Sunrise Communications Holdings S.A.

Interim Financial Report for the twelve month and three month periods ended December 31, 2012

Facts & Figures

	January 1 – December 31, 2012	January 1 - December 31, 2011	October 1 – December 31, 2012	October 1 – December 31, 2011
Results of Operations				
(in '000 CHF, except where indicated)				
Revenue				
Mobile	1,308,556	1,272,255	333,154	335,806
Landline Services	579,727	535,324	148,047	149,113
thereof voice hubbing	*129,498*	*127,109*	*32,278*	*33,315*
Landline Internet	178,192	176,277	45,086	44,326
Total Revenue	2,066,475	1,983,856	526,287	529,245
Revenue (excluding hubbing)	*1,936,977*	*1,856,747*	*494,009*	*495,928*
EBITDA[1)]	631,059	607,611	142,455	141,891
EBITDA margin (%)	30.5	30.6	27.1	26.8
EBITDA margin (excluding voice hubbing) (%)	32.6	32.7	28.8	28.6
Subscriber Base (end of period)				
(in thousands)				
Mobile subscriber base (excl. M2M)	2,141.5	2,116.0	-	-
Landline voice subscriber base	474.9	514.8	-	-
Landline internet subscriber base	369.6	370.7	-	-
thereof XDSL	367.2	366.3	-	-
thereof LLU	260.5	276.3	-	-
ARPU				
(in CHF/month)				
Mobile Services	44.5	44.4	43.3	44.7
Landline Voice Services	43.6	44.3	43.3	45.3
Landline Internet Services	35.9	35.9	36.2	35.9
Employees				
FTEs (end of period)	1,705	1,707[2)]	-	-

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

[2)] FTEs related to Business Sunrise Enterprise Solutions are not included

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Business

Overview

Sunrise Communications Holdings S.A. (the "Group" or the "Company") was incorporated under the laws of Luxembourg as of September 9, 2010. The main operating entity of the Group is Sunrise Communications AG based in Zurich, Switzerland which is the second largest telecommunications provider in Switzerland based on revenues for the twelve months ended December 31, 2012. Our integrated national mobile and landline network provides us with a strong competitive position. As an integrated service provider, we offer mobile voice and data, landline services (retail and wholesale voice, business services), landline internet and IPTV services to both residential and business customers as well as to other operators. We are the leading non-incumbent operator in both the mobile and landline retail voice markets, with 2,141.5 thousand and 474.9 thousand subscribers, respectively, as of December 31, 2012. We are also the third-largest landline internet provider with 369.6 thousand subscribers, including out Sunrise TV subscribers, as of December 31, 2012. We provide our landline services through our national landline network and our mobile services through our own mobile network based on GSM/GPRS/EDGE and UMTS/HSPA technologies.

Financial Data

The financial data in this report covers the period from January 1 to December 31, 2012.

Comparative figures for the three- and twelve-month periods ended December 31, 2012 are based on unaudited condensed consolidated interim financial statements of the Group for the three- and twelve month periods ended December 31, 2012.

Shareholders

Sunrise Communications Holdings S.A. is ultimately owned by Mobile Challenger Intermediate Group S.A., Luxembourg which itself is ultimately owned by Mobile Challenger Group S.à r.l.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Revenue
The Group's total revenue increased by 4.2% or CHF 82.6 million and amounted to CHF 2,066.5 million for the twelve month period ended December 31, 2012 compared to the same period in 2011. The growth in revenue was primarily driven by the first year full inclusion of Business Sunrise Enterprise Solutions. The Group's organic year-on-year growth in revenue for the twelve month period ended December 31, 2012 amounted to CHF 17.8 million or CHF 0.9% mainly driven by an increase in mobile revenue.

During the fourth quarter of the year 2012 the Group generated net revenues of CHF 526.3 million, a decrease of 0.6% compared to the same period in the prior year.

Mobile
Mobile revenue was up 2.9% to CHF 1,308.6 million from CHF 1,272.3 million for the twelve months ended December 31, 2012. Mobile revenues generated in the fourth quarter decreased by 0.8% to CHF 333.2 million from CHF 335.8 million. Year-on-year revenue growth in mobile communications was primarily attributable to higher postpaid revenue driven by an increase in subscriber base. The growth in mobile revenue was partially offset by lower prepaid revenue and lower 'roaming in' revenues.

Landline Services
Landline services revenue grew from CHF 535.3 million to CHF 579.7 for the twelve months ended December 31, 2012, a year-on-year increase of CHF 44.4 million, or 8.3%. Landline services revenue fell by CHF 1.1 million or 0.7% from CHF 149.1 million to CHF 148.0 million for the three months ended December 31, 2012. In the twelve-month period ended December 31, 2012, BSES – which was acquired in November 2011 – contributed with CHF 85.1 million (CHF 20.3 million in 2011) to the increase in landline services revenues. The year-on-year organic growth of landline services revenue decreased by 4.0% or CHF 20.4 million for the twelve months of the period ended December 31, 2012, mainly driven by declining retail and wholesale voice revenues.

Landline Internet
Landline internet revenue increased year-on-year from CHF 176.3 million to CHF 178.2 million, or 1.1% for the twelve months ended December 31, 2012. Landline internet revenue was CHF 45.1 million for the three months ended December 31, 2012, a year-on-year increase of CHF 0.8 million or 1.8% from CHF 44.3 million. The increase in landline internet revenue for the twelve months ended December 31, 2012, was primarily attributable to the product mix.

With the launch of IPTV services in the first quarter, the Group positioned itself as the only alternative quadruple play operator currently in Switzerland. 'Sunrise TV' continued its momentum and the subscriber base was 38.4 thousand as of December 31, 2012 with additional 8.3 thousand pending order per year end. Although the Group believes that its TV offerings will play an important role in its business going forward, they do not yet play a significant financial role in the interim condensed consolidated financial statements for the twelve months ended December 31, 2012.

Transmission Costs and Cost of Goods Sold
Transmission costs and cost of goods sold amounted to CHF 653.2 million for the twelve months ended December 31, 2012, an year-on-year increase of CHF 35.0 million, or 5.7%, from CHF 618.2 million. Transmission costs and cost of goods sold for the fourth quarter 2012 were CHF 179.3 million, an increase of CHF 4.5 million, or 2.6%, from CHF 174.8 million reported for the same period in 2011. The increase during the twelve-month period ended December 31, 2012 is mainly driven by increased cost related to BSES and a year-on-year growth of traffic volumes.

Other Operating Expenses
During the twelve-month period ended December 31, 2012 other external expenses increased by CHF 13.3 million, or by 2.2%, from CHF 594.1 million to CHF 607.4 million. The Group reports an increase of CHF 0.5 million or 0.3% from CHF 163.7 to CHF 164.2 million in other external expenses for the three months ended December 31, 2012. The increase in other operating expenses is primarily attributable to higher system and maintenance costs as well as costs related to the first year full inclusion of BSES, only partly offset by lower outsourcing costs.

Wages, Salaries and Pension Costs
Wages, salaries and pension costs were CHF 218.6 million for the twelve months ended December 31, 2012, a year-on-year increase of CHF 22.0 million, or 11.2%, from CHF 196.6 million. Wages, salaries and pension costs decreased by CHF 9.7 million, or 17.1% during the three-month period ended December 31, 2012 from CHF 56.6 million to CHF 46.9 million compared to the same period in prior year. The year-on-year increase in wages, salaries and pension costs was primarily attributable to an increase in FTEs, mainly in the

customer care organization and Sunrise shops as well as to the acquisition of BSES. The decrease of wages, salaries and pension costs recognized for the three-month period ending December 31, 2012 was primarily due to IAS 19 pension accounting (integration of BSES into the Sunrise pension fund offset by curtailment gains and benefit changes to the Sunrise pension fund) and the restructuring announced in October 2012 – the related costs being recognized as 'other expenses'.

Although the Group reports a pension liability of CHF 81.4 million in its consolidated financial IFRS financial statement as of December 31, 2012, the pension fund of Sunrise Communications AG is overfunded according to Swiss GAAP FER 26. The different results are driven by differences in valuation methods, Swiss GAAP FER 26 prescribes a static valuation method whereas IFRS (IAS 19) requests the usage of a dynamic valuation method. Therefore, the IFRS pension liability should not be regarded as a cash liability based on current facts and circumstances.

