:

(in thousands of Swiss Francs)	December 31, 2018	December 31, 2017
Fair value of plan assets at the beginning of period	121'000	115'338
Return on plan assets	1'034	819
Return on plan assets greater / (less) than discount rate	(102)	5'494
Employer contributions	4'267	4'495
Employee contributions	3'480	3'113
Benefits paid	(12'508)	(7'067)
Settlements	-	(1'192)
Fair value of plan assets at the end of the period	**117'171**	**121'000**

The actual return on assets during the year is -6.86 % (10.1% as at December 31, 2017).

The movement in the net liability during the year is as follows:

(in thousands of Swiss Francs)	December 31, 2018	December 31, 2017
Accrued pension cost at the beginning of period	(3'786)	(12'395)
Net periodic pension cost	(5'926)	6'582
Employer contributions	4'267	4'495
Total Amount Recognised in OCI	1'179	(2'468)
Accrued pension cost at the end of the period	**(4'266)**	**(3'786)**

The variations resulting from changes in actuarial assumptions have been summarized in the following sensitivity analysis as December 31, 2018:

(in thousands of Swiss Francs)	Current Assumption	Sensitivity change	DBO change
Discount rate	0.90%	0.50% increase	(8'015)
		0.50% decrease	9'150
Salary increase	0.75%	0.50% increase	1'237
		0.50% decrease	(1'170)
Cost-of-living adjustment	0.00%	0.50% increase	6'546
		0.00% decrease	-
Mortality and disability - Swiss official tables Life table BVG 2015		Increase of 1 year in expected lifetime of participants at age 65	1'667

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The variations resulting from changes in actuarial assumptions have been summarized in the following sensitivity analysis as December 31, 2017:

(in thousands of Swiss Francs)	Current Assumption	Sensitivity change	DBO change
Discount rate	0.85%	0.50% increase	(8'296)
		0.50% decrease	9'472
Salary increase	0.75%	0.50% increase	1'506
		0.50% decrease	(1'418)
Cost-of-living adjustment	0.00%	0.50% increase	6'865
		0.00% decrease	-
Mortality and disability - Swiss official tables	Life table BVG 2015	Increase of 1 year in expected lifetime of participants at age 65	1'745

For any change in actuarial assumption, sensitivity analysis assesses the impact on defined benefit obligation (DBO). In each situation only one assumption is modified while other parameters remain unchanged.

9.3 Current Employee benefits obligations

(in thousands of Swiss Francs)	December 31, 2018	December 31, 2017
Employees, payables	167	198
Employees accrual	6'968	6'711
Social institutions, payables	3'614	1'091
Current employee benefit obligation	**10'748**	**8'000**

As at December 31, 2018, employees accrual mainly consists of bonus payables for CHF 5.7 million and Holidays allowances for CHF 1.3 million (as at December 31, 2017, CHF 5.7 million and CHF 1.0 million, respectively).

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Note 10 – Derivatives, borrowings and financial results

10.1 Derivatives and borrowings

(in thousands of Swiss Francs)	Notes	December 31, 2018 Current	Non-current	Total	December 31, 2017 Current	Non-current	Total
Derivatives	10.2	-	158'551	158'551	-	248'056	248'056
Derivatives		-	158'551	158'551	-	248'056	248'056

Liabilities

(in thousands of Swiss Francs)	December 31, 2018 Current	Non-current	Total	December 31, 2017 Current	Non-current	Total
Bonds	-	2'395'133	2'395'133	-	2'444'003	2'444'003
Accrued interest on bonds	14'948	-	14'948	14'837	-	14'837
Other	667	5'570	6'237	416	5'831	6'246
Borrowings and other financial liabilities	15'615	2'400'703	2'416'318	15'253	2'449'834	2'465'087

In March 2017, the Group launched a combined offering of Senior Secured Notes due 2023 and Senior Notes due 2023 for a total value of (equivalent) CHF 690.2 million.

Funds were used to fully repurchase the floating rate EUR 265 million senior secured Notes (CHF 286.6 million), to pay related accrued interest (CHF 1.6 million) and the offering transaction costs (CHF 36.8 million), and distribute CHF 500 million to shareholders (CHF 451.6 million approved by the sole shareholder and paid on March 23, 2017 and CHF 48.4 million approved by the sole shareholder and paid on June 20, 2017).

The transactions costs amounted to approximately CHF 36.8 million and were composed of consent, waiver and underwriting fees (CHF 32.8 million) and other issuance costs (CHF 4.0 million). All the costs directly attributable to the new bonds or to the modification of the existing bonds not extinguished have been capitalized (CHF 36.6 million). The non-capitalized fee is the CHF 0.2 million tender fee related to the repurchased bonds.

