Sunrise Communications Holdings S.A.

Pro forma condensed combined interim financial statements for the 9 month and 3 month periods ended September 30, 2010

Facts & Figures

	January 1, 2010 – September 30, 2010	January 1, 2009 – September 30, 2009	July 1, 2010 – September 30, 2010	July1, 2009 – September 30, 2009
Results of Operations				
(in mCHF, except where indicated)				
Revenue	1,527,816	1,485,245	533,234	515,580
Mobile	909,134	858,555	330,975	301,319
Landline Services	486,326	489,644	158,689	168,946
thereof voice hubbing	151,668	136,091	48,653	46,455
Landline Internet	132,356	137,046	43,570	45,315
EBITDA	421,916	363,863	141,522	128,247
EBITDA margin (%)	27.6	24.5	26.5	24.9
EBITDA margin (excluding voice hubbing) (%)	30.4	26.8	28.9	27.2
Subscriber Base (at end of period)				
(in thousands)				
Mobile subscriber base	1,951.9	1,844.6	-	-
Landline voice subscriber base	586.0	650.5	-	-
Landline internet subscriber base	356.1	350.3	-	-
thereof XDSL	346.7	333.8	-	-
thereof LLU	215.3	95.9	-	-
ARPU				
(in CHF/month)				
Mobile Services	46.8	47.2	48.5	49.2
Landline Voice Services	43.5	40.6	43.2	41.1
Landline Internet Services	37.3	39.5	36.7	38.9
Employees				
FTEs (end of period)	1,505	1,521	-	-

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Pro forma Condensed Combined Statements of Income — in CHF 1,000

	Note	January 1, 2010 – September 30, 2010 Unaudited	January 1, 2009 – September 30, 2009 Unaudited	July 1, 2010 – September 30, 2010 Unaudited	July1, 2009 – September 30, 2009 Unaudited
Revenue	5	**1,527,816**	**1,485,245**	**533,234**	**515,580**
Transmission costs and cost of goods sold		(565,136)	(559,744)	(199,907)	(195,087)
Other external expenses		(415,756)	(425,389)	(146,351)	(148,409)
Wages, salaries and pension costs		(134,768)	(136,172)	(45,471)	(43,648)
Total operating expenses before other expenses, depreciation, amortization and impairment losses and special items		(1,115,660)	(1,121,305)	(391,729)	(387,144)
Other income and expenses		9,760	(77)	17	(189)
Income before depreciation, amortization and impairment losses, net special items, net financial items and income taxes		**421,916**	**363,863**	**141,522**	**128,247**
Depreciation, amortization and impairment losses		(191,477)	(202,819)	(62,061)	(65,882)
Net special items	6	(1,201)	(11,505)	12	0
Operating income		**229,238**	**149,539**	**79,473**	**62,365**
Net foreign currency gains/(losses)		1,012	3,442	1,263	703
Financial income		669	635	64	236
Financial expenses	2,9	(135,390)	(132,164)	(45,183)	(43,865)
Net financial items		**(133,709)**	**(128,087)**	**(43,856)**	**(42,926)**
Income before income taxes		**95,529**	**21,452**	**35,617**	**19,439**
Income taxes		(34,554)	(24,784)	(10,048)	(10,050)
Net income		**60,975**	**(3,332)**	**25,569**	**9,389**
Net income attributable to equity holders of the company		**60,975**	**(3,332)**	**25,569**	**9,389**

The accompanying notes form an integral part of the pro forma condensed combined financial statements.

Pro forma Condensed Combined Statements of Comprehensive Income — in CHF 1,000

	Note	January 1, 2010 – September 30, 2010 Unaudited	January 1, 2009 – September 30, 2009 Unaudited	July 1, 2010 – September 30, 2010 Unaudited	July 1, 2009 – September 30, 2009 Unaudited
Net income		**60,975**	**(3,332)**	**25,569**	**9,389**
Actuarial gains/(losses) related to defined benefit pension plans	10	(11,467)	24,222	2,271	12,431
Income tax relating to components of other comprehensive income		2,409	(5,062)	(477)	(2,635)
Other comprehensive income/(loss)		(9,058)	19,160	1,794	9,796
Total comprehensive income		51,917	15,828	27,363	19,185
Comprehensive income attributable to equity holders of the company		51,917	15,828	27,363	19,185

The accompanying notes form an integral part of the pro forma condensed combined financial statements.

Pro forma Condensed Combined Balance Sheets

Assets — in CHF 1,000

	Note	September 30, 2010 Unaudited	December 31, 2009 Unaudited	September 30, 2009 Unaudited
Non-current assets				
Intangible assets	2, 7	2,193,683	2,196,966	2,215,838
Property, plant and equipment		990,445	1,088,579	1,058,363
Deferred tax assets		45,074	44,012	47,150
Total non-current assets		**3,229,202**	**3,329,557**	**3,321,351**
Current assets				
Inventories		16,181	11,787	13,241
Receivables		420,152	363,173	431,417
Prepaid expenses		21,091	21,452	19,755
Cash	2	301,467	219,576	149,638
Total current assets		**758,891**	**615,988**	**614,051**
Total assets		**3,988,093**	**3,945,545**	**3,935,402**

The accompanying notes form an integral part of the pro forma condensed combined financial statements.

Pro forma Condensed Combined Balance Sheets

Equity and liabilities — In CHF 1,000

	Note	September 30, 2010 Unaudited	December 31, 2009 Unaudited	September 30, 2009 Unaudited
Equity	2, 8			
Common shares		942,419	942,419	942,419
Retained earnings		54,242	2,325	(7,329)
Total equity		**996,661**	**944,744**	**935,090**
Non-current liabilities				
Borrowings	2, 9	2,309,147	2,414,674	2,473,340
Derivatives – fair value hedges	2, 9, 11	20,295	(134,942)	(159,776)
Deferred tax liabilities		5,430	6,413	9,191
Provisions		111,178	104,751	100,672
Pension liabilities	10	50,424	41,260	43,450
Loans		50,076	53,893	55,563
Deferred income		35,773	32,041	36,566
Total non-current liabilities		**2,582,323**	**2,518,090**	**2,559,006**
Current liabilities				
Loans		4,471	4,471	4,347
Trade and other payables		349,244	394,121	389,352
Income tax payable		18,988	21,721	7,321
Deferred income		20,684	32,626	26,397
Provisions		15,722	29,772	13,889
Total current liabilities		**409,109**	**482,711**	**441,306**
Total liabilities		**2,991,432**	**3,000,801**	**3,000,312**
Total equity and liabilities		**3,988,093**	**3,945,545**	**3,935,402**

The accompanying notes form an integral part of the pro forma condensed combined financial statements.