Other Income and Expenses, net

Other income and expenses, net, were CHF 43.7 million for the year ended December 31, 2012, an increase of CHF 11.0 million, from CHF 32.6 million for the year ended December 31, 2011. The increase in other income and expense was primarily attributable aperiodic settlements of leased line and interconnection charging disputes related to prior years and to an increase of net collectible early termination fees. The increase in other income was partially offset but an increase in other expenses primarily attributable to higher costs related to the change of our network outsourcing partner from Alcatel-Lucent to Huawei and costs related to the restructuring announced by Sunrise in October 2012.

EBITDA

In 2012 the Group generated an EBITDA of CHF 631.1 million, an increase of CHF 23.5 million, or 3.9%, from CHF 607.6 million for the twelve months ended December 31, 2011. The reported EBITDA was CHF 142.5 million for the fourth quarter ending December 31, 2012, a decrease of CHF 0.6 million, or 0.4%, from CHF 141.9 compared to the same period in prior year. The EBITDA contribution of BSES is not significant, as it operates with a margin between 5-6%.

Depreciation and Amortization

Depreciation and amortization recorded in 2012 were up to CHF 396.1 million from CHF 373.5 million, a year-on-year increase of CHF 22.6 million, or 6.1%. Depreciation and amortization amounted to CHF 120.9 million for the three months ended December 31, 2012, an increase of CHF 20.5 million, or 20.4%, from CHF 100.4 million. The increase in depreciation and amortization was primarily driven by the replacements of our mobile radio network with multi standard radio equipment performed during the fourth quarter 2012.

Change in Networking Capital

Change in net working capital reported was a decrease of CHF 35.9 million for the year ended December 31, 2012. For the three months period ending December 31, 2012, the change in networking capital was CHF 117.0 million, an increase of CHF 47.9 million, or 69.2% from CHF 69.1 million for the three months ended December 31, 2011.
The decrease for the full year 2012 and the increase for the last quarter of 2012 was primarily attributable to changes in trade and other payables driven by a change in Capex spending patterns and favourable payment conditions negotiated with the multi service provider. Please refer to note 12 for further information.

Liquidity and Capital Resources

The Group reported cash and cash equivalents amounting to CHF 170.6 million as of December 31, 2012, a decrease of CHF 314.8 million compared to the cash position held by the Group as of December 31, 2011. The decrease is primarily attributable to the redemption of term loans in July 2012, the payment of the first installment of the spectrum license in August 2012 and the redemptions of PECs plus accrued interest in relation to the early repayment of the PIK note at Mobile Challenger Intemediate Group S.A.

The Group's consolidated net debt position – consisting of floating rate notes, senior secured notes, senior notes and capital leases - amounted to CHF 2,305.0 of which CHF 5.6 million are expected to be paid within 12 months (refer to note 10 for further details on these borrowings).

Certain Other Contractual Commitments

As of December 31, 2012 the Group's other contractual commitments amounted to CHF 247.8 million relating to operating lease agreements, maintenance contracts as well as open purchase commitments.

Purchase Price Allocation (PPA) & Embedded derivatives

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

Following the refinancing transaction in July 2012, the Group recognized embedded derivatives in its financial statements. These embedded derivatives represent early redemption options related to financial instruments issued by the Group. The fair value of the embedded derivatives amounted to CHF 32.4 million as of December 31, 2012, an increase of CHF 7.5 from CHF 24.5 reported as of September 30, 2012 .

For clarity of the underlying operational performance, the following table shows the condensed consolidated interim statements of income excluding the fair value adjustments made in relation with the acquisition of Sunrise Communications AG and the embedded derivatives.

Effect of FV adjustments resulting from acquisition of Sunrise Communications AG & embedded derivatives on the Condensed Consolidated Interim Statements of Income
This table has been added for clarity reasons on the operational income of the Group

CHFk

	January 1 - December 31, 2012 Before FV adjustments & Embedded derivatives	January 1 - December 31, 2012 Impact of FV adjustments & Embedded derivatives	January 1 - December 31, 2012 Including FV adjustments & Embedded derivatives
Revenue	**2,067,655**	**(1,180)**	**2,066,475**
Transmission costs and cost of goods sold	(653,128)	-	(653,128)
Other operating expenses	(607,387)	-	(607,387)
Wages, salaries and pension costs	(218,555)	-	(218,555)
Total operating expenses before other income and expenses, depreciation and amortization	**(1,479,070)**	**-**	**(1,479,070)**
Other income	76,196	4,290	80,486
Other expenses	(36,833)		(36,833)
Income before depreciation and amortization, net financial items and income taxes	**627,948**	**3,110**	**631,058**
Amortization and depreciation	(242,762)	(153,373)	(396,135)
Operating income	**385,186**	**(150,263)**	**234,923**
Net financial items [1]	**(231,603)**	**32,042**	**(199,560)**
Income/(loss) before income taxes	**153,583**	**(118,221)**	**35,363**
Income taxes	(13,864)	(2,280)	(16,444)
Net income/(loss)	**139,719**	**(120,502)**	**19,219**

[1] Thereof CHFm 32.4 related to embedded derivatives which represent early redemption options related to financial instruments issued by the Group.

Principal Factors Affecting Mobile Services Revenues

Mobile Subscriber Base and ARPU Development

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

Mobile Subscriber Base	December 31, 2012	December 31, 2011
		'000
Subscribers at end of period[1]	2,141.5	2,116.0
Subscriber growth over prior period	*1.2%*	
Of which:		
Postpaid[1][2]	1,181.1	1,104.7
Prepaid[1][3]	960.4	1,011.3

(1) Excludes MVNO subscribers but includes reseller-originated and yallo subscribers. Excludes machine-to-machine SIM cards (M2M).
(2) Postpaid mobile subscribers are counted in our subscriber base as long as they have an active contract.
(3) Prepaid mobile subscribers are counted in our subscriber base if they have had an activity event, such as a usage or refill, within the last 91 days.

Mobile ARPU	January 1 - December 31, 2012	January 1 - December 31, 2011	October 1 – December 31, 2012	October 1 – December 31, 2011
				CHF/month
Mobile ARPU[1]	44.5	44.4	43.3	44.7
Growth over prior period	*0.2%*		*(3.1%)*	

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

The total number of our mobile subscribers grew by 25.5 thousand or 1.2%, to 2.14 million as of December 31, 2012 from 2.12 million as of December 31, 2011. The Group believes that new subscriber activations during this period were primarily attributed to its competitive flat rate and mobile data plans as well as attractive hardware offers.

Mobile ARPU rose by CHF 0.1, or 0.2%, to CHF 44.5 for the twelve months ended December 31, 2012, from CHF 44.4 for the twelve months ended December 31, 2011. Mobile ARPU for the three months ended December 31, 2012 decreased by CHF 1.4, or 3.1% from CHF 44.7 to CHF 44.3 year-on-year. The annual ARPU increase is primarily attributable to a change in the our customer mix towards customers subscribing to higher value rate plans such as flat rate subscriptions and a migration from prepaid to postpaid subscribers generating higher average revenue per user. We believe that the quarterly ARPU decrease is primarily driven by the mobile price reductions introduced in July 2012 resulting in new customers joining with lower ARPUs and existing customers migrating to our new competitive flat rate and mobile data plans.

Mobile Churn

Our prepaid and postpaid blended mobile churn rate for the twelve months ended December 31, 2012 increased to 37.1% from 36.4% year-on-year, which we attribute primarily to an increased churn in our prepaid segment, partly due to pre- to postpaid migrations.

Mobile Termination Rates

The applicable mobile termination rates for 2011 and 2012 are CHF 0.07 per minute for mobile calls terminating on Swisscom's mobile network and CHF 0.0875 per minute for mobile calls terminating on either Orange's network or our network.

Principal Factors Affecting Landline Services Revenues

Subscriber Base

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

Retail Voice Subscriber Base [1]		'000
	December 31, 2012	December 31, 2011
Retail Voice	474.9	514.8
Decrease over prior period	*(7.8%)*	
Of which:		
LLU	272.3	276.3
Growth over prior period	*(1.4%)*	

(1) In our retail voice business, we report subscribers based on activity within the last month.