On September 25, 2017 the Group repurchased EUR 50 million of the floating rate EUR 525 million senior secured Notes for a CHF 51.7 million total net amount (including cash from unwound swap).

On November 27, 2017 the Group launched an offering of Senior Secured Notes due 2027 for a total value of (equivalent) CHF 467.3 million. Funds were used to partially repurchase the floating rate EUR 525 million senior secured Notes (CHF 472.2 million), to pay related accrued interest (CHF 1.1 million) and the offering transaction costs (CHF 3.8 million).

The bonds are measured at amortised cost, using the effective interest rate method.

Bonds (excluding transaction costs) issued by Matterhorn Telecom Holding S. A and Matterhorn Telecom S.A. as at December 31, 2018:

December 31, 2018												
Original currency	Bond	Date of issuance	Initial nominal amounts (in thousands of currency units)	Early Repayment (in thousands of currency units)	Current nominal amounts (in thousands of currency units)	Current nominal amounts (in thousands of CHF)	Maturity of bonds	Nominal interest rate (%)	Hedging amount (in thousands of currency units)	Hedging rate	Maturity of hedging	Outstanding interest amount (in thousands of CHF)
EUR	Senior Notes	23.04.2015 16.03.2017	250'000 117'000	68'134	181'866 117'000	204'872 131'801	2023 2023	4.875% 4.875%	181'866 117'000	4.4905% 4.4015%	2020 2020	2'690
CHF	Senior Secured Notes	23.04.2015	450'000	39'363	410'637	410'637	2022	3.625%	-	-	-	2'440
EUR	Senior Secured Notes	23.04.2015	1'000'000	-	1'000'000	1'126'500	2022	3.875%	1'000'000	EUR 250 million at 3.5115% EUR 105 million at 3.5365% EUR 185 million at 3.5415% EUR 150 million at 3.5515% EUR 310 million at 3.7015%	2020	7'154
EUR	Senior Secured Notes	23.04.2015	265'000	265'000	-	-	2022	EUR3M + 3.75%	-	-	-	-
EUR	Senior Secured Notes	16.03.2017	525'000	450'000	75'000	84'488	2023	EUR3M + 3.25%		-	-	412
EUR	Senior Secured Notes	27.11.2017	400'000	-	400'000	450'600	2027	4%	400'000	EUR 140 million at 3.939% EUR 260 million at 3.734%	2024	2'253
				Total		2'408'897					Total	14'948

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Bonds (excluding transaction costs) issued by Matterhorn Telecom Holding S. A and Matterhorn Telecom S.A as at December 31, 2017:

December 31, 2017

Original currency	Bond	Date of issuance	Initial nominal amounts (in thousands of currency units)	Early Repayment (in thousands of currency units)	Current nominal amounts (in thousands of currency units)	Current nominal amounts (in thousands of CHF)	Maturity of bonds	Nominal interest rate (%)	Hedging amount (in thousands of currency units)	Hedging rate	Maturity of hedging	Outstanding interest amount (in thousands of CHF)
EUR	Senior Notes	23.04.2015 16.03.2017	250'000 117'000	68'134	181'866 117'000	212'620 136'785	2023 2023	4.875% 4.875%	181'866 117'000	4.4905% 4.4015%	2020 2020	2'792
CHF	Senior Secured Notes	23.04.2015	450'000	39'363	410'637	410'637	2022	3.625%	-	-	-	2'440
EUR	Senior Secured Notes	23.04.2015	1'000'000	-	1'000'000	1'169'100	2022	3.875%	1'000'000	EUR 250 million at 3.5115% EUR 105 million at 3.5365% EUR 185 million at 3.5415% EUR 150 million at 3.5515% EUR 310 million at 3.7015%	2020	7'425
EUR	Senior Secured Notes	23.04.2015	265'000	265'000	-	-	2022	EUR3M + 3.75%	-	-	-	-
EUR	Senior Secured Notes	16.03.2017	525'000	450'000	75'000	87'683	2023	EUR3M + 3.25%		-	-	467
EUR	Senior Secured Notes	27.11.2017	400'000	-	400'000	467'640	2027	4%	400'000	EUR 140 million at 3.939% EUR 260 million at 3.734%	2024	1'715
				Total		2'484'464					Total	14'837

The bonds are recognised in the consolidated statement of financial position as follows:

(in thousands of Swiss Francs)	
As at December 31, 2016	**1'949'302**
Issuance of bonds	1'157'430
Capitalisation of debt issuance costs	(40'439)
Unrealised exchange loss	121'505
Realised exchange loss	51'469
Amortization of debt issuance costs	14'814
Bonds repurchase	(810'077)
As at December 31, 2017	**2'444'003**
Unrealised exchange loss (gain)	(75'567)
Amortization of debt issuance costs	2'997
Change in accounting policy (IFRS 9)	23'699
As at December 31, 2018	**2'395'132**

Credit Lines

	December 31, 2018		December 31, 2017	
(in thousands of Swiss Francs)	Amount available	Amounts drawn down	Amount available	Amounts drawn down
Super Revolving Credit Facility	100'000	-	100'000	-
Bank overdraft	-	-	-	-
Credit lines	**100'000**	-	**100'000**	-

As at December 31, 2018, the Group has not drawn any amount under the RCF Agreement.

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10.2 Derivative instruments

For the periods ended December 31, 2018 and December 31, 2017, the Group's designated hedges were limited to cash flow hedges as the Group did not have any hedges designated as fair value or net investment hedges.

Cash-flow hedges

The Group's cash-flow hedges during the period consisted of cross-currency swaps, that the Group uses to protect against variability in future interest cash flows on liabilities which bear interest at variable or fixed rates and/or foreign currency risk on EUR-denominated bonds. The cash flows are expected to occur simultaneously with the payment of interests on bonds.

	December 31, 2018		December 31, 2017	
(in thousands of Swiss Francs)	Notional	Fair Value receivable / (payable)	Notional	Fair Value receivable / (payable)
Cross-currency swaps	1'998'260	158'551	2'073'827	248'056

The swaps are measured at fair value (level 2). Derivative instruments were the only items measured at fair value (level 2) in the statement of financial position and presented according to their maturity date. Fair value of financial assets and liabilities is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Except for EUR 75 million swaps related to the EUR 265 million senior secured Notes repurchased in March 2017, the 2015 and the newly issued cash flow hedges are fully effective under IAS 39, both retrospectively since inception and prospectively as of December 31, 2018. Therefore the full changes in their fair values (gains and losses) since inception initially have been recognised in other comprehensive income, and are reclassified to the income statement when the hedged cash flows affect earnings.

During the year 2018, the net amount recognised in OCI (net change in OCI) related to hedging activities was a net decrease of CHF 12.5 million (net increase of CHF 14.5 million in 2017) deferred in OCI. The details of these changes are described in the table below.

(in thousands of Swiss Francs)	December 31, 2018	December 31, 2017
Beginning accumulated OCI balance	14'399	32'852
Net loss deferred in accumulated OCI due to change in the fair value of the derivative (effective portion)	(88'142)	184'898
Reclassified out of accumulated OCI into Income Statement	75'584	(170'437)
Reclassified out of accumulated OCI into Retained Earnings	-	(32'914)
Ending accumulated OCI Balance	**1'841**	**14'399**

On 22 April 2015, Matterhorn Telecom SA (a direct subsidiary of Matterhorn Telecom Holding SA) acquired Matterhorn Mobile S.A. Qualifying cash flow hedge relationships existed at the time of the acquisition but the hedge relationships were de-designated upon acquisition in accordance with IFRS. As the related hedge relationships ceased to exist at the date of acquisition, there was no cash flow hedge reserve carried forward from the predecessor accounting to the successor accounting. However, the 2015 year-end financial statements included a recycling of the loss accumulated in OCI as of the date of the acquisition to profit and loss resulting in crediting the cash flow hedge reserve from an amount equivalent to CHF 24.3 million (net of CHF 8.6 of related deferred tax impact). Hence, the Group reclassified CHF 24.3 million from the cash flow hedge reserve to retained earnings in the year 2017.

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10.3 Finance costs, net

Financial results were as follows:

(in thousands of Swiss Francs)	January 1, 2018 to December 31, 2018	January 1, 2017 to December 31, 2017
Commitment fees on revolving credit facility	(1'519)	(1'605)
Amortization of debt issuance costs	(2'997)	(14'814)
Interest on bonds	(84'175)	(80'523)
Net interest on net defined benefit obligation	(3)	(422)
Change in derivatives fair value (including Hedge ineffectiveness)	(873)	-
Net foreign exchange losses (operating)	-	(10'577)
Net foreign exchange losses (financing)	(256)	(4'108)
Other financial expenses	(3'038)	(9'637)
Finance costs	**(92'861)**	**(121'686)**
Change in derivatives fair value (including Hedge ineffectiveness)	-	8'843
Net foreign exchange gains (operating)	2'905	-
Other financial gains	23	343
Finance income	**2'928**	**9'186**
Finance costs, net	**(89'933)**	**(112'500)**

10.4 Management of covenants

Under the Revolving Credit Facility ("RCF") dated February 23, 2015 (as amended on April 15, 2015) the Group is obliged to respect a financial leverage ratio ("the financial covenant"). This leverage ratio is determined as a ratio of Net financial debt to Adjusted EBITDA for the period of the most recent four consecutive fiscal quarters.