Pro forma Condensed Combined Statements of Cash Flow — in CHF 1,000

	January 1, 2010 – September 30, 2010 Unaudited	January 1, 2009 – September 30, 2009 Unaudited	July 1, 2010 – September 30, 2010 Unaudited	July1, 2009 – September 30, 2009 Unaudited
Income before depreciation, amortization and impairment losses, net special items, net financial items and income taxes	421,916	363,863	141,522	128,247
Reversal of items without cash flow effect	(757)	8,276	2,719	(1,374)
Pension contributions	(11,306)	(7,270)	(4,638)	(1,179)
Payments related to provisions	(605)	(252)	203	1,245
Cash flow related to net special items	(1,772)	29,222	(625)	(1,031)
Change in working capital	(114,509)	97,547	6,348	27,029
Cash flow from operating activities before net financials and tax	292,967	491,386	145,529	152,937
Interest received	669	635	64	236
Interest paid	(89,850)	(82,788)	(1,356)	(2,795)
Realized net foreign currency gains/(losses)	1,013	3,442	1,264	703
Cash flow from operating activities before tax	204,800	412,675	145,501	151,081
Payment of acquisition costs	-	(44,789)	-	-
Corporate income tax paid	(37,527)	(19,341)	(26,856)	(19,341)
Total cash flow from operating activities	167,272	348,545	118,645	131,740
Investment in subsidiaries	-	(3,263,486)	-	-
Investment in property, plant and equipment	(78,110)	(115,311)	(21,169)	(46,588)
Investment in intangible assets	(31,071)	(22,251)	(10,540)	(8,587)
Sale of property, plant and equipment[1]	27,617	754	16	462
Total cash flow from investing activities	(81,564)	(3,400,294)	(31,693)	(54,713)
Issue of equity	-	942,419	-	-
Proceeds from long-term loans	-	2,261,988	-	-
Repayments of long-term loans	(3,817)	(3,020)	(2,062)	(941)
Total cash flow from financing activities	(3,817)	3,201,387	(2,062)	(941)
Total cash flow	81,891	149,638	84,890	76,086
Cash and cash equivalents at January 1	219,576	0	-	-
Cash and cash equivalents at July 1	-	-	216,577	73,552
Cash and cash equivalents at September 30	301,467	149,638	301,467	149,638

[1] Comprises sale of Mobile antennas and leasehold improvements.

The accompanying notes form an integral part of the pro forma condensed combined financial statements.

Pro forma Combined Condensed Statements of Changes in Equity — in CHF 1,000

	Common shares Unaudited	Retained earnings[1] Unaudited	Total Unaudited
Equity at January 1, 2009	0	0	0
Total comprehensive income/(loss)	-	15,829	15,829
Acquisition costs	-	(23,157)	(23,157)
Allocation to non-distributable reserves	-	-	-
Issue of equity	942,419	-	942,419
Equity at September 30, 2009	942,419	(7,328)	935,091
Equity at January 1, 2010	942,419	2,325	944,744
Total comprehensive income/(loss)	-	51,916	51,917
Equity at September 30, 2010	942,419	54,242	996,661

The accompanying notes form an integral part of the pro forma condensed combined financial statements.

Notes to Pro forma Condensed Combined Financial Statements

Overview

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2 Pro forma adjustments
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Note 1 Basis of Preparation

Sunrise Communications Holdings S.A. has its registered office at Avenue Monterey 20, L-2163 Luxembourg. Sunrise Communications Holdings S.A. is indirectly holding 100% of its principal operating company, Sunrise Communications AG, which has its registered office at Binzmühlestrasse 130, CH-8050 Zürich, Switzerland.

Sunrise Communications AG is the second-largest full-range telecommunications provider in Switzerland, and offers mobile telephony, landline telephony and internet services. 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.

The unaudited pro forma condensed combined financial statements for the nine months ended September 30, 2010 have not been prepared in accordance with IAS 34 "Interim financial reporting" but in accordance with the basis for preparation detailed further. However, these unaudited pro forma condensed combined financial statements have been prepared on a basis consistent with Sunrise Communications AG accounting policies. The unaudited pro forma condensed combined interim financial information should be read in conjunction with the annual financial statements of Sunrise Communications AG for the year ended 31 December 2009, which have been prepared in accordance with IFRS as adopted by the European Union.

The following unaudited pro forma condensed combined balance sheets at September 30, 2010, December 31, 2009 and September 30, 2009, the statements of changes in equity for the nine month periods ended September 30, 2010 and September 30, 2009 and the pro forma condensed combined statements of income, statements of comprehensive income and statements of cash flow for the nine-month periods ended September 30, 2010 and 2009 and the three-month periods ended September 30, 2010 and 2009 present the combination of the pro forma financial statements of the Sunrise Communications Holdings S.A. and its 100% held subsidiaries (mainly Sunrise Communications International S.A., Skylight S.à.r.l., Sunrise Communications AG, TelCommunication Services AG). The unaudited pro forma condensed combined financial statements represent the combination of the historical unaudited interim condensed consolidated financial statements of Sunrise Communication AG as of and for the periods ended September 30, 2010, December 31, 2009 and September 30, 2009, and the pro forma condensed combined financial statements of Sunrise Communications Holdings S.A. since there is no full set of historical financial information available for Sunrise Communications Holdings S.A., Sunrise Communications International S.A., and Skylight S.à.r.l. as of September 30, 2010, as those entities were only incorporated on September 9, 2010 which is prior to the issuance of notes and consummation of the acquisition.

The unaudited pro forma condensed combined balance sheets, income statements, statements of comprehensive income, cash flow statements and statements of changes in equity give effect to the following transactions as if they had occurred on January 1, 2009:

- The acquisition of all of the issued and outstanding capital stock of Sunrise Communication AG and its subsidiaries by Sunrise Communications International S.A. and Skylight S.à.r.l., entities beneficially owned by funds managed or advised by CVC (the acquisition was consummated on October 28, 2010),
- The financing of the purchase price for the acquisition of CHF 3.308 billion (excluding transaction fees and expenses) by way of:
  - Equity contribution of CHF 1,017 million to Sunrise Communications Holdings S.A. through a combination of equity and PECs effected on October 28, 2010;
  - Issuance by Sunrise Communications International S.A. of CHF 300 million of 7% senior secured notes due 2017 and €371 million 7% senior secured notes due 2017;
  - Issuance by Sunrise Communications Holdings S.A. of original senior notes in the amount of €505 million completed on October 14, 2010 and additional senior notes in the amount of €56 million completed on November 8, 2010;
  - The redemption of CHF 75 million of Series B Preferred Equity Certificates using the proceeds of the Senior Notes issued on November 8; and
  - Utilization by Skylight S.à.r.l. of Term Loan A in the amount of CHF 500 million and Term Loan B in the amount of CHF 320 million (equivalent) under the senior credit facilities.
  - The senior credit facilities also provide for a revolving credit facility in the amount of CHF 150 million and an acquisition facility in the amount of CHF 100 million (neither the revolving credit facility nor the acquisition facility are currently drawn).

Sunrise Communications Holdings S.A. and its wholly owned subsidiaries Sunrise Communications International S.A. and Skylight S.à.r.l. were all incorporated on September 9, 2010.

The unaudited pro forma condensed combined financial statements are based on our current estimates of, and good faith assumptions regarding, the adjustments arising from the above transactions. The unaudited pro forma condensed combined financial statements are for informational purposes only and do not purport to represent or to be indicative of the consolidated

results of operations or financial position that Sunrise Communications Holdings S.A. would have reported had the transactions and the application of the proceeds of the offering been completed as of January 1, 2009, and should not be taken as representative of Sunrise Communications Holdings S.A.'s future consolidated results of operations or financial position, nor do they purport to project Sunrise Communications Holdings S.A.'s financial position as of any future date or results of operations for any future period.

The unaudited pro forma financial statements were not prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act, the Prospectus Directive, IFRS or any generally accepted accounting standards. Neither the assumptions underlying the pro forma adjustments nor have the resulting pro forma financial information been audited or reviewed in accordance with any generally accepted auditing standards.