The total number of our retail voice subscribers decreased by 39.9 thousand, or 7.8%, as of December 31, 2012 to 474.9 thousand from 514.8 thousand as of December 31, 2011. We attribute the decrease to the departure of retail voice-only CPS customers, including customers acquired as part of the acquisition of Tele2 Switzerland in 2008 as well as clients churning from our retail voice network off the Sunrise network or are substituting their service with mobile services.

ARPU

The table below sets forth our retail voice ARPU for the periods indicated.

Landline Services ARPU				CHF / month
	January 1 - December 31, 2012	January 1 - December 31, 2011	October 1 – December 31, 2012	October 1 – December 31, 2011
Retail Voice ARPU [1]	43.6	44.3	43.3	45.3
Growth / (Decrease) over prior period	*(1.6%)*		*(4.4%)*	

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

Retail voice ARPU decreased by CHF 0.7, or 1.6%, to CHF 43.6 for the twelve months ended December 31, 2012, from CHF 44.3 for the previous period ended December 31, 2011. Retail voice ARPU fell from 45.3 to 43.3 or by 4.4% during the three months ended December 31, 2012 compared to the same period in prior year. We attribute the year-on-year decrease for the twelve month period primarily to the reduction in voice volumes.

Principal Factors Affecting Landline Internet Revenues

Subscriber Base

The table below sets forth selected subscriber data for our landline internet subscribers, including Sunrise TV subscribers.

Landline Internet Subscriber Base[1]		'000
	December 31, 2012	December 31, 2011
Landline internet	369.6	370.7
Growth over period	*(0.3%)*	
Of which:		
Broadband BBCS	106.7	90.0
Increase over period	*18.6%*	
Broadband LLU	260.5	276.3
Decrease over period	*(5.7%)*	

(1) In our landline internet business, we report broadband connectivity services (BBCS) subscribers without ARB based on technical installations, while we report BBCS subscribers with ARB and LLU subscribers based on the number of active contracts. We currently pay fees to Swisscom of CHF 15.80 per month for each LLU line and CHF 28.00 per month for each BBCS line.

The total number of our landline internet subscribers fell by 1.1 thousand or 0.3%, from 370.7 thousand to 369.6 thousand as of December 31, 2012 year-on-year. The total number of broadband subscribers, including both LLU and BBCS services likewise was up to 367.2 from 366.3, or 0.3% for the period ending December 31, 2012 compared to the same period in prior year. Internet only and voice/internet bundles declined whilst increasing Sunrise TV customers (bundling of voice/internet and IPTV) help to maintain the subscriber base.

ARPU

The table below sets forth our landline internet ARPU for the periods indicated.

Landline Internet ARPU				CHF / month
	January 1 - December 31, 2012	January 1 - December 31, 2011	October 1 - December 31, 2012	October 1 - December 31, 2011
Landline Internet ARPU [1]	35.9	35.9	36.2	35.9
Decrease over period	-		*0.8%*	

(1) We define landline internet ARPU as the total landline internet ADSL revenue in the period divided by the average number of landline internet ADSL subscribers in the period, which is subsequently divided by the number of months in the period. The average number of landline internet ADSL subscribers in a period is calculated by adding together the number of landline internet ADSL subscribers at the beginning and end of each month during the period, dividing by two and then averaging the results from all months during the period. For purposes of calculating landline internet ARPU, landline internet revenue includes revenue generated from monthly subscription fees but does not include dial-up revenue and revenue from the sale of customer premises equipment, such as modems.

Landline internet ARPU remained stable at CHF 35.9 year-on-year for the twelve months ended December 31, 2012. Landline internet ARPU increased by CHF 0.3, or 0.8%, to CHF 36.2 for the three months ended December 31, 2012, from CHF 35.9 for the three months ended December 31, 2011. The ARPU development is driven by changes to the product mix.

Material affiliate transactions

Sunrise Communications AG acts as a central counterparty to external financial institutions for all derivative instrument transactions of the Group (refer to note 11). Where necessary, back-to-back agreements are in place between Sunrise Communications AG and the respective debt holding group entities mirroring the external agreements with financial institutions.

During the reporting period, the Group repaid PECs and accrued interests in the amount of CHF 86.8 million to Mobile Challenger Intermediate Group S.A. which used the proceeds to repay EUR 69.0 million of PIK plus accrued interests.

As of October 9, 2012 Sunrise Communications AG, Zurich and Business Sunrise Enterprise Solutions GmbH (formerly NextiraOne Switzerland GmbH), Kloten, legally merged. All assets and liabilities of Business Sunrise Enterprise Solutions GmbH have been assumed by Sunrise Communications AG.

Material contractual arrangements

Sunrise Communications AG extended the original termination period with Alcatel-Lucent for the construction and maintenance of its entire telecommunications network until August 30, 2012 in order to ensure a smooth hand-over of activities.

For further expansion, operation, and maintenance of its mobile and fixed networks, Sunrise Communications AG has elected Huawei as its new technology partner. The agreement has become effective starting September 1, 2012.

As part of the refinancing transaction, Sunrise Communications International S.A. terminated the existing Senior Facilities Agreement on July 19, 2012 and entered into a new Revolving Credit Facility on July 9, 2012. Furthermore, Sunrise restructured existing cross-currency swaps and entered into new cross-currency swaps to hedge its foreign currency exposure related to senior secured and floating rate notes issued in July 2012.

Further details on the refinancing transaction can be found under 'Material debt instruments' in the next chapter.

Material debt instruments

In March and June 2012, the Company made partial repayments and early repayments on Term Loans A and B amounting to CHF 13.5 million and CHF 30.9 million respectively.

As part of the refinancing transaction, Sunrise Communications International S.A. successfully issued on July 19, 2012 new senior secured notes and floating rate notes as well as a tap offering. This refinancing transaction consisted of:

- a new offering of CHF 175.0 million aggregate principal amount of its floating rate senior secured notes due 2017, bearing interest at a per annum rate equal to CHF LIBOR plus 5½%,
- a new offering of €167.0 million (equivalent to approximately CHF 201.1 million) aggregate principal amount of its floating rate senior secured notes due 2017, bearing interest at a per annum rate equal to EURIBOR plus 4¾%.
- a tap offering of €125.0 million including a 5½%, premium (equivalent to approximately CHF 158.4 million) aggregate principal amount of its existing 7% fixed rate senior secured notes due 2017,
- a new offering of CHF 370.0 million aggregate principal amount of its 5⅝% fixed rate senior secured notes due 2017.

With the proceeds from these new bonds and cash and cash equivalents on balance sheet, the Group redeemed, on the same date, all outstanding term loans which triggered a termination of the existing Senior Facilities Agreement ('SFA'). In addition, Sunrise Communications International S.A. and Skylight S.à r.l entered into a CHF 250 million Revolving Credit Facility ('RCF') on July 9, 2012, to replace the existing revolving credit and acquisition facilities under the SFA.

Following the refinancing transaction in July 2012, the Group recognized embedded derivatives in its financial statements. These embedded derivatives represent early redemption options related to financial instruments issued by the Group. The fair value of the embedded derivatives amounted to CHF 32.4 million as of December 31, 2012.

Please refer to note 10 of the IFRS financial statements for further information.

Credit Ratings

On April 20, 2012, Standard & Poor's Ratings Services ('S&P') lowered our long-term corporate credit rating from 'BB-' to 'B+'. The outlook is stable. At the same time, the ratings on Sunrise's senior secured notes were lowered from 'BB' to 'BB-' and on the group's subordinated notes from 'B' to 'B-'.

On May 23, 2012 Sunrise received a new initial credit rating from Fitch Ratings Ltd. ('Fitch'). Fitch assigned Sunrise a Foreign Currency Long-Term Issuer Default Rating (IDR) of 'BB-'. The Senior Credit Facilities and Senior Secured Notes were rated 'BB' and the Senior Notes 'B'.

Material risk factors

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

All identified risks are quantified (according to their realization probability and impact) and tracked on a risk schedule. This risk schedule is subject to an annually repeated detailed discussion process in the Group's Board of Directors. The permanent observation and control of risks is a management objective. A follow-up on the long-term measures was performed for 2012.