The Group shall ensure that the leverage ratio shall not exceed 5.5x. The financial covenant shall not be required to be satisfied unless, on the last day of the relevant period, the aggregate outstanding exposure is greater than CHF 35 million.

As at December 31, 2018, the leverage ratio amounts to 4.22 (4.31 as at December 31, 2017) and the Company complied with those covenants as the RCF was not used. The Adjusted EBITDA used for the calculation excludes the foreign exchange gains and losses associated with commercial transactions.

10.5 Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt between December 31, 2017 and December 31, 2018:

(in thousands of Swiss Francs)	Note	December 31, 2018	December 31, 2017
Cash and cash equivalents net	12.2	253'585	207'387
Derivatives		158'551	248'056
Borrowings and other financial liabilities - Non Current		(2'400'703)	(2'449'834)
Borrowings and other financial liabilities - Current		(15'615)	(15'253)
Net debt		**(2'004'182)**	**(2'009'644)**

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(in thousands of Swiss Francs)	Cash and cash equivalents net	Derivatives	Borrowings, and other financial liabilities	Net debt
As at December 31, 2017	**207'387**	**248'056**	**(2'465'087)**	**(2'009'645)**
Cash flow	46'674	-	14'674	61'348
Acquisition finance lease	-	-	-	-
Foreign exchange adjustments	(476)	-	75'567	75'091
Other non cash movements	-	(89'505)	(41'471)	(130'976)
As at December 31, 2018	**253'585**	**158'551**	**(2'416'318)**	**(2'004'182)**

(in thousands of Swiss Francs)	Cash and cash equivalents net	Derivatives	Borrowings, and other financial liabilities	Net debt
As at December 31, 2016	**214'689**	**60'920**	**(1'962'038)**	**(1'686'430)**
Cash flow	(6'171)	-	(294'347)	(300'518)
Acquisition finance lease	-	-	(6'100)	(6'100)
Foreign exchange adjustments	(1'131)	-	(172'974)	(174'105)
Other non cash movements	-	187'136	(29'627)	157'509
As at December 31, 2017	**207'387**	**248'056**	**(2'465'087)**	**(2'009'644)**

Note 11 – Information on market risk and fair value of financial assets and liabilities

11.1 Financial risks

The Group is subject to various financial risks. These risks include capital risk, credit risk, liquidity risk and financial market risk (including interest rate risk and currency risk). These risks are monitored by Management of the Group.

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes borrowings described in Note 10, cash and cash equivalents and equity attributable to equity holders, comprising issued capital, reserves and retained earnings.

Credit Risk management

Financial instruments that could potentially subject the Group to concentrations of credit risk consist primarily of cash, trade receivables, investments and deposits.

The Group considers that it has an extremely limited exposure to concentrations of credit risk with respect to trade accounts receivable due to its large and diverse customer base (residential, professional and large business customers). In addition, the maximum value of the credit risk on these financial assets is equal to their recognised net book value.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowings facilities, by continuously monitoring cash flows, and by matching the maturity profiles of financial assets and liabilities, including from time to time the repayment or repurchase of our existing indebtedness prior to its scheduled maturity. Note 10 above sets out details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk (refer to the Note 11.2).

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Interest Rate Risk

The Group manages its net exposure to interest rate risk through the proportion of fixed rate financial debt and variable rate financial debt in its total financial debt portfolio. To manage this mix, the Group may enter into interest rate swap agreements, in which it exchanges periodic payments based on a notional amount and agreed-upon fixed and variable interest rates and into forward contracts, in which it exchanges fixed amounts of foreign currency and fixed amounts of Swiss francs.

Sensitivity analysis of the Group's position to changes in interest rates

The sensitivity of the Group's financial assets and liabilities to interest rate risk is analysed only for components of net financial debt. Only these components are interest-bearing and therefore exposed to interest rate risk.

Counterparty Risk management

The Group is exposed to a counterparty risk on the fair value of the derivatives. This risk is assessed using a Credit Valuation Adjustment ("CVA") amounting to CHF 2.0 million as at December 31, 2018 (CHF1.7 million as at December 31, 2017) and calculated using probabilities of default of the banking counterparties. This risk of counterparty is considered as hedge ineffectiveness and is therefore recognized trough the profit / (loss) of the year.