The acquisition of Sunrise Communications AG, which gives rise to a change of control, is accounted for using the purchase 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. Since the acquisition has only been recently consummated, we have not identified the fair value of assets acquired and liabilities to be assumed at the date of acquisition. We have up to 12 months from the completion date to finalize the allocation of the purchase price. Accordingly, the unaudited pro forma condensed combined financial statements are based on management's current estimates regarding the fair values of assets acquired and liabilities assumed, which are deemed identical to their pre-acquisition carrying values measured in accordance with IFRS. The final estimation of the fair values of assets acquired and liabilities assumed could differ significantly from these estimates and the related reported values for assets and liabilities. Furthermore, the identifiable net assets acquired on the date of the acquisition could be significantly different from those as of September 30, 2010. This will directly impact the measurement of any goodwill arising from the acquisition. To the extent that finite life intangible assets are identified, these will be amortized over their estimated useful lives. The unaudited pro forma condensed combined financial statements assume that the intangible asset acquired is goodwill, which is not amortized. To the extent the purchase price is ultimately allocated to intangible or other assets, our amortization expense will increase. Please refer to Note 7 to the unaudited pro forma condensed combined financial statements for further discussion of the purchase price allocation.

Note 2 Pro forma Adjustments

Goodwill

Historical goodwill of Sunrise Communications AG is reduced by CHF 331.6 million on a pro forma basis to reflect the purchase accounting upon acquisition. As explained in Note 1, the unaudited pro forma condensed combined financial statements are based on management's current estimates of accounting for the acquisition of Sunrise Communications AG. The unaudited pro forma adjustments are based on currently available information and include no preliminary allocation of purchase price adjustments on acquisition. Actual purchase price adjustments could differ materially. As of the date of issuance of those unaudited pro forma condensed combined financial statements, Sunrise Communications Holdings S.A. has not performed the valuation studies necessary to estimate the fair values of all the assets acquired and liabilities assumed. Accordingly, the excess of the purchase price over the historical carrying values of Sunrise Communications AG's net assets (excluding goodwill) has been reflected as goodwill in the unaudited pro forma condensed combined balance sheets as of September 30, 2009, December 31, 2009 and September 30, 2010. Ultimately, a significant portion of the purchase price may be allocated to property and equipment, licenses, brands, customer-related intangibles, or other intangibles with finite lives ranging from 3 to 15 years, which would materially increase depreciation and amortization expenses. We do not anticipate that allocating the purchase price to other assets or liabilities would materially impact recurring expenses other than non-cash amortization and depreciation expenses.

The unaudited pro forma condensed combined financial statements do reflect some non-recurring charges that Sunrise Communications Holdings S.A. would have incurred and recorded before the closing of the acquisition (CHF 23.2 million) and the issuance of the senior notes and senior secured notes (CHF 112.0 million). Those non-recurring charges primarily relate to historic debt issuance costs incurred in connection with the refinancing of that debt and are amortized over the notes term under the effective interest rate method; and costs related directly to the acquisition which have been recorded directly against the pro forma opening retained earnings of Sunrise Communications Holdings S.A. at January 1, 2009

Cash & cash equivalents

For all periods presented, cash & cash equivalents are further adjusted up for the elimination of the dividends paid by Sunrise Communications AG (CHF 158 million in the period ended September 30, 2009 and year ended December 31, 2009, and CHF 133 million for the period ended September 30, 2010) to the previous shareholder, as well as any other repayment of previous shareholder's loan, and adjusted down for the recording of payment of accruals and the interest payment related to the new financing structure (CHF 74.7 million, CHF 75.2 million and CHF 150.0 million for the periods ended September 30, 2009 and 2010, and the year ended December 31, 2009 respectively).

Because of the above pro forma adjustments, the cash position of Sunrise Communications Holdings S.A. as of September 30, 2010 is CHF 301.5 million on a pro forma basis. However, it should not be taken as representative of what the Company would have reported had the transactions and the application of the proceeds of the offering been completed as of January 1, 2009, nor of the Company's future cash position. The actual cash balance of Sunrise Communications AG at September 30, 2010 was CHF 89.6 million, of which CHF 72.0 million was upstreamed as part of the consideration for the acquisition on October 28, 2010.

Common shares and non-distributable reserves

The pro forma adjustments represent the necessary entries to eliminate historical shareholder's common shares (CHF 923.6 million) and non-distributable reserves (CHF 74.9 million) of Sunrise Communications AG, and to record net equity contributions by Mobile Challenger Group and entities controlled by Mobile Challenger Group to Sunrise Communications Holdings S.A. (CHF 942.4 million).

Retained earnings

The pro forma adjustments represent the necessary entries to eliminate the historical retained earnings of Sunrise Communications AG (CHF 2,105.3 million as of January 1, 2009), and record the combined actual earnings of Sunrise Communications AG and pro forma earnings of Sunrise Communications Holdings S.A. for the periods ended September 30, 2009 and 2010 and year ended 31 December 2009 (CHF (7.3) million, CHF 54.2 million and CHF 2.3 million respectively).

Derivatives
The pro forma adjustments represent the accounting for the derivative (assets) and liabilities related to the cross-currency swaps which offset the gain or loss on foreign exchange recorded to state certain of the euro-denominated Senior Notes and Senior Secured Notes at the closing exchange rate as of September 30, 2009 and 2010, as well as December 31, 2009 (asset of CHF 159.8 million, liability of CHF 20.3 million and asset of CHF 134.9 million respectively).

Borrowings
The pro forma adjustments represent the recognition of various borrowings issued or contracted to finance the acquisition of Sunrise Communications AG:

- The Term Loan A (CHF 500.0 million) and Term Loan B (CHF 320.0 million equivalent) advanced to Skylight S.à.r.l.;
- The Senior Secured Notes for €371 million and CHF 300 million;
- The Senior Notes for €505 million and for €56 million (Tap issuance);
- The redemption of CHF 75 milllion of Series B Preferred Equity Certificates using some of the proceeds of the Senior Notes;
- The capitalization of the estimated direct issuance costs and debt discount and premium in relation to the Term Loan A, Term Loan B, revolving credit facility, acquisition facility and the issue of Senior Secured Notes and Senior Notes.

For the periods ended September 30, 2009 and 2010, and the year ended December 31, 2009, the above adjustments reflected as of January 1, 2009 are increased to consider the accruing of interest payable, and reduced for interest deemed to be paid in accordance with the typical interest payment terms of the borrowings during the periods presented. Refer to 'Financial expense' adjustments for further information.

Trade & other payables
The pro forma adjustments to Trade & other payables represent the remaining purchase price payables of CHF 65.9 million and other accruals of CHF 16.5 million, totalling CHF 82.4 million on January 1, 2009, on the assumption that all available cash is expended in order to finance the acquisition. We note that the actual cash balance on the date the acquisition was reflected was CHF 42.2 million.

Income tax payables
The pro forma adjustments reflect the tax benefit arising from the additional interest expense calculated and recorded in the pro forma income statements (CHF 7.7 million, CHF 7.7 million and CHF 10.3 million for the periods ended September 30, 2009 and 2010, and the year ended December 31, 2009 respectively) using the statutory tax rate in effect during the periods for which pro forma income statements are presented (or 21.2%). A portion of interest expense relating to the Senior Credit Facilities, the Senior Secured Notes and the Senior Notes is not expected to qualify as tax deductible items in the determination of Income before taxes for the purpose of calculating tax payable. The final amount deductible for tax purposes may be different and is subject to a number of different factors.

No adjustment to tax expense was made to reflect the amortization of debt issuance costs due to the non-deductible nature of the amortization expense.

Payables to shareholder
The pro forma adjustments represent the elimination of the shareholder's loan that was extinguished upon closing, deemed to be January 1, 2009 for the purposes of the pro forma condensed combined financial statements (CHF 277.2 million). Related interest on this loan has also been reversed out of the periods presented (CHF 5.6 million, CHF 3.1 million and CHF 7.3 million for the periods ended September 30, 2009 and 2010, and the year ended December 31, 2009 respectively).