On June 25, 2012 Swisscom announced new flat-rate postpaid mobile tariffs. Swisscom's flat-rate plans are now based on access speed, which represents a new model not yet tested in the Swiss market.

Except for the new price-plan announcement made by Swisscom, no changes to any material risk factor associated with the Group occurred during the twelve-month period ended December 31, 2012.

The recent development on the FX market and the strong Swiss franc does not have a material effect on the Group, as Sunrise is predominantly active in the domestic market. The foreign currency risk arising from loans and notes denominated in Euros have been fully and the interest rate risk arising from external loans and notes have been partially hedged by the Group.

Material recent developments

Sunrise successfully participated at the spectrum auction of all mobile frequencies that ended on February 22, 2012, and secured almost 40% of the valuable sub-GHz frequency bands. Frequency bands were awarded until 2028 to existing mobile network operators.

Sunrise acquired a total of 160 MHz (up/down), spread out over 16 blocks for CHF 481.7 million. A breakdown of the individual frequency blocks is shown below:

- 2 blocks with 10 MHz each within the 800 MHz range/digital dividend (Category A)
- 3 blocks with 10 MHz each within the 900 MHz range (Category B)
- 4 blocks with 10 MHz each within the 1800 MHz range (Category D)
- 2 blocks with 10 MHz each within the 2100 MHz range (Category H)
- 5 blocks with 10 MHz each within the 2600 MHz range (Category I)

On June 6, 2012, Sunrise Communications AG received the concession for the mobile license spectrum awarded from the Federal Communications Commission (ComCom). Sunrise Communications AG opted to pay the license fee in three installments which are the following:

- 60% or CHF 289.0 million were due and paid on August 6, 2012
- 20% or CHF 96.35 million are due on June 30, 2015 including 3% compounding interest
- 20% or CHF 96.35 million are due on December 31, 2016 including 3% compounding interest

On October 24, 2012 Sunrise Communications AG, announced a restructuring program in order to establish leaner and more efficient structures. Within the framework of this new set-up, Sunrise Communications AG announced a reduction of its workforce by 140 employees. A social plan applies to the employees affected by the restructuring.

Material acquisition, disposals and recapitalizations

Except for the spectrum license acquisition and the refinancing transaction outlined above, no material acquisitions, disposals and recapitalizations occurred within the twelve months reporting period ended December 31, 2012.

Sunrise Communications Holdings S.A.

Condensed consolidated interim financial statements for the twelve-month period ended December 31, 2012 (unaudited)

Condensed Consolidated Interim Statements of Income CHFk

	Note	January 1– December 31, 2012 Unaudited	January 1– December 31, 2011 Unaudited	October 1– December 31, 2012 Unaudited	October 1– December 31, 2011 Unaudited
Revenue	**5,6**	**2,066,475**	**1,983,856**	**526,287**	**529,244**
Transmission costs and cost of goods sold		(653,128)	(618,167)	(179,309)	(174,776)
Other operating expenses		(607,387)	(594,125)	(164,150)	(163,660)
Wages, salaries and pension costs		(218,555)	(196,605)	(46,913)	(56,584)
Total operating expenses before other income and expenses, depreciation and amortization		**(1,479,070)**	**(1,408,897)**	**(390,372)**	**(395,020)**
Other income		80,486	49,198	18,661	5,100
Other expenses		(36,833)	(16,546)	(12,121)	2'567
Income before depreciation and amortization, net financial items and income taxes		**631,058**	**607,611**	**142,455**	**141,891**
Amortization		(194,386)	(191,057)	(50,001)	(52,731)
Depreciation		(201,749)	(182,404)	(70,856)	(47,685)
Operating income		**234,923**	**234,150**	**21,598**	**41,475**
Foreign currency gains / (losses), net		9,310	32,437	2,187	(1,431)
Financial income		151,633	155,606	38,027	29,619
Financial expenses		(360,503)	(379,025)	(78,282)	(77,797)
Net financial items	**8**	**(199,560)**	**(190,982)**	**(38,068)**	**(49,609)**
Income/(loss) before income taxes		**35,363**	**43,168**	**(16,470)**	**(8,134)**
Income taxes		(16,144)	(32,516)	(2,612)	(4,585)
Net income/(loss)		**19,219**	**10,652**	**(19,082)**	**(12,719)**
Net income/(loss) attributable to equity holders of the Company		**19,219**	**10,652**	**(19,082)**	**(12,719)**

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

Condensed Consolidated Interim Statements of Comprehensive Income CHFk

	Note	January 1– December 31, 2012 Unaudited	January 1– December 31, 2011 Unaudited	October 1– December 31, 2012 Unaudited	October 1– December 31, 2011 Unaudited
Net Income		**19,219**	**10,652**	**(19,082)**	**(12,719)**
Actuarial losses related to defined benefit pension plans		(11,587)	(30,933)	(1,481)	(42,219)
Income taxes on actuarial losses		2,476	6,558	311	8,866
Cash flow hedge gains		39,471	2,373	4,197	(1,551)
Income taxes on cash flow hedges		(622)	585	(41)	1,317
Other comprehensive income/(loss)		**29,738**	**(21,417)**	**2,986**	**(33,587)**
Total comprehensive income/(loss)		**48,957**	**(10,765)**	**(16,096)**	**(46,306)**
Comprehensive loss attributable to equity holders of the Company		**48,957**	**(10,765)**	**(16,096)**	**(46,306)**

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

Condensed Consolidated Interim Statements of Financial Position

Assets			CHFk
	Note	December 31, 2012 Unaudited	December 31, 2011 Unaudited
Non-current assets			
Intangible assets	13	2,849,595	2,527,227
Property, plant and equipment		935,957	944,859
Derivative financial assets	11	32,403	60
Other non-current assets	13	153	13,305
Total non-current assets		**3,818,108**	**3,485,451**
Current assets			
Inventories		35,792	28,849
Trade and other receivables		336,058	323,057
Prepaid expenses		24,665	26,848
Other financial assets	13	-	100,102
Cash and cash equivalents		170,601	485,387
Total current assets		**567,116**	**964,243**
Total assets		**4,385,224**	**4,449,694**

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

Condensed Consolidated Interim Statements of Financial Position

Equity and liabilities CHFk

	Note	December 31, 2012 Unaudited	December 31, 2011 Unaudited
Equity			
Common shares, share premium and PECs	9	848,519	932,574
Valuation reserve		(26,144)	(64,993)
Accumulated deficit		(34,204)	(41,520)
Total equity		**788,171**	**826,061**
Non-current liabilities			
Non-current portion of loans and notes	10	2,264,608	2,364,521
Non-current portion of financial leases	10	34,744	41,167
Non-current trade and other payables	13	195,000	-
Deferred tax liabilities		240,470	236,956
Provisions		113,916	105,011
Employee benefit obligations		81,430	76,357
Derivative liabilities	11	175,513	202,991
Deferred income		17,483	24,139
Total non-current liabilities		**3,123,164**	**3,051,142**
Current liabilities			
Current portion of loans and notes	10	-	62,500
Current portion of financial leases	10	5,634	5,289
Trade and other payables	13	369,904	395,020
Income tax payable		17,285	23,357
Deferred income		46,676	56,180
Provisions		31,668	27,845
Other current liabilities		2,722	2,300
Total current liabilities		**473,889**	**572,491**
Total liabilities		**3,597,053**	**3,623,633**
Total equity and liabilities		**4,385,224**	**4,449,694**