Sensitivity of financial expenses

Based on a constant amount of debt and a constant management policy, a 1% rise in interest rates would result in an increase of CHF 2.5 million in financial expense as at December 31, 2018 (CHF 2.5 million as at December 31, 2017).

Foreign exchange rate risk management

The Group operates mainly in the currency of its country (CHF). However, the Group is subject to foreign currency risk arising from borrowings and future commercial transactions which can be done in euros (Purchase of handsets or roaming for example). The Group uses derivative financial instruments to hedge certain exposures (for instance Bonds denominated in euros).

The Group's policy to mitigate foreign exchange risk by:

- Hedging all bonds denominated in Euros
- Having borrowings denominated in the functional currencies of the Group companies concerned

The Group uses foreign currency inflows to pay for its foreign currency outflows. If necessary, the Group buys foreign currency shortly before the transaction.

Sensitivity of cash flow hedge reserves

A 0.5% change in spot rates would change the market value of cross-currency swaps designated as cash flow hedges and the associated cash flow hedge reserves by approximately CHF 24 million as at December 31, 2018 (change of CHF 35 million as at December 31, 2017).

The following table shows the exposure (before hedging instruments) of the Group financial positions by currency:

(in thousands of Swiss Francs)	December 31, 2018 Total	EUR	USD	GBP	CHF
Financial assets (A)	**589'285**	**30'416**	**1'170**	**609**	**557'090**
Other assets	11'891	-	-	-	11'891
Trade receivables	323'810	14'478	787	1	308'544
Cash and cash equivalents	253'585	15'938	383	609	236'655
Financial liabilities (B)	**2'971'504**	**2'049'397**	**13'833**	**(2)**	**908'277**
Bonds excluding issuance costs (1)	2'408'897	1'998'260	-	-	410'637
Trade payables	207'078	38'195	13'670	(2)	155'215
Fixed assets payables	339'915	433	163	-	339'319
Current borrowings and other financial liabilities (1)	15'615	12'509	-	-	3'106
Net exposure (A) - (B)	**(2'382'219)**	**(2'018'981)**	**(12'663)**	**612**	**(351'187)**

(1) Refer to Note 10.1 for further information regarding bonds, accrued interests and derivatives instruments.

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(in thousands of Swiss Francs)	December 31, 2017 Total	EUR	USD	GBP	CHF
Financial assets (A)	**607'577**	**19'713**	**3'564**	**681**	**583'622**
Other assets	14'215	-	-	-	14'215
Trade receivables	385'976	8'889	743	-	376'343
Cash and cash equivalents	207'387	10'824	2'821	681	193'064
Financial liabilities (B)	**3'139'621**	**2'115'711**	**4'811**	**(3)**	**1'019'102**
Bonds excluding issuance costs (1)	2'484'464	2'073'827	-	-	410'637
Trade payables	342'340	28'858	4'787	(3)	308'698
Fixed assets payables	297'564	629	24	-	296'912
Current borrowings and other financial liabilities (1)	15'253	12'398	-	-	2'855
Net exposure (A) - (B)	**(2'532'044)**	**(2'095'998)**	**(1'247)**	**683**	**(435'480)**

(1) Refer to Note 10.1 for further information regarding bonds, accrued interests and derivatives instruments.

The following table shows the sensitivity of the Group to a 10% change in the foreign exchange rates of the currency to which they are exposed and the related impact on its income statement:

	December 31, 2018		
(in thousands of currency)	Net position at the end of the year (1)	+10% change	-10% change
EUR	(7'290)	(663)	810
USD	(12'856)	(1'169)	1'428
GBP	488	44	(54)

	December 31, 2017		
(in thousands of currency)	Net position at the end of the year (1)	+10% change	-10% change
EUR	(8'360)	(758)	926
USD	(1'278)	(116)	142
GBP	519	47	(58)

(1) Net positions related to the bonds and current borrowings which are hedged and have been excluded (Refer to Note 10.1 for further information regarding bonds, accrued interests and derivatives instruments).

10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

11.2 Financial instruments

The market value of financial assets and liabilities measured at fair value in the statement of financial position shown in the table below has been ranked based on the three hierarchy levels defined by IFRS 13:

- Level 1: quoted price in active markets;
- Level 2: inputs observable directly or indirectly;
- Level 3: inputs not based on observable market data.