In addition dividend payments to the previous shareholder have been reversed out of the periods presented (CHF 158 million, CHF 133 million and CHF 158 million for the periods ended September 30, 2009 and 2010, and the year ended December 31, 2009 respectively).

Depreciation, amortization and impairment losses
As of the date of these unaudited pro forma condensed combined financial statements for the period ended September 30, 2010, we have not performed the valuation studies necessary to accurately estimate the fair values of the assets acquired and liabilities assumed.

Accordingly, the excess of the purchase price over the historical carrying values of Sunrise Communications AG's net assets (excluding goodwill) has been reflected as goodwill in the unaudited pro forma condensed combined balance sheet. Ultimately, a significant portion of the purchase price may be allocated to property and equipment, licenses, brands, customer-related intangibles, or other intangibles with finite lives ranging from 3 to 15 years, which would materially increase depreciation and amortization expenses. We do not anticipate that allocating the purchase price to other assets or liabilities would materially impact recurring expenses other than non-cash amortization and depreciation expenses. We do not expect the final purchase price allocation to have a significant impact on the future cash flows or EBITDA.

Financial expense

The pro forma adjustments represent entries necessary to reflect additional interest expense in connection with the financing for the acquisition, comprising the following elements:

Pro forma financial expenses — in CHF 1,000

	January 1, 2010 – September 30, 2010	January 1, 2009 – September 30, 2009	July 1, 2010 – September 30, 2010	July1, 2009 – September 30, 2009
Unaudited pro forma cash interest expense on the Term Loans and Notes	113.3	112.5	38.1	37.8
Amortization of debt issuance costs	11.6	11.6	3.9	3.9
Adjustment to eliminate interest payable on historical shareholder loans	(3.1)	(5.6)	(0.7)	(1.6)
Total effect of transactions	121.8	118.5	41.3	40.1

For the purposes of this unaudited pro forma presentation, we have used the actual interest rate, adjusting for cross currency swaps and historical CHIBOR rates where appropriate, in connection with debt incurred under the Senior Credit Facilities, the original Senior Notes and the Senior Secured Notes.

Additional pro forma adjustments are included to reflect non-cash amortization of debt issuance costs and debt discount and premium. These costs are amortized over the term of the related facility, which is approximately six years for the Term Loan A, revolving credit facility and acquisition facility, seven years for Term Loan B and the Senior Secured Notes and eight years for the Senior Notes, including the additional Senior.

Other pro forma adjustments represent adjustments to remove the historical interest expense on the shareholder loans extinguished upon the acquisition.

Income taxes

The pro forma adjustments reflect the tax benefit from the additional interest expense calculated using the statutory tax rate in effect during the periods for which pro forma income statements are presented:

Pro forma tax effects — in CHF 1,000

	January 1, 2010 – September 30, 2010	January 1, 2009 – September 30, 2009	July 1, 2010 – September 30, 2010	July1, 2009 – September 30, 2009
Additional interest and amortisation charges resulting from financing for the acquisition	124.9	124.1	42.0	41.7
Less: non deductible amortization of debt issuance costs	(11.6)	(11.6)	(3.9)	(3.9)
Less: non-deductible interest	(77.0)	(76.1)	(26.0)	(25.6)
Total additional interest expense available to offset for tax purposes	36.3	36.4	12.1	12.2
Statutory tax rate for the period	21.2%	21.2%	21.2%	21.2%
Net tax benefit of the interest expense relating to the financing for the acquisition	7.7	7.7	2.6	2.6

A portion of interest expense relating to the Senior Credit Facilities, the Senior Secured Notes and the Senior Notes is not expected to qualify as tax deductible items in the determination of Income before taxes for the purpose of calculating tax payable. The final amount deductible for tax purposes may be different and is subject to a number of different factors.

No adjustment to tax expense is reflected on the amortization of debt issuance costs due to the non-deductible nature of the amortization expense.

Cash flow statement

Because of the pro forma adjustments described above, the cash flow statements of Sunrise Communications Holdings S.A. on a pro forma basis differ materially from the cash flow statements of Sunrise Communications AG, in the main following respects:

- Payment of interest on Term Loans and Notes (operating activities),
- Reimbursement of previous shareholder's loan (financing activities),
- Proceeds from issuance of Notes and Term Loans (financing activities),
- Proceeds from equity contribution from new shareholder (financing activities),
- Payment of acquisition and acquisition-related costs (operating activities),
- Investment in Sunrise Communications AG (investing activities).

Note 3 Significant Accounting Policies

With effect from January 1, 2010, Sunrise Communications A.G. applied accounting policies consistent with the new IFRS accounting standards and interpretations that became effective for 2010 (for more information, see note 3 to the Consolidated Financial Statements of Sunrise Communications AG for 2009). None of the changes have a material impact on the financial statements for the nine months ended September 30, 2010. In addition to reflect the impact of the pro forma adjustments described in Note 1, the following accounting policies have been applied effective January 1, 2010:

Derivatives
Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company has designated its derivatives as fair value hedges.

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

Derivatives which are not designated as hedges are categorised as held for trading. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Derivatives – Fair Value Hedge
For designated and qualifying fair value hedges, the change in the fair value of a hedging derivative is recognized in the income statement in "Net financial items". Meanwhile, the change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognized in the income statement in "Net financial items".

If the hedging instrument expires or is sold, or if the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortized cost, the difference between the carrying value or the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the effective interest rate method. If the hedged item is derecognized, the unamortized fair value adjustment is recognized immediately in the income statement.

Fair value hedges are used by the Company to protect it against changes in the fair value of the financial liabilities due to movements in exchange rates and interest rates. The Company hedges its euro-denominated Senior Notes and Senior Secured Notes using cross-currency swaps to hedge against specifically identified currency risks.

Borrowings
Financial instruments issued by the Company that are not designated at fair value through profit and loss are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Business Combinations
Except for the changes mentioned above, accounting policies remain unchanged from the Consolidated Financial Statements of Sunrise Communications AG for 2009.

When preparing the Pro forma Condensed Combined Financial Statements, Management makes assumptions that affect the reported amounts of assets and liabilities at the balance sheet date, and the reported revenue and expenses for the accounting period. The accounting estimates and judgments considered material to the preparation of the Pro forma Condensed Combined Financial Statements are unchanged compared with the accounting estimates and judgments summarized in note 3 to the Consolidated Financial Statements of Sunrise Communications AG for 2009.

The pro forma condensed combined financial statements are stated in thousands of Swiss francs (CHFk), except where otherwise specifically stated.

Note 4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board of Directors. The operating segments have been determined based on the Management reports reviewed by the Board of Directors.

The accounting policies of the reportable segments are the same as Sunrise Communications A.G. accounting policies described above. Income before depreciation, amortization and special items (EBITDA) represents the profit earned by each segment without allocation of depreciation, amortization and impairment losses, special items, net financial items and income taxes. EBITDA is the measure reported to the Board of Directors for the purposes of resource allocation and assessment of segment performance.

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 for Sunrise Communications A.G..

Sunrise Communications A.G. 's internal reporting is structured in the following segments: Residential and Business.

Residential is the contact partner for fixed-line and mobile customers for residential end-users as well as for Single offfice and Home office businesses. Through the Sunrise Communications A.G. investments in ULL higher focus is now on selling value for money bundled offers in Fixnet/Internet and Mobile.

Business consists of the SME and Large businesses as well as the Sunrise Communications A.G. wholesale business. It serves the whole of Switzerland, providing the full range of products and services, from fixed-line and mobile communications to Internet and data services. The Wholesale business offers Swiss telecoms providers an array of wholesale services that allow them to implement their own telecoms services.