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

Condensed Consolidated Interim Statements of Cash Flow CHFk

	Note	January 1– December 31, 2012 Unaudited	January 1– December 31, 2011 Unaudited	October 1 – December 31, 2012 Unaudited	October 1 – December 31, 2011 Unaudited
Income before income taxes		**35,363**	**43,168**	**(16,471)**	**(8,134)**
Amortization		194,386	191,057	50,001	52,731
Depreciation		201,749	182,404	70,856	47,685
Net gain on disposal of property, plant and equipment		(352)	(111)	(11)	-
Movement in pension		(6,107)	(2,049)	(6,355)	(3,579)
Movement in provisions		3,056	(195)	1,860	(138)
Change in net working capital	12	(35,866)	20,278	116,978	69,127
Cash flow from operating activities before net financial items and tax		**392,229**	**434,552**	**216,858**	**157,692**
Financial income		(151,633)	(155,606)	(38,027)	(29,619)
Financial expense		360,503	379,025	78,282	77,797
Foreign currency gains/(losses), net		(6,458)	(32,262)	(396)	1,575
Interest received		204,385	120,719	96,772	51,124
Interest paid		(379,718)	(311,752)	(176,255)	(124,450)
Corporate income and withholding tax paid		(35,646)	(67,498)	15,377	(692)
Total cash flow from operating activities		**383,662**	**367,178**	**192,611**	**133,427**
Acquisition of a subsidiary, net of cash acquired		-	(38,019)	-	(38,019)
Purchase of property, plant and equipment		(189,850)	(121,935)	(79,899)	(63,360)
Purchase of intangible assets		(324,043)	(30,390)	(11,739)	(11,906)
Sale of property, plant and equipment		11,208	111	(256)	-
Investments in other financial assets		-	(100,102)	-	223,405
Short-term deposit reclassified to/from cash and cash equivalents during the period		100,052	-	-	-
Total cash flow used in investing activities		**(402,633)**	**(290,335)**	**(91,894)**	**110,120**
Redemption of PECs		(86,847)	-	(86,847)	-
Proceeds from long-term loans and notes		891,415	320,754	-	1,832
Repayments of long-term loans and notes		(1,093,656)	(37,500)	-	(18,750)
Repayments of capital leases		(5,439)	(4,689)	(1,604)	(1,101)
Total cash flow used in financing activities		**(294,527)**	**278,565**	**(88,451)**	**(18,019)**
Total cash flow		**(313,498)**	**355,408**	**12,266**	**225,528**
Cash and cash equivalents at January 1		485,387	126,754	-	-
Cash and cash equivalents at October 1		-	-	159,299	259,812
Foreign currency impact on cash		(1,288)	3,225	(964)	47
Cash and cash equivalents at December 31		**170,601**	**485,387**	**170,601**	**485,387**

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

Consolidated Statements of Changes in Equity						CHFk
	Common shares	Share premium	PECs	Valuation reserve	Accumulated deficit	Total
Equity at January 1, 2012	1,000	125,876	805,698	(64,993)	(41,520)	826,061
Net income for the period	-	-	-	-	19,219	19,219
Other comprehensive income	-	-	-	38,849	(9,111)	29,738
Total comprehensive income	**-**	**-**	**-**	**38,849**	**10,108**	**48,957**
Repayment of PEC's	-	-	(84'055)	-	(2,792)	(86,847)
Equity at December 31, 2012	**1,000**	**125,876**	**721,643**	**(26,144)**	**(34,204)**	**788,171**

Consolidated Statement of Changes in Equity						CHFk
	Common shares	Share premium	PECs	Valuation reserve	Accumulated deficit	Total
Equity at January 1, 2011	1,000	125,876	805,698	(67,951)	(27,797)	836,826
Net income for the period	-	-	-	-	10,652	10,652
Other comprehensive income / (loss)	-	-	-	2,958	(24,375)	(21,417)
Total comprehensive income	**-**	**-**	**-**	**2,958**	**(13,723)**	**(10,765)**
Equity at December 31, 2011	**1,000**	**125,876**	**805,698**	**(64,993)**	**(41,520)**	**826,061**

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

Notes to Condensed Consolidated Interim Financial Statements

Overview

Note 1 General information

Sunrise Communications Holdings S.A. (the "Company" or the "Group") has its registered office at Avenue Monterey 20, L-2163 Luxembourg. Sunrise Communications Holdings S.A. holds indirectly 100% of its principal operating company, Sunrise Communications AG, which has its registered office at Binzmühlestrasse 130, CH-8050 Zurich, Switzerland.

Sunrise Communications AG is the second-largest full-range telecommunications provider in Switzerland, and offers mobile voice and data, landline services (retail and wholesale voice, business and integration services), landline internet including IPTV services to both residential and business customers, as well as to other operators. Sunrise has its own national backbone landline and ISP network, as well as its own mobile network based on GSM/EDGE and UMTS/HSDPA technology. In connection with the provision of services Sunrise resells handsets manufactured by well known suppliers.

These consolidated interim financial statements were approved for issue by the Company's Board of Directors on March 6, 2013.

Note 2 Basis of preparation

These financial statements are the condensed consolidated interim financial statements of Sunrise Communication Holdings S.A. as of and for the twelve months ended December 31, 2012.

They have been prepared in accordance with IAS 34, "Interim financial reporting" – as adopted by the European Union – and should be read in conjunction with the Consolidated Financial Statements for the year ended December 31, 2012.

Seasonality
The business of the Group does not present pronounced cyclical patterns.

Foreign currency translation
The consolidated financial statements are presented in CHF which is the functional currency of the Parent Company and each of its subsidiaries.

The following summarizes the principal exchange rates used by the Group:

Currency:	Balance Sheet		Income Statement and Cash Flow	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Euro	1.2077	1.2168	1.2196	1.2524
USD Dollar	0.9154	0.9381	0.9481	0.9010

Note 3 Accounting estimates and judgments, changes in accounting estimates and presentation

Accounting estimates and judgments
The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Those estimates affect mainly provisions, goodwill impairment tests, employee benefit obligations, allowance for doubtful receivables and taxes. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the period ended December 31, 2011 except for the changes disclosed in the section underneath and the discount rates used for the determination of the Group's employee benefit obligations. The change of the discount rate was the main reason for the increase of the employee benefit obligation amounting to CHF 5.0 million reported by the Group for the twelve-month period ending December 31, 2012.

Changes in accounting estimates and presentation
The refinancing transaction in July 2012 resulted in a shift from a mixed term loan and bonds to an all-bonds financing structure. As a consequence, the Group *changed its estimate* with respect to the valuation of embedded derivatives. Embedded derivatives represent early redemption options related to financial instruments

issued by the Group. The change in fair value of the embedded derivatives amounted to CHF 32.4 million in 2012 (CHF 7.5 million in the three-month period ended December 31, 2012) and is shown as Derivative asset in the Statement of Financial Position. Changes in fair value are recognized in the Statement of Income in 'net financial items'.

As stated in the annual report for the year ended December 31, 2011, the Group decided to change the presentation of early termination fees (ETF). Early termination fees result from the early termination of a legal contract either by the Group due to a defaulting customer or by the customer itself. Those charges are considered to be compensation of damages as they do not constitute the core business of Sunrise and the majority of the charges relate to customers defaulting on their payments. In prior years, these revenues were recognized gross in 'revenue' and the uncollectible part was recognized in 'other operating expenses' as a bad debt expense. Following the change in presentation, the Group recognizes the collectible amount of early termination fees in 'other and expenses, net' and the non-collectible part in 'other operating expenses'. This *change in presentation* required a reclassification of the collectible amount of the early termination fees from 'revenue' to 'other income and expenses, net' and a reclassification of the uncollectible part from 'revenue' to 'other operating expenses'. As a result the net collectible early termination fees are shown in 'other income and expenses'.

The Group incorrectly computed the reclassification in connection with the change in presentation reported in 2011. This incorrect reclassification identified by the management resulted in an incorrect presentation of prior year figures in 'other income and expenses, net' and in 'other operating expenses' but did not impact the reported EBITDA. The impact on various line items is set out in the table below. Prior year consolidated income statement and prior year figures reported in notes 5, 6, and 7 have been aligned accordingly.

Change in presentation with respect to Early termination fees (ETF)

	October 1 - December 31, 2011 Reported	October 1 - December 31, 2011 Restated	January 1 - December 31, 2011 Reported	January 1 - December 31, 2011 Restated
Revenue				
Before ETF reclass	536,006	540,337	2,016,230	2,025,811
ETF reclass	(6,762)	(11,093)	(32,464)	(41,955)
Including ETF reclass	**529,244**	**529,244**	**1,983,856**	**1,983,856**
Other operating expenses				
Before ETF reclass	(165,969)	(170,299)	(608,446)	(617,935)
ETF reclass	2,173	6,640	16,416	23,811
Including ETF reclass	(163,796)	(163,660)	(592,030)	(594,125)
Other income and (expenses), net				
Before ETF reclass	3,214	3,214	14,510	14,510
ETF reclass	4,589	4,453	16,047	18,142
Including ETF reclass	7,803	7,667	30,557	32,652
Income before depreciation and amortization, net financial items and income taxes				
Before ETF reclass	141,891	141,891	607,611	607,611
ETF reclass	-	-	-	-
Including ETF reclass	**141,891**	**141,891**	**607,611**	**607,611**

Note 4 New accounting standards

The Group applied all standards and interpretations which had become effective for the financial year beginning January 1, 2012.