Derivative instruments were the only items measured at fair value (level 2) in the statement of financial position and presented according to their maturity date. Fair value of financial assets and liabilities is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Estimated fair value for disclosure purpose:

- The carrying amounts of trade receivables and payables are a reasonable estimate of their fair value because of their short-term maturities;
- The carrying amounts of deposits and other items, fixed assets payables and cash and cash equivalents correspond to the fair values;
- The fair value of fixed interest-bearing financial liabilities is estimated on the basis of the maturing future payments discounted at market interest rates (level 2).

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(in thousands of Swiss Francs)	Note	December 31, 2018 Book value	Estimated fair value
Loans, receivables and cash and cash equivalents		**589'285**	**589'285**
Other assets		11'891	11'891
Trade receivables		323'810	323'810
Cash and cash equivalents	12.2	253'585	253'585
Financial liabilities at amortised cost		**(2'957'073)**	**(3'025'681)**
Bonds and accrued interests on bonds		(2'410'081)	(2'478'689)
Trade payables		(207'078)	(207'078)
Fixed assets payables		(339'915)	(339'915)
Hedging derivatives		**158'551**	**158'551**

(in thousands of Swiss Francs)	December 31, 2017 Book value	Estimated fair value
Loans, receivables and cash and cash equivalents	**607'577**	**607'577**
Other assets	14'215	14'215
Trade receivables	385'976	385'976
Cash and cash equivalents	207'387	207'387
Financial liabilities at amortised cost	**(3'098'745)**	**(3'213'713)**
Bonds and accrued interests on bonds	(2'458'841)	(2'573'809)
Trade payables	(342'340)	(342'340)
Fixed assets payables	(297'564)	(297'564)
Hedging derivatives	**248'056**	**248'056**

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Gains and losses related to financial assets and liabilities are as follows:

(in thousands of Swiss Francs)	December 31, 2018		
	Net finance costs	Other operating expenses and income	Other comprehensive income
Other non-current assets	-	-	-
Trade receivables	(6'293)	(21'929)	-
Other receivables and payables	17	-	-
Cash and cash equivalents	22	-	-
Borrowings, derivatives and other financial liabilities	(91'097)	-	(12'558)
Trade payables	9'198	-	-
Total	**(88'153)**	**(21'929)**	**(12'558)**

(in thousands of Swiss Francs)	December 31, 2017		
	Net finance costs	Other operating expenses and income	Other comprehensive income
Other non-current assets	307	-	-
Trade receivables	7'336	(20'056)	-
Other receivables and payables	16	-	-
Cash and cash equivalents	35	-	-
Borrowings, derivatives and other financial liabilities	(100'444)	111	14'462
Trade payables	(17'859)	-	-
Total	**(110'608)**	**(19'945)**	**14'462**

Other operating expenses related to the trade receivables mainly consist in the customer bad debt (please refer to the Note 12.1).

Net finance costs related to the borrowings, derivatives and other financial liabilities mainly consist in interest on bonds net of hedge effect (please refer to the Note 10.3).

Other comprehensive income is related to the cash-flow hedge (please refer to the Note 10.2).

The maturity of the financial liabilities were as follows:

(in thousands of Swiss Francs)	December 31, 2018 Net book value	December 31, 2018 Contractual Cash Flow	<1 Year	Between 1 and 5 Years	> 5 Years
Trade and long-lived asset payable	(546'992)	(546'992)	(280'906)	(131'857)	(134'229)
Bonds and accrued interests on bonds	(2'410'081)	(2'869'642)	(97'068)	(2'247'935)	(524'640)
Finance lease	(5'853)	(6'298)	(341)	(2'597)	(3'360)

(in thousands of Swiss Francs)	December 31, 2017 Net book value	December 31, 2017 Contractual Cash Flow	<1 Year	Between 1 and 5 Years	> 5 Years
Trade and long-lived asset payable	(639'904)	(639'904)	(388'503)	(112'567)	(138'834)
Borrowings - notional	(2'484'464)	(2'484'464)	-	(1'579'737)	(904'727)
Borrowings - interests		(489'140)	(86'143)	(317'756)	(85'241)
Bonds and accrued interests on bonds	(2'458'841)	(2'973'604)	(86'143)	(1'897'493)	(989'968)
Finance lease	(6'017)	(6'442)	(288)	(2'314)	(3'840)

Note 12 – Other operating results, assets, liabilities & equity

12.1 Other operating results

(in thousands of Swiss Francs)	January 1, 2018 to December 31, 2018	January 1, 2017 to December 31, 2017
Customer bad debt	(21'929)	(20'056)
Other expenses	(6'061)	(6'367)
Other operating expenses	**(27'990)**	**(26'423)**
Other income	7'855	7'127
Other operating income	**7'855**	**7'127**
Other operating results	**(20'135)**	**(19'296)**

12.2 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts.