The column Head Office activities consists of all 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 from services for the police and payment reminder fees are also included in this column.

Activities — in CHF 1,000

	Residential		Business		Head office activities[1]		Total	
	January 1, 2010 – September 30, 2010	January 1, 2009 – September 30, 2009	January 1, 2010 – September 30, 2010	January 1, 2009 – September 30, 2009	January 1, 2010 – September 30, 2010	January 1, 2009 – September 30, 2009	January 1, 2010 – September 30, 2010	January 1, 2009 – September 30, 2009
External revenue	1,137,624	1,109,355	380,665	363,724	9,527	12,166	1,527,816	1,485,245
Intra-segment revenue	383	1,563	16,681	18,205	0	0	17,064	19,768
Revenue	1,138,007	1,110,918	397,346	381,929	9,527	12,116	1,544,880	1,505,963
Transmission costs and cost of goods sold	(342,508)	(350,045)	(239,838)	(224,980)	146	(4,487)	(582,200)	(579,512)
Other external charges	(237,595)	(232,910)	(18,180)	(18,620)	(159,981)	(173,859)	(415,756)	(425,389)
Wages, salaries and pension costs	(33,509)	(26,684)	(22,591)	(24,186)	(78,668)	(85,302)	(134,768)	(136,172)
Other income and expenses	0	98	0	0	9,760	(175)	9,760	(77)
EBITDA	524,395	501,377	116,737	114,143	(219,216)	(251,657)	421,916	363,863

[1] Including Headquarters.

Reconciliation of revenue — in CHF 1,000

	January 1, 2010 – September 30, 2010	January 1, 2009 – September 30, 2009	July 1, 2010 – September 30, 2010	July1, 2009 – September 30, 2009
Reportable segments	1,544,880	1,505,013	538,053	522,034
Elimination of intra-segment items	(17,064)	(19,768)	(4,819)	(6,454)

Consolidated amounts	1,527,816	1,485,245	533,234	515,580

Reconciliation of Income before depreciation, amortization and special items (EBITDA) in CHF 1,000

	January 1, 2010 – September 30, 2010	January 1, 2009 – September 30, 2009	July 1, 2010 – September 30, 2010	July1, 2009 – September 30, 2009
EBITDA from reportable segments	421,916	363,863	141,522	128,247
Unallocated:				
Depreciation, amortization and impairment losses	(191,477)	(202,891)	(62,061)	(65,882)
Net special items	(1,201)	(11,505)	12	-
Net financial items	(133,709)	(128,087)	(43,856)	(42,926)
Consolidated Income before income taxes	95,529	21,452	35,617	19,439

Note 5 Revenue in CHF 1,000

	January 1, 2010 – September 30, 2010	January 1, 2009 – September 30, 2009	July 1, 2010 – September 30, 2010	July1, 2009 – September 30, 2009
Landline telephony	486,326	489,644	158,689	168,946
Mobile services	909,134	858,555	330,975	301,319
Internet services	132,356	137,046	43,570	45,315
Total	**1,527,816**	**1,485,245**	**533,234**	**515,580**

Note 6 Net special items in CHF 1,000

Profit for the nine month period ending September 30, 2010 includes the following items, which are special because of their nature, size and incidence:

	January 1, 2010 – September 30, 2010	January 1, 2009 – September 30, 2009	July 1, 2010 – September 30, 2010	July1, 2009 – September 30, 2009
Loss from divestments of subsidiaries	0	(3,280)	0	0
Aperiodic settlements of charges for access services calculated using the prices for interconnection services determined by the Swiss regulator[1]	0	(8,225)	0	0
Restructuring costs[2]	(1,860)	0	(223)	
Aperiodic settlements from social security instutitions and other	424	0	0	0
Other	235	0	235	0
Net special items before income taxes	**(1,201)**	**(11,505)**	**(12)**	**0**

[1]Settlement of charges represents an adjustment of a compensation from Swisscom regarding excessive landline termination charges for the period 2000-2005. The compensation was originally recognized in 2006, based on charges determined by the Federal Communications Comission (ComCom) for the period 2000-2003, whereas the charges for the period 2004-2005 were based on estimates as they were not yet determined by ComCom.
[2]Restructuring costs in 1H2010 comprises costs related to surplus office capacity.

Note 7 Business Combinations

On October 28 2010, the Company and it's subsidiaries comprising Sunrise Communications Holdings S.A., Sunrise Communications International S.A. and Skylight S.à.r.l., completed the acquisition of 100% of the share capital of Sunrise Communications AG for an aggregate consideration of CHF 3,306 million.

These Pro forma Condensed Combined financial statements assume the acquisition was effective from 1 January 2009 (see Note 1, Basis of Preparation) and are based on currently available information and include no preliminary allocation of purchase price on acquisition. Actual adjustments arising from the allocation of purchase price could be significant. As of the date of preparation of these accounts, the Company has not performed the valuation studies necessary to estimate the fair values of all the assets acquired and liabilities assumed. Accordingly, the excess of the purchase price over the historical carrying values of Sunrise's net assets (excluding goodwill) has been reflected as goodwill in the unaudited pro forma condensed combined balance sheet. Ultimately, a significant portion of the purchase price may be allocated to property and equipment, licenses, brands, customer-related intangibles, or other intangibles with finite lives ranging from 3 to 15 years, which would materially increase depreciation and amortization expenses. We do not anticipate that allocating the purchase price to other assets or liabilities would materially impact recurring expenses other than non-cash amortization expenses.

The following table summarise the consideration paid for Sunrise Communications AG and the amounts of net assets acquired as at 1 January 2009.

Pro forma consideration at 1 January 2009	in CHF 1,000
Cash	3,308,174
Agreed purchase price prepayments[1]	(76,732)
Total Consideration	3,231,442
Historical consolidated net assets of Sunrise Communications AG at 31 December 2008[2]	3,087,353
Less: adjustment to extinguish shareholder loan[3]	475,652
Less: adjustment to eliminate historical goodwill	(2,358,203)
Total Sunrise Communications AG net assets acquired	1,204,802
Goodwill arising on acquisition	2,026,640

[1] Represents certain prepayments to be made as per the Acquisition Agreement and netted against the purchase price.
[2] The historical net assets of Sunrise Communications A.G. have been adjusted to take account of certain contingent payment liabilities that will materialize as a result of the completion of the Acquisition.
[3] Represents the settlement from the net purchase price of existing shareholder loans to TDC at the effective date of the pro forma preparation, 1 January 2009.

Note 8 Equity Securities Offered

Equity Securities Issued — in CHF 1,000

Pro forma Equity Securities Issued	Number	30 September 2010 Unaudited	31 December 2009 Unaudited	30 September 2009 Unaudited
Class A shares	90,000,000	136,621	136,621	136,621
Class B shares	10,000,000	100	100	100
Series A Preferred Equity Certificates	71,896,603,100	718,966	718,966	718,966
Series B Preferred Equity Certificates	8,673,191,900	86,732	86,732	86,732
Total Equity Securities		**942,419**	**942,419**	**942,419**

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). Following the issue of €56 million of additional Senior Notes on November 8, 2010, CHF 75 million of Series B Preferred Equity Certificates ('PECs') were redeemed by the Company. For the purposes of the pro forma presentation these transactions are all deemed to have occurred concurrently on 1 January 2009 and hence the table above represents the Equity Securities issued net of the redemption.