The following new standards and amendments to standards are effective for the first time for the financial year beginning January 1, 2012.

Amendments to IAS 12 “Income taxes: deferred income taxes on the recovery of underlying assets”. The amendment did not impact the Group’s result and financial position.

Note 5 Segment reporting

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

Residential provides fixed line and mobile services to residential end customers. Through its investments in local-loop unbundling (LLU) and IPTV, Sunrise focuses on selling its products in the Swiss telecommunications market by marketing bundled offers in Fixnet/Internet, Mobile and IPTV.

Business provides a full range of products and services, from fixed-line and mobile communications to internet and data services as well as integration services to different business areas: Single office and home office (‘Soho’), small and medium enterprises (‘SME’), and large corporate clients.

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

Head Office activities comprise support units such as Network, IT and Customer Care as well as staff functions like Finance, HR and Strategy. Furthermore certain fees and sundry revenues and payments of reminder fees are allocated to this operating segment.

The accounting policies applicable to the reportable segments are the same as the Group’s accounting policies that are applied to the consolidated financial statements for the period ended December 31, 2012 as disclosed in Note 6 above.

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

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

Activities CHFk

	Residential		Business		Wholesale[1)]		Head Office activities		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Revenue										
External customers	1,440,707	1,441,336	347,284	260,149	264,948	270,105	13,536	12,266	2,066,475	1,983,856
Intra-segment revenue	-	-	-	-	13,878	21,088	-	-	13,878	21,088
Total	**1,440,707**	**1,441,336**	**347,284**	**260,149**	**278,826**	**291,193**	**13,536**	**12,266**	**2,080,353**	**2,004,944**
Transmission costs and costs of goods sold										
External customers	(371,465)	(382,564)	(119,892)	(76,773)	(161,811)	(158,830)	41	-	(653,128)	(618,167)
Inter-segment costs	-	-	-	-	(13,878)	(21,088)	-	-	(13,878)	(21,088)
Total	**(371,465)**	**(382,564)**	**(119,892)**	**(76,773)**	**(175,689)**	**(179,918)**	**41**	**-**	**(667,006)**	**(639,255)**
Other operating expenses	(298,675)	(311,339)	(46,212)	(41,899)	(6,426)	(4,230)	(256,075)	(236,656)	(607,387)	(594,125)
Wages, salaries and pension costs	(51,271)	(47,735)	(58,153)	(32,057)	(8,832)	(7,885)	(100,299)	(108,927)	(218,555)	(196,605)
Other income	17,965	16,433	3,140	1,707	-	-	59,381	31,507	80,486	49,198
Other expenses	-	-	-	-	-	-	(36,833)	(16,546)	(36,833)	(16,546)
EBITDA	**737,261**	**716,130**	**126,167**	**111,127**	**87'879**	**99,160**	**(320,249)**	**(318,806)**	**631,058**	**607,611**

1) Including hubbing revenue of CHFk 129,498 generated in 2012 and CHFk 127,109 generated in 2011

Activities CHFk

	Residential		Business		Wholesale[1)]		Head Office activities		Total	
	October 1 – December 31, 2012	October 1 - December 31, 2011	October 1– December 31, 2012	October 1 - December 31, 2011	October 1– December 31, 2012	October 1 - December 31, 2011	October 1– December 31, 2012	October 1 - December 31, 2011	October 1– December 31, 2012	October 1 - December 31, 2011
Revenue										
External customers	365,540	374,554	91,586	83,334	65,281	66,977	3,880	4,379	526,287	529,244
Intra-segment revenue	-	-	-	-	3,079	4,440	-	-	3,079	4,440
Total	**365.540**	**374,554**	**91.586**	**83,334**	**68.360**	**71,417**	**3,880**	**4,379**	**529,365**	**533,683**
Transmission costs and costs of goods sold										
External customers	(106,589)	(105,707)	(33,295)	(28,006)	(39,421)	(41,063)	(4)	-	(179'309)	(174,776)
Inter-segment costs	-	-	-	-	(3,079)	(4,440)	-	-	(3,079)	(4,400)
Total	**(106,589)**	**(105,707)**	**(33,295)**	**(28,006)**	**(42,500)**	**(45,503)**	**(4)**	**-**	**(182'388)**	**(179,126)**
Other operating expenses	(65,903)	(81,465)	(12,023)	(14,560)	(1,388)	(347)	(84,836)	(67,288)	(164,150)	(163,660)
Wages, salaries and pension costs	(11,217)	(12,862)	(14,961)	(11,926)	(1,431)	(1,938)	(19,304)	(29,857)	(46,913)	(56,584)
Other income	4,413	4,056	767	397	-	-	13,481	647	18,661	5,100
Other expenses	52	-	-	-	-	-	(12,172)	2'567	(12,121)	2,567
EBITDA	**186,296**	**178,576**	**32,074**	**29,238**	**23,041**	**23,629**	**(98,956)**	**(89,552)**	**142,455**	**141,891**

[1)] Including hubbing revenue of CHFk 32,278 generated in 2012 and CHFk 33,315 generated in 2011

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

	January 1– December 31, 2012 Unaudited	January 1– December 31, 2011 Unaudited	October 1– December 31, 2012 Unaudited	October 1– December 31, 2011 Unaudited
EBITDA from reportable segments	631,058	607,611	142,455	141,891
Unallocated:				
Amortization	(194,386)	(191,057)	(50,001)	(52,731)
Depreciation	(201,749)	(182,404)	(70,865)	(47,685)
Net financial items	(199,560)	(190,982)	(38,068)	(49,609)
Consolidated net income before income taxes	**35,363**	**43,168**	**(16,470)**	**(8,134)**

Note 6 Revenue CHFk

	January 1– December 31, 2012 Unaudited	January 1– December 31, 2011 Unaudited[1)]	October 1 – December 31, 2012 Unaudited	October 1 – December 31, 2011 Unaudited[1)]
Mobile services	1,308,556	1’272’255	333,154	335,806
Landline services	579,727	535,324	148,047	149,112
thereof hubbing	*129,498*	*127,109*	*32,278*	*33,315*
Landline internet	178,192	176,277	45,086	44,326
Total	**2,006,475**	**1,983,856**	**526,287**	**529,244**

[1)] In 2011 the Group incorrectly allocated revenues earned by Business Sunrise Enterprise Solutions amounting to CHF 20.3 million to mobile services instead of landline telephony. The comparative prior year figures have been corrected in 2012.