Cash and cash equivalents at the end of the periods presented were as follows:

(in thousands of Swiss Francs)	December 31, 2018	December 31, 2017
Cash and bank balances	253'585	207'387
Cash and cash equivalents net	**253'585**	**207'387**

As at December 31, 2018, the cash included a CHF 79.8 million cash collateral covering the guarantee received from a bank in relation with the auction for frequency blocks planned in January 2019.

12.3 Other assets

Other assets mainly consist of:

	December 31, 2018			December 31, 2017		
(in thousands of Swiss Francs)	Current	Non-current	Total	Current	Non-current	Total
Financial assets at fair value through profit or loss [1]	-	23	**23**	-	23	**23**
Other non-current assets	-	8'983	**8'983**	-	8'521	**8'521**
Others	2'885	-	**2'885**	5'671	-	**5'671**
Other assets	**2'885**	**9'006**	**11'891**	**5'671**	**8'544**	**14'215**

(1)The non-consolidated investment classified as assets at fair value is related to 23% shares of Teldas AG for an amount of 23 KCHF at December 31, 2018 (23 KCHF at December 31, 2017).

(in thousands of Swiss Francs)	December 31, 2018	December 31, 2017
Prepaid external purchase	1'117	1'047
Deferred contract costs	26'762	-
Total prepaid expenses	**27'878**	**1'047**

Deferred contract costs include costs to obtain a contract and are mainly composed by commissions paid to dealers and incentives paid, directly attributable to contract acquisition. These costs are amortized when the related revenues are recognized.

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Change in contract costs over the period are as follows:

(in thousands of Swiss Francs)	Total
Balance as of January 1, 2018	25'369
Additional capitalized contract costs	21'488
Amortized contract costs	(20'095)
Balance as of December 31, 2018	**26'762**

12.4 Equity

Matterhorn Telecom Holding S.A. was incorporated under the laws of the Grand Duchy of Luxemburg on March 25, 2015. As at December 31, 2018 and December 31, 2017 the share capital is composed by 8'200'000 shares with a par value of CHF 1.

On March 17, 2017 the Company proceeded to a share premium decrease amounting to CHF 500'000'000.

On May 17, 2018 the Company proceeded to a share premium decrease amounting to CHF 90'000'000.

12.5 Other liabilities

(in thousands of Swiss Francs)	December 31, 2018	December 31, 2017
VAT payables	9'002	9'761
Income tax payable	24'123	10'030
Other	11'083	13'212
Other liabilities	**44'209**	**33'003**

Note 13 – Scope of consolidation

As at December 31, 2018, the Group consists of the following entities:

	Country of incorporation	Equity interest	Nature of business
Matterhorn Telecom Holding S.A.	Luxembourg	Parent Entity	Holding
Matterhorn Telecom S.A.	Luxembourg	100%	Holding
Matterhorn Mobile S.A.	Luxembourg	100%	Holding
Salt Mobile SA	Switzerland	100%	Communications
Salt Network SA	Switzerland	100%	Investments in Communication Network
Salt Communication S.A.	Switzerland	100%	Communications
Salt Liechtenstein AG	Liechtenstein	100%	Communications
Salt Services SA	Portugal	100%	Communications

On September 7, 2018 Salt Services SA was incorporated. This company had no activity as at December 31, 2018.

On February 24, 2017 the Group sold its subsidiary Salt France to NJJ Suisse Acquisition S.A.S. for a CHF 213 thousands.

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Note 14 – Related parties

The Group related parties consist of the intermediate holding companies, the ultimate parent company, the ultimate controlling party, companies under common control in addition to the Group's key management. The ultimate parent company is NJJ Suisse Animation SAS and the ultimate controlling party is Mr. Xavier Niel.

14.1 Directors and Executive Officers

The total remuneration of directors and executive officers is as follows:

(in thousands of Swiss Francs)	January 1, 2018 to December 31, 2018	January 1, 2017 to December 31, 2017
Board of Directors	175	27
Executive Officers	3'953	3'299
Remuneration	**4'128**	**3'326**

Remuneration mainly consists of short term benefits.