The Series A and Series B Preferred Equity Certificates have no maturity date but are redeemable at the option of the Company, subject to terms of an Intercreditor Agreement, or on the liquidation of the Company. They are interest bearing, but interest is not payable until their redemption. The PECs are structurally and contractually subordinated to all debt, including the Senior Secured Notes and the Senior Notes. They have no covenants, events of default, no right to security / guarantees or other features that could trigger an early repayment.

Note 9 Borrowings

Borrowings comprises the following loans that were put in place to finance the Acquisition:

- Issuance on October 7, 2010 by Sunrise Communications International S.A. of CHF 300 million of 7% senior secured notes due 2017 and €371 million 7% senior secured notes due 2017 completed on October 14, 2010;
- Issuance on October 7, 2010 by Sunrise Communications Holdings S.A. of original senior notes in the amount of €505 million completed on October 14, 2010 and additional senior notes in the amount of €56 million completed on November 8, 2010;
- Utilization by Skylight S.à.r.l. of Term Loan A in the amount of CHF 500 million and Term Loan B in the amount of CHF 320 million (equivalent) under the senior credit facilities.
- The senior credit facilities also provide for a revolving credit facility in the amount of CHF 150 million and an acquisition facility in the amount of CHF 100 million (neither the revolving credit facility nor the acquisition facility are currently drawn).

Pro forma borrowings, interest, currency effects and capitalised issuance costs are presented as though the transactions listed above were consummated on 1 January 2009. The Company's interest-bearing loans and borrowings are measured at amortised cost.

Borrowings in CHF 1,000

Pro forma borrowing at fair value	30 September 2010 Unaudited	31 December 2009 Unaudited	30 September 2009 Unaudited
Floating rate			
Term Loan A – CHF denominated	500,000	500,000	500,000
Term Loan B – CHF denominated	220,000	220,000	220,000
Term Loan B – EUR donominated	97,555	108,891	110,705
Fixed rate			
Senior Secured Notes - CHF denominated	300,000	300,000	300,000
Senior Secured Notes - EUR denominated	492,948	550,230	559,394
Senior Notes - EUR denominated	745,400	832,019	845,876
Total borrowings	**2,355,903**	**2,511,140**	**2,535,975**
Capitalised debt issuance costs	(84,841)	(96,466)	(100,385)
Accrued interest	38,085	-	37,750
Total book value of borrowings	**2,309,147**	**2,414,674**	**2,473,340**

The Term Loan A Facility has a maturity of December 31, 2016 and bears a coupon of CHIBOR plus 4.50% per annum. The Term Loan B Facilities have a maturity date of December 31, 2017 and bear a coupon of CHIBOR plus 5.00% per annum. Both the Term Loan A and Term Loan B Facilities were fully drawn at the date of acquisition of Sunrise Communications AG and were used to fund the acquisition.

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

The contractual maturity of non-current borrowings is as follows:

Maturity of Borrowings — in CHF 1,000

Pro forma contractual liabilities of non-current borrowings	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cashflows	Carrying amounts (assets) / liabilities
Pro forma at 30 September 2010							
Finance leases	4,208	4,208	8,416	25,170	33,867	75,869	52,597
Borrowings	-	18,750	50,000	298,250	2,009,198	2,376,198	2,355,903
Total non-derivatives	**4,208**	**22,958**	**58,416**	**323,420**	**2,043,065**	**2,452,067**	**2,408,500**
Pro forma at 31 December 2009							
Finance leases	4,208	4,208	8,416	25,229	42,225	84,286	56,860
Borrowings	-	-	18,750	229,500	2,127,948	2,376,198	2,511,141
Total non-derivatives	**4,208**	**4,208**	**27,166**	**254,729**	**2,170,173**	**2,460,484**	**2,568,001**
Pro forma at 30 September 2009							
Finance leases	4,208	4,208	8,416	25,223	40,127	82,182	55,714
Borrowings	-	-	18,750	229,500	2,127,948	2,376,198	2,535,974
Total non-derivatives	**4,208**	**4,208**	**27,166**	**254,723**	**2,168,075**	**2,458,380**	**2,591,148**

In addition the Company has the following undrawn borrowing facilities:

Undrawn Credit Facilities — in CHF 1,000

	30 September 2010 Unaudited	31 December 2009 Unaudited	30 September 2009 Unaudited
Floating rate			
- Expiring beyond one year	250,000	250,000	250,000

The commited and undrawn RCF and Acquisition facilities of CHFk 150,000 and CHFk 100,000 and bear commitment fees of 1.80% and 1.90% per annum respectively. Any amounts drawn under these facilities bear a coupon of CHIBOR plus 4.5% and CHIBOR plus 4.0% per annum, respectively.

Note 10 Pension liabilities

The pension liabilities have decreased from CHFk 67,489 on January 1, 2009 to CHFk 50,424 at September 30, 2010. The principal reason for the movement in the liability are the actuarial gains and losses whiach are reflected in other comprehensive income in the Pro Forma Combined Condensed Statements of Changes in Equity for each period. Whereas actuarial gains on plan assets arose in 2009 as a result of the recovery of the financial markets, an actuarial loss was incurred in the first half of 2010 as a result of a decrease in the discount rate from 3.25% to 2.75%.

Note 11 Derivatives

Derivatives held by the Company for the periods presented comprised cross currency swaps with fair value as follows:

Fair value hedges			in CHF 1,000
	30 September 2010 Unaudited	31 December 2009 Unaudited	30 September 2009 Unaudited
Cross currency swaps – fair value hedges (asset) / liability	20,295	(134,942)	(159,776)

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months. The cross-currency swaps do not have a non-current portion.

There was no ineffective portion recognised in the profit or loss arising from the above fair value hedges.

The notional principal amounts of the outstanding cross-currency swap contracts at September 30, 2009, September 30, 2010 and December 31, 2009 was CHF 1,356.2 million.

Note 12 Events after the balance sheet date

Sunrise Communications Holdings S.A. and its wholly owned subsidiaries Sunrise Communications International S.A. and Skylight S.à r.l. were all incorporated on September 9, 2010.

On October 14, 2010 Sunrise Communications International S.A. completed the issuance of CHF 300 million of 7% Senior Secured Notes due 2017 and €371 million 7% senior secured notes due 2017 and Sunrise Communications Holdings S.A. completed the issuance of original Senior Notes in the amount of €505 million

On October 19, 2010 Sunrise Communications Holdings S.A. issued 90 million Class A Ordinary Shares and 10 million Class B ordinary Shares for an aggregate consideration of CHF 136.7 million to companies controlled by funds managed or advised by CVC Capital Partners. In addition 71,896 million Series A Preferred Equity Certificates and 16,006 million Series B Preferred Equity Certificated were issued to companies controlled by funds managed or advised by CVC Capital Partners for an aggregate consideration of CHF 879 million. (See Note 8 – Equity Securities Issued)

On October 28 2010, the Company and it's subsidiaries comprising Sunrise Communications Holdings S.A., Sunrise Communications International S.A. and Skylight S.à r.l., completed the acquisition of 100% of the share capital of Sunrise Communications AG for an aggregate consideration of CHF 3,306 million.

On November 8, 2010 Sunrise Communications Holdings S.A. completed the issuance of additional Senior Notes in the amount of €56 million.

On November 19, 2010 Sunrise Communications Holdings S.A. completed the redemption of 7,333 million Series B Preferred Equity Certificates for a consideration of CHF 75 million.