	January 1– December 31, 2012 Unaudited	January 1– December 31, 2011 Unaudited	October 1 – December 31, 2012 Unaudited	October 1 – December 31, 2011 Unaudited
Sales of goods	124,272	95,842	64,194	34,458
Sales of services	1,942,203	1,888,014	526,223	494,786
Total	**2,006,475**	**1,983,856**	**526,287**	**498,834**

Note 7 Other income and other expenses

Other Income	January 1– December 31, 2012 Unaudited	January 1– December 31, 2011 Unaudited[1)]	October 1 – December 31, 2012 Unaudited	October 1 – December 31, 2011 Unaudited[1)]
Early termination fees	20,957	18,140	5,031	4,453
Aperiodic settlements of charges for access services calculated using the prices of the Swiss regulator	49,896	28,505	9,956	-
Income related to change of the MSP	3,400	-	-	-
Reversal of provisions	4,290	-	2,890	-
Other	1,943	2,553	784	647
Total	**80,486**	**49,198**	**18,661**	**5,100**

Other Expense	January 1– December 31, 2012 Unaudited	January 1– December 31, 2011 Unaudited[1)]	October 1 – December 31, 2012 Unaudited	October 1 – December 31, 2011 Unaudited[1)]
Acquisition costs	-	(430)	-	-
Management one-time incentive payments and retention programs	-	(767)	-	-
Cost related to change of the MSP	(19,280)	(12,606)	-	3,000
Restructuring costs	(17,145)	-	(11,873)	-
Other	(408)	(2,743)	(248)	(473)
Total	**(36,833)**	**(16,546)**	**(12,121)**	**2,567**

Note 8 Net financial items CHFk

	Interest	Fair value adjustments	Total financial income and (expenses) before foreign currency	Net foreign currency gains/(losses)	October 1 - December 31, 2012 Unaudited Total
Income					
Cash and cash equivalents	643	-	643	887	1,530
Financial liabilities measured at amortized cost	-	-	-	1,078	1,078
Derivatives – used for hedging	29,813	-	29,813	-	29,813
Derivatives – held for trading	6	21	27	-	27
Embedded derivatives [1)]	-	7,473	7,473	-	7,473
Other	-	71	71	222	293
Total Income	**30,462**	**7,565**	**38,027**	**2,187**	**40,214**
Expenses					
Cash and cash equivalents	-	-	-	-	-
Financial liabilities measured at amortized cost	(44,408)	-	(44,408)	-	(44,408)
Derivatives – used for hedging	(30,843)	-	(30,843)	-	(30,843)
Derivatives – held for trading	(198)	-	(198)	-	(198)
Other	(2,833)	-	(2,833)	-	(2,833)
Total Expenses	**(78,282)**	**-**	**(78,282)**	**-**	**(78,282)**
Net financial items	**(47,820)**	**7,565**	**(40,255)**	**2,187**	**(38,068)**

	Interest	Fair value adjustments	Total financial income and (expenses)before foreign currency	Net foreign currency gains/(losses)	January 1 - December 31, 2012 Unaudited Total
Income					
Cash and cash equivalents	5,602	-	5,602	-	5,602
Financial liabilities measured at amortized cost	-	-	-	7,546	7,546
Derivatives – used for hedging	108,960	4,322	113,282	-	113,282
Derivatives – held for trading	69	206	275	-	275
Embedded derivatives [1)]	-	32,403	32,403	-	32,403
Other	-	71	71	3,052	3,123
Total Income	**114,631**	**37,002**	**151,633**	**10,598**	**162,231**
Expenses					
Cash and cash equivalents	-	-	-	(1,288)	(1,288)
Financial liabilities measured at amortized cost	(222,976)	-	(222,976)	-	(222,976)
Derivatives – used for hedging	(111,301)	(16,959)	(128,260)	-	(128,260)
Derivatives – held for trading	(790)	390	(400)	-	(400)
Other	(8,867)	-	(8,867)	-	(8,867)
Total Expenses	**(343,934)**	**(16,569)**	**(360,503)**	**(1,288)**	**(361,791)**
Net financial items	**(229,303)**	**20,433**	**(208,870)**	**9,310**	**(199,560)**

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

Note 8 Net financial items (continued) CHFk

	Interest	Fair value adjustments	Total financial income and (expenses)before foreign currency	Net foreign currency gains/(losses)	October 1 – December 31, 2011 Unaudited Total
Income					
Cash and cash equivalents	1,018	-	1,018	47	1,065
Financial liabilities measured at amortized cost	-	-	-	-	-
Derivatives – used for hedging	28,023	1,146	29,169	-	29,169
Derivatives – held for trading	5	(613)	(608)	-	(608)
Other	40	-	40	2,838	2,878
Total Income	**29,081**	**533**	**29,619**	**2,885**	**32,504**
Expenses					
Cash and cash equivalents	-	-	-	-	-
Financial liabilities measured at amortized cost	(48,659)	-	(48,659)	(4,316)	(52,975)
Derivatives – used for hedging	(27,470)	-	(27,470)	-	(27,470)
Derivatives – held for trading	(197)	-	(197)	-	(197)
Other	(1,471)	-	(1,471)	-	(1,471)
Total Expenses	**(77,797)**	**-**	**(77,797)**	**(4,316)**	**(82,113)**
Net financial items	**(48,716)**	**533**	**(48,178)**	**(1,431)**	**(49,072)**

	Interest	Fair value adjustments	Total financial income and (expenses)before foreign currency	Net foreign currency gains/(losses)	January 1 – December 31, 2011 Unaudited Total
Income					
Cash and cash equivalents	1,480	-	1,480	3,225	4,705
Financial liabilities measured at amortized cost	-	-	-	30,978	30,978
Derivatives – used for hedging	100,335	52,201	152,536	-	152,536
Derivatives – held for trading	138	875	1,013	-	1,013
Other	577	-	577	2,838	3,415
Total Income	**102,530**	**53,076**	**155,606**	**37,041**	**192,647**
Expenses					
Cash and cash equivalents	-	-	-	-	-
Financial liabilities measured at amortized cost	(179,307)	-	(179,307)	(4,316)	(183,623)
Derivatives – used for hedging	(99,675)	(88,124)	(187,799)	-	(187,799)
Derivatives – held for trading	(789)	(4,066)	(4,855)	-	(4,855)
Other	(7,064)	-	(7,064)	(288)	(7,352)
Total Expenses	**(286,835)**	**(92,190)**	**(379,025)**	**(4,604)**	**(383,629)**
Net financial items	**(184,305)**	**(39,114)**	**(223,419)**	**32,437**	**(190,982)**

Note 9 Equity

CHFk

	Shares (number)	Nominal value (CHF)	2012	2011
Class A Shares	90,000,000	900	900	900
Class B Shares	10,000,000	100	100	100
Share premium			125,876	125,876
Series A Preferred Equity Certificates	64,395,976,353	0.01	643,960	718,966
Series B Preferred Equity Certificates	7,768,359,511	0.01	77,683	86,732
At December 31		**1,000**	**848,519**	**932,574**

Share capital
The total authorized and issued number of ordinary shares is 100,000,000 with a nominal value of CHF 0.01 each.

The Equity Securities were subscribed to by entities beneficially owned by funds managed or advised by CVC (the acquisition was consummated on October 28, 2010).

PIK Repayment
Sunrise Communications Holdings S.A. repaid PECs A and PECs B plus accrued interest in the amount of CHF 86.8 million to Mobile Challenger Intermediate Group S.à r.l. in October and November 2012, which used these proceeds to early repay a nominal amount of EUR 69.0 million of its PIK (payment in kind) loan plus including accrued interest.

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

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

Note 10 Borrowings

CHFk

	Nominal value at inception	Foreign exchange movement[1]	Capitalized debt issuance cost[1]	Loan and finance lease repayments	2012 Carrying value	2011 Carrying value
Borrowings						
Floating rate						
Term Loan A – CHF denominated	500,000	-	-	(462,500)	-	433,949
Term Loan B1 – EUR denominated	100,000	(12,902)	-	(88,197)	-	83,356
Term Loan B2 – CHF denominated	220,000	-	-	(220,000)	-	207,154
Term Loan B3 - CHF denominated	101,930	-	-	(101,930)	-	101,641
Term Loan B4 - EUR denominated	220,579	(2,306)	-	(221,029)	-	223,266
Floating Rate Notes - CHF denominated	175,000	-	(3,365)	-	171,635	-
Floating Rate Notes - EUR denominated	200,570	1,106	(3,857)	-	197,819	-
Fixed rate						
Senior Secured Notes - CHF denominated [2]	300,000	-	(9,750)	-	290,250	288,666
Senior Secured Notes - CHF denominated [3]	370,000	-	(7,127)	-	362,873	-
Senior Secured Notes - EUR denominated [4]	658,641	(49,787)	(19,774)	-	589,080	434,189
Senior Notes - EUR denominated	755,942	(75,820)	(27,171)	-	652,951	654,800
Total loans and notes		**(139,709)**	**(71,044)**	**(1,093,656)**	**2,264,608**	**2,427,021**
Other						
Debt relating to finance leases				(6,078)[5]	40,378	46,456
Total borrowings				**(1,099,734)**	**2,304,986**	**2,473,477**
Of which expected to be paid within 12 months					(5,634)	(67,789)
Total long-term borrowings					**2,299,352**	**2,405,688**

[1] since issuance of the borrowings
[2] issued October 14, 2010
[3] issued July 19, 2012
[4] including a tap offering of EUR 125.0 million aggregate principal amount of its existing 7% fixed rate senior secured notes
[5] including a non-cash adjustment of CHFk 639

On July 19, 2012 Sunrise Communications International S.A. issued new senior secured notes and floating rate notes as well as a tap offering. This refinancing transaction consisted of:

- a new offering of CHF 175.0 million aggregate principal amount of its floating rate senior secured notes due 2017, bearing interest at a per annum rate equal to CHF LIBOR plus 5½%,
- a new offering of EUR 167.0 million (equivalent to approximately CHF 201.1 million) aggregate principal amount of its floating rate senior secured notes due 2017, bearing interest at a per annum rate equal to EURIBOR plus 4¾%,
- a tap offering of EUR 125.0 million including a 5.5% premium (equivalent to approximately CHF 158.4 million) aggregate principal amount of its existing 7% fixed rate senior secured notes due 2017,
- a new offering of CHF 370.0 million aggregate principal amount of its 5⅝% fixed rate senior secured notes due 2017.