14.2 Related enterprises

The following related party transactions have been recorded (shareholders and Companies under common control):

(in thousands of Swiss Francs)	January 1, 2018 to December 31, 2018	January 1, 2017 to December 31, 2017
Shareholder		
Monitoring fees [1]	(2'076)	(1'772)
Afiiliates		
Telecom services net revenue [2]	2'412	349
Subcontracting expenses [3]	(9'409)	(6'221)
Shareholder and affiliates	**(9'073)**	**(7'644)**

(1) Monitoring fees paid to NJJ Suisse Acquisition
(2) Telecom services transactions with Free Mobile and Monaco Telecom
(3) Subcontracting purchases paid to IT Solutions Factory, Free Mobile, Monaco Telecom and NW Solutions Factory.

The following related party balances were outstanding at the end of the reporting period:

(in thousands of Swiss Francs)	December 31, 2018	December 31, 2017
Affiliates balances		
Assets		
Other current assets	5	-
Liabilities		
Other current liabilities	(688)	(182)

As at December 31, 2018, there was no recognised loss on related party receivables (December 31, 2017, nil).

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Note 15 – Unrecognised contractual commitments

To the best of Management's knowledge, there were no existing commitments, other than those described in this Note, likely to have a material effect on the current or future financial position of the Group.

The table below provides a schedule of unrecognised commitments and contractual obligations at the end of each reporting period.

15.1 Rental commitments

(in thousands of Swiss Francs)	December 31, 2018 Total	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
Rental commitments : Property [1]	239'383	60'042	51'809	31'094	25'179	20'586	50'673
Rental commitments : Vehicles	1'905	623	607	565	110	-	-
Rental commitments	**241'288**	**60'664**	**52'416**	**31'659**	**25'289**	**20'586**	**50'673**

[1] *Commitments related to offices (Zürich, Renens and Biel), shops loans and network sites*

(in thousands of Swiss Francs)	December 31, 2017 Total	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
Rental commitments : Property (1)	198'047	61'292	45'820	26'533	18'793	12'808	32'801
Rental commitments : Vehicles	321	155	79	65	22	0	-
Rental commitments	**198'368**	**61'447**	**45'899**	**26'598**	**18'815**	**12'808**	**32'801**

[1] *Commitments related to offices (Zürich, Renens and Biel), shops loans and network sites*

The increase the rental commitments are primarily due to the renewals of network site rentals agreements.

15.2 Investments and goods and services purchase commitments

In 2017, the Group signed capacity contracts that included minimum committed quantities to be undertaken in the coming years. These commitments have been reflected in the table above.

(in thousands of Swiss Francs)	December 31, 2018 Total	< 1 year	1-2 years	> 2 years
Investments commitments in network assets and transmission capacity	103'864	55'513	48'351	-
Purchase of handsets	53'168	53'168	-	-
Other commitments related to the purchase of goods and services	5'786	5'786	-	-
Investment and goods and services purchase commitments	**162'818**	**114'467**	**48'351**	**-**

(in thousands of Swiss Francs)	December 31, 2017 Total	< 1 year	1-2 years	> 2 years
Investments commitments in network assets and transmission capacity	183'710	123'217	41'066	19'436
Purchase of handsets	63'368	63'368	-	-
Other commitments related to the purchase of goods and services	10'509	10'509	-	-
Investment and goods and services purchase commitments	**257'586**	**197'093**	**41'066**	**19'436**

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15.3 Off-balance sheet commitments

The Company is obliged to respect certain financial and non-financial covenants as set out in the Revolving Credit Facility ("RCF") Agreement dated February 23, 2015 (as amended on April 15, 2015) with Société Générale (as Facility Agent).

The margin payable on drawn amounts may increase or decrease by reference to a covenant ratio. In addition, if a certain covenant ratio is not met this may result in an Event of Default as defined in the Revolving Credit Facility Agreement which may result in the cancellation of outstanding commitments and/or drawn amounts becoming immediately due and payable or payable on demand.

Certain non-financial covenants as further described in the indentures to the senior secured Notes issued by the Company and its subsidiaries are to be respected. The non- compliance may result in an Event of Default and in the principal and the accrued unpaid interest becoming due and payable immediately.

Note 16 – Share-Based Payment

The Group does not operate any share based payment plan.

Note 17 – Litigations

As at December 31, 2018, the Group had no material unprovided pending or threatened litigation with third parties.

As at December 31, 2017, the Group had no material unprovided pending or threatened litigation with third parties.

Note 18 – Subsequent events

Early 2019, the Group participated in a spectrum auction led by the ComCom and OFCOM for new mobile radio frequencies and was able to secure an appropriate allocation of spectrum in the 700MHz, 1'400MHz as well as 3'500MHz bands allowing the Group to deploy 5G coverage and to provide the next generation speeds and capacity from Day 1. The licenses in the auction will run until the end of 2033.

The Group will pay CHF 94.5 million in 2019 for the licenses.

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