These pro forma condensed combined interim accounts have been prepared on the basis that these transactions occurred concurrently on 1 January 2009 (see Note 1 – Basis of preparation and Note 2- Pro forma adjustments)

Commentary on results for the nine months and three months ended 30 September 2010

Revenue

Our total revenue was CHF 1,527.8 million for the nine months ended September 30, 2010, an increase of CHF 42.6 million, or 2.9%, from CHF 1,485.2 million for the nine months ended September 30, 2009. Our total revenue was CHF 533.2 million for the three months ended September 30, 2010, an increase of CHF 17.6 million, or 3.4%, from CHF 515.6 million for the three months ended September 30, 2009. This revenue growth was driven by an increase in postpaid mobile, wholesale and handset revenues, which were partly offset by lower retail voice revenues.

The table below sets forth our revenue for the nine months ended September 30, 2009 as compared to the nine months ended September 30, 2010.

Revenue				CHFk
	January 1, 2010 – September 30, 2010	January 1, 2009 – September 30, 2009	July 1, 2010 – September 30, 2010	July1, 2009 – September 30, 2009
Mobile services	909,134	858,555	330,975	301,319
Landline telephony	486,326	489,644	158,689	168,946
Internet services	132,356	137,046	43,570	45,315
Total	1,527,816	1,485,245	533,234	515,580

Mobile revenue was CHF 909.1 million for the nine months ended September 30, 2010, an increase of CHF 50.6 million, or 5.9%, from CHF 858.6 million for the nine months ended September 30, 2009. Mobile revenue was CHF 331.0 million for the three months ended September 30, 2010, an increase of CHF 29.7 million, or 9.8%, from CHF 301.3 million for the three months ended September 30, 2009. The increase in mobile revenue was primarily attributable to increased postpaid customer base, higher handset sales and higher MVNO revenues partly offset by slightly lower prepaid and termination revenues.

Landline services revenue was CHF 486.3 million for the nine months ended September 30, 2010, a decrease of CHF 3.3 million, or 0.7%, from CHF 489.6 million for the nine months ended September 30, 2009. Landline services revenue was CHF 158.7 million for the three months ended September 30, 2010, a decrease of CHF 10.3 million, or 6.1%, from CHF 168.9 million for the three months ended September 30, 2009. The decrease in landline services revenue was primarily attributable to lower voice and data revenues driven by a reduced customer base partly offset by higher voice hubbing revenues.

Landline internet revenue was CHF 132.4 million for the nine months ended September 30, 2010, a decrease of CHF 4.7 million, or 3.4%, from CHF 137.0 million for the nine months ended September 30, 2009. Landline internet revenue was CHF 43.6 million for the three months ended September 30, 2010, a decrease of CHF 1.7 million, or 3.9%, from CHF 45.3 million for the three months ended September 30, 2009. We attribute the decreases primarily to the increase in LLU customer base, which resulted in part of the COGS savings being passed on to the customers (i.e., retail price reduction in exchange for higher underlying growth profit contribution) and increased mobile and fixnet bundles for which part of the discount is attributed to landline internet revenue.

Transmission Costs and Cost of Goods Sold

Transmission costs and cost of goods sold was CHF 565.1 million for the nine months ended September 30, 2010, an increase of CHF 5.4 million, or 1.0%, from CHF 559.7 million for the nine months ended September 30, 2009. Transmission costs and cost of goods sold was CHF 199.9 million for the three months ended September 30, 2010, an increase of CHF 4.8 million, or 2.5%, from CHF 195.1 million for the three months ended September 30, 2009. The increase in transmission costs and cost of goods sold was primarily attributable to higher mobile and voice hubbing costs and higher cost for handsets sold in line with revenue development, which were partially offset by lower costs related to LLU services.

Other External Expenses

Other external expenses were CHF 415.8 million for the nine months ended September 30, 2010, a decrease of CHF 9.6 million, or 2.3%, from CHF 425.4 million for the nine months ended September 30, 2009. Other external expenses were CHF 146.4 million for

the three months ended September 30, 2010, a decrease of CHF 2.1 million, or 1.4%, from CHF 148.4 million for the three months ended September 30, 2009. The decrease in other external expenses was primarily attributable to reduced spending on marketing and consultancy services as well as lower outsourced solutions related to the 3 months ended September 30, 2010.

Wages, Salaries and Pension Costs

Wages, salaries and pension costs were CHF 134.8 million for the nine months ended September 30, 2010, a decrease of CHF 1.4 million, or 1.0%, from CHF 136.2 million for the nine months ended September 30, 2009. The decrease in wages, salaries and pension costs was primarily attributable to higher capitalization of internal labor and adjustments relating to employee benefits and accident insurance.

Wages, salaries and pension costs were CHF 45.5 million for the three months ended September 30, 2010, a increase of CHF 1.8 million, or 4.2%, from CHF 43.6 million for the three months ended September 30, 2009. The increase in wages, salaries and pension costs was primarily attributable to adjustments relating to employee salaries and benefits.

Other Income and Expenses

Other income and expenses were CHF 9.8 million for the nine months ended September 30, 2010, an increase of CHF 9.8 million, from CHF 0.1 million for the nine months ended September 30, 2009. Other income and expenses were CHF 0.0 million for the three months ended September 30, 2010, an increase of CHF 0.2 million, from CHF -0.2 million for the three months ended September 30, 2009. The increase in other income and expenses was primarily attributable to increased gain on asset sales.

Depreciation, Amortization and Impairment Losses

Depreciation, amortization and impairment losses were CHF 191.5 million for the nine months ended September months ended September 30, 2010, a decrease of CHF 11.3 million, or 5.6%, from CHF 202.8 million for the nine months ended September 30, 2009. Depreciation, amortization and impairment losses were CHF 62.1 million for the three months ended September months ended September 30, 2010, a decrease of CHF 3.8 million, or 5.8%, from CHF 65.9 million for the three months ended September 30, 2009. The decrease in depreciation, amortization and impairment losses was primarily attributable to lower depreciations of GSM equipment as well as write-offs related to the infrastructure of TelCom which took place in June 2009.

Net Special Items

Net special items were CHF -1.2 million for the nine months ended September 30, 2010, a decrease of CHF 9.6 million, or 84.2%, from CHF -11.5 million for the nine months ended September 30, 2009. The decrease in net special items was primarily attributable to the gain recognized in 2009 from aperiodic settlements resulting from disputes over access services and recognition of loss in 2010 on the earn-out receivable relating to the disposal of SBC in 2009. Net special items did not change in the three months ending September 30, 2010.

EBITDA

Our EBITDA was CHF 421.9 million for the nine months ended September 30, 2010, an increase of CHF 58.1 million, or 16.0%, from CHF 363.9 million for the nine months ended September 30, 2009. Our EBITDA was CHF 141.5 million for the three months ended September 30, 2010, an increase of CHF 13.3 million, or 10.4%, from CHF 128.2 million for the three months ended September 30, 2009. The increase in EBITDA was primarily attributable to increased growth in mobile subscribers and non-recurring items related to profit from the sale of assets. The increase in operating income was primarily attributable to a decrease in other external expenses, which resulted from reduced marketing spending and savings from outsourcing, partially offset by increased subscriber acquisition costs.

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		'000
	30 September 2010	30 September 2009
Subscribers at end of period[1]	1,951.9	1,844.6
Subscriber growth from prior equivalent period	*5.8%*	-
Of which:		
Postpaid[1][2]	938.0	857.6
Prepaid[1][3]	1,013.9	987.0

(1) Excludes MVNO subscribers but includes reseller-originated and yallo subscribers.
(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				CHF/month
	January 1, 2010 – September 30, 2010	January 1, 2009 – September 30, 2009	July 1, 2010 – September 30, 2010	July1, 2009 – September 30, 2009
Mobile ARPU[1]	46.8	47.2	48.5	49.2
Increase/(decrease) from prior equivalent period	(0.8)%	-	(1.4)%	-

(1) We define mobile ARPU as the total mobile revenue in the period divided by the average number of mobile subscribers 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 increased by approximately 107,300 or 5.8%, to 1.95 million as of September 30, 2010 from 1.84 million as of September 30, 2010. Our total mobile market share, including MVNOs and resellers on our network, increased to 23.4% as of September 30, 2010, from 22.5% as of September 30, 2009. We believe new subscriber activations during this period were primarily attributed to our competitive flat rate and mobile data plans.