On the same date, the Group redeemed all outstanding term loans, which triggered the termination of the existing Senior Facilities Agreement.

Within the same transaction, the Group merged the acquisition (CHF 100 million) and revolving credit (CHF 150 million) facilities from the Senior Facilities Agreement into a new CHF 235.0 million Revolving Credit Facility, which is undrawn as of December 31, 2012 and an Ancillary facility of CHF 15.0 million which is currently drawn (refer to note 24). The Revolving Credit Facility contains operational and financial covenants which have been tested. The respective financial covenant report has been approved by the Board of Directors on March 6, 2012.

The Senior Secured Notes have a maturity of December 31, 2017 and bear a coupon of 7.00% per annum. The Senior Notes have a maturity of December 31, 2018 and bear a coupon of 8.50% per annum.

The Group incurred significant EUR denominated borrowings in connection with the acquisition of Sunrise Communications AG. The Group has entered into cross currency interest rate swaps to economically convert its Euro denominated borrowings into Swiss Franc denominated borrowings. The executed swap exchange rates mirror the exchange rates realized by the Group when the borrowings were received. Further details on the Group’s accounting for derivatives are set out in note 11.

The Group leases fiber networks from 3rd parties which are recognized as financial leases.

Note 11 Derivatives

CHFk

Derivative financial instruments are reported in the Consolidated Interim Statement of Financial Position as follows:

	2012 Notional amount CHF	2011 Notional amount CHFk	December 31, 2012 Fair value assets	December 31, 2012 Fair value liabilities	December 31, 2011 Fair value assets	December 31, 2011 Fair value liabilities
Cross currency interest rate swaps – fixed rate borrowings	1,418,076	1,256,198	-	(172,210)	-	(187,175)
Cross currency interest rate swaps – variable rate borrowings [1]	-	100,000	-	-	-	(2,758)
Total cash flow hedges	**1,418,076**	**1,356,198**	**-**	**(172,210)**	**-**	**(189,993)**
Cross currency interest rate swaps – variable rate borrowings[1]	-	100,000	-	-	-	(10,662)
Total fair value hedges	**-**	**100,000**		**-**		**(10,662)**
Interest rate cap	100,000	500,000	-	-	60	-
Interest rate swap	100,000	100,000	-	(833)	-	(1,650)
Cross currency interest rate swaps – variable rate borrowings [2]	-	224,480	-	-	-	(746)
Cross currency interest rate swaps – variable rate borrowings [3]	200,570	-	-	(2,470)	-	-
Embedded derivatives [4]	-	-	32,403	-	-	-
Total held for trading	**400,570**	**824,480**	**32,403**	**(3,303)**	**60**	**(2,396)**
Total derivatives			**32,403**	**(175,513)**	**60**	**(202,991)**

[1] Cross currency interest rate swap related to Term Loan B1 EUR

[2] Cross currency interest rate swap related to Term Loan B4 EUR

[3] Cross currency interest rate swap related to Floating Rate Note EUR 167 million

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

	January 1 – December 31, 2012 Unaudited	January 1 – December 31, 2011 Unaudited	October 1 – December 31, 2012 Unaudited	October 1 – December 31, 2011 Unaudited
The change in the fair value of derivatives in the period can be summarized as:				
Cash flow hedges – movement in hedge reserve	(22,147)	(32,387)	(803)	(2,899)
Cash flow hedges – ineffectiveness	399	(2,131)	227	-
Fair value hedges	8,937	(2,551)	402	(228)
Total impact of hedging derivatives in the Statement of Income (note 8)	**(12,811)**	**(37,069)**	**(174)**	**(3,127)**
Impact of interest rate derivatives – held for trading in the Statement of Income (note 8)	770	(2,578)	195	(1,577)
Impact of embedded derivatives in the Statement of Income (note 8)	32,403	-	7,474	**-**
Total impact of derivatives in the Statement of Income (note 8)	**20,362**	**(39,647)**	**7,495**	**(4,704)**

Note 12 Change in net working capital

CHFk

	January 1– December 31, 2012 Unaudited	January 1 - December 31, 2011 Unaudited	October 1 – December 31, 2012 Unaudited	October 1 – December 31, 2011 Unaudited
Change in inventories	(7,397)	(2,451)	2,438	(2,176)
Change in trade and other receivables	7,887	7,991	40,056	36,845
Change in trade and other payables	(27,955)	18,925	71,303	34,104
Change in other items, net	(8,401)	(4,187)	3,181	354
Total	**(35,866)**	**20,278**	**116,978**	**69,127**

The table above outlines cash relevant transactions which have been recognized in the caption ‘change in net working capital’ in the condensed consolidated interim statement of Cash Flow of the Group (see page 17).

Note 13 Other balance sheet items

Intangible assets & Non-current trade and other payables
On July 6, 2012 the Federal Communications Commission (Comcom) announced that the frequency award procedures have been definitely concluded. Sunrise successfully acquired 40% of the frequency bands with a uniform term ending 2028. The total acquisition price of CHF 481.7 million has been recognised as intangible asset.

On August 6, 2012, Sunrise executed the first down payment for the spectrum license amounting to CHF 289 million. The remaining payable amout of CHF 195 million (including compounding interests for the 12 months period ended December 31, 2012) has been recognised in ‘non-current trade and other payables’.

Trade and other payables
The decrease of trade and other payables amounting to CHF 25.1 million during the twelve-month period ended December 31, 2012 is mainly attributable to capital expenditures of intangible assets and property, plant and equipment which have been acquired in November and December 2011. This decrease is partially offset by an increase of interest payables related to financial derivatives used for hedging the Group’s currency exposure.

Other financial assets
The Group reported a short-term deposit having a maturity more than three month after the reporting in the annual report for the period ending December 31, 2011. This short-term deposit has been redeemed in 2012 and was therefore reclassified to cash and cash equivalents and subsequently used for the payment of first installment of the spectrum license.

Note 14 Dividend distribution within Sunrise Group

No dividend resolutions have been taken by the Board of Directors of Sunrise Communications Holdings S.A. – the ultimate parent of the group – or any other entity of the Group during the period under review.

Note 15 Financial risk management

The recent development on the FX market and the strong Swiss franc does not have a material effect on the Group, as Sunrise is predominantly active in its domestic market. A material part of the foreign currency risk arising from loans and notes denominated in Euros and the interest rate risk arising from external loans and notes have been hedged by the Group using derivative instruments.

Note 16 Events after the balance sheet date

Change in Management Board of Sunrise Communciations AG

On January 17th, 2013, Sunrise Communications AG announced that Libor Voncina replaced Oliver Steil as CEO. Timm Degenhardt joined the Sunrise Management Board as Chief Marketing Officer on February 4th, 2013

Material contracts

In February 2013, Sunrise Communications AG entered into multiple supply contracts with a minimal financial commitment of CHF 67.1 millon.

Material affiliate transactions

On February 22nd, 2013, the Group repaid PECs and accrued interests in the amount of CHF 20.5 million to Mobile Challenger Intermediate Group S.A. which used the proceeds to repay the outstanding amount of EUR 16.4 million of PIK plus accrued interests.