Mobile ARPU decreased by CHF 0.4, or 0.8%, to CHF 46.8 for the nine months ended September 30, 2010, from CHF 47.2 for the nine months ended September 30, 2009. We attribute this decrease primarily to lower mobile termination rates and increasing shares of prepaid and mobile broadband subscribers. Mobile ARPU decreased by CHF 0.7, or 1.4%, to CHF 48.5 for the three month ended September 30, 2010, from CHF 49.2 for the three month ended September 30, 2009. We attribute this decrease primarily to lower mobile termination rates and volumes, lower outbound roaming and higher proportions of prepaid and broadband-only mobile subscribers. Postpaid mobile ARPU is generally higher than prepaid mobile ARPU.

Mobile Voice Traffic Volume

Voice traffic volume for a given period measures the number of minutes of calls over our network for the period, including outgoing mobile-to-mobile, outgoing mobile-to-fixed off-network, incoming off-network mobile-to-mobile and incoming fixed-to-mobile calls. Calls from Sunrise landlines to Sunrise mobile numbers are accounted for under landline calls and are not included in mobile voice traffic. The table below sets forth the total voice traffic for our mobile business.

Voice Traffic — Millions of minutes

Voice Traffic Volume (millions of minutes)	January 1, 2010 – September 30, 2010	January 1, 2009 – September 30, 2009	July 1, 2010 – September 30, 2010	July1, 2009 – September 30, 2009
Total mobile voice traffic				
Outgoing voice				
Off-network	1,072.0	907.3	368.1	319.2
thereof to national mobile	331.2	288.4	112.7	96.0
thereof to other (national landline, international and roaming off)	740.8	618.9	255.4	223.2
On-network	750.4	594.6	240.0	203.0
Incoming voice				
Off-network	551.6	569.1	171.0	190.6
Total landline				
Outgoing voice				
Off-network	1,716.1	1,999.6	517.3	603.4
thereof to national mobile	156.8	187.1	50.1	59.6
thereof to other (national landline and international)	1,559.3	1,812.6	467.2	543.8
On-network (to Sunrise mobile)	57.5	55.6	19.0	18.5

We attribute the increase in mobile voice traffic for the nine months ended September 30, 2010 compared to the nine months ended September 30, 2009 primarily to the customer base growth and the implementation of flat fee offers for outgoing mobile-to-mobile, both on-network and off-network, and outgoing mobile-to-fixed calls.

Mobile Termination Rates

The rates in effect for 2009 were CHF 0.15 per minute for mobile calls terminating on the Swisscom's mobile network and CHF 0.18 per minute for mobile calls terminating on either our or Orange's networks. Rates during the first nine month of 2010 had dropped to CHF 0.14 per minute for mobile calls terminating on Swisscom's mobile network and CHF 0.17 per minute for mobile calls terminating on either our or Orange's networks. Rates dropped again on October 1, 2010 to CHF 0.08 per minute for mobile calls terminating on Swisscom's mobile network and CHF 0.10 per minute for mobile calls terminating on either of Sunrise's or Orange's networks. A further drop will take place on January 1, 2011 to 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, resulting in a corresponding decline in our revenue from mobile termination rates. We believe that the decrease of mobile termination rates over time will reduce Swisscom's implied advantage as the market leader.

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

	30 September 2010	30 September 2009
Retail Voice	586.0	650.5
Subscriber growth/ (decrease) from prior equivalent period	*(9.9%)*	-
Of which:		
LLU	215.3	95.9

(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 about 64,500, or 9.9%, as of September 30, 2010 to 0.59 million from 0.65 million as of September 30, 2009. We attribute the decreases primarily to the departure of retail voice-only CPS customers, including acquired TelCom customers.

ARPU

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

Landline Services ARPU — CHF / month

Landline Services ARPU (CHF/month)	January 1, 2010 – September 30, 2010	January 1, 2009 – September 30, 2009	July 1, 2010 – September 30, 2010	July1, 2009 – September 30, 2009
Retail Voice ARPU (1)	43.5	40.6	43.2	41.1
Increase/(decrease) from prior equivalent period	7.1%	-	5.1%	-

(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. 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 increased by CHF 2.9, or 7.1%, to CHF 43.5 for the nine months ended September 30, 2010, from CHF 40.6 for the nine months ended September 30, 2009. Retail voice ARPU increased by CHF 2.1, or 5.1%, to CHF 43.2 for the three month ended September 30, 2010, from CHF 41.1 for the three month ended September 30, 2009. We attribute the increase primarily to increased fees resulting from the migration of subscribers from CPS to ARB and LLU.

Principal Factors Affecting Landline Internet Revenues

Subscriber Base

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

Landline Internet Subscriber Base(1) — '000

	30 September 2010	30 September 2009
Landline internet	356.1	350.3
Increase/(decrease) from prior equivalent period	1.7%	—
Of which:		
Narrowband (dial-up)	9.4	16.5
Broadband BBCS	131.4	237.9
Braodband LLU	215.3	95.9

(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 18.40 per month for each LLU line and CHF 28.00 per month for each BBCS line.

The total number of our landline internet subscribers increased by about 5,800, or 1.7%, as of September 30, 2010 to about 356,100 from about 350,300 as of September 30, 2009. This has been driven primarily by our growth in broadband subscribers, and particularly in LLU customers. The total number of broadband subscribers, including both LLU and BBCS services, likewise increased by approximately 12,900, or 3.9%, as of September 30, 2010 to about 346,700 from about 333,800 as of September 30, 2009. We attribute these increases primarily to our attractive LLU and bundled mobile and landline offerings.

We have seen a decrease of 43.0% in our narrowband (dial-up) subscriber base to approximately 9,400 as of September 30, 2010 from approximately 16,500 as of September 30, 2009. This decrease is consistent with the decline in narrowband services across Europe and was substantially offset by the increase in broadband subscribers. We attribute the decrease in our number of narrowband subscribers primarily to the trend of migration to broadband services that enables subscribers to get better quality services at more attractive prices (mainly as a result of flat-rate offers) and to the fact that we stopped actively marketing narrowband internet access. The dial-up subscriber base has reached an insignificant level and we will discontinue reporting those subscribers.

ARPU

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

Landline Internet ARPU				CHF / month
	January 1, 2010 – September 30, 2010	January 1, 2009 – September 30, 2009	July 1, 2010 – September 30, 2010	July1, 2009 – September 30, 2009
Landline Internet ARPU (1)	37.3	39.5	36.7	38.9
Increase/(decrease) from prior equivalent period	(5.6)%	-	(5.7)%	-

(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. 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 decreased by CHF 2.2, or 5.6%, to CHF 37.3 for the nine months ended September 30, 2010, from CHF 39.5 for the nine months ended September 30, 2009. Landline internet ARPU decreased by CHF 2.2, or 5.7%, to CHF 36.7 for the three month ended September 30, 2010, from CHF 38.9 for the three month ended September 30, 2009. We attribute the decreases primarily to the increase in LLU customer base, which resulted in part of the COGS savings being passed on to the customers (i.e., retail price reduction in exchange for higher underlying growth profit contribution) and increased mobile and fixnet bundles for which part of the discount is attributed to landline internet ARPU.