Sunrise Communications Holdings S.A.

Pro forma financial results for the twelve months and three months period ended December 31, 2010

Facts & Figures

	January 1, 2010 – December 31, 2010	January 1, 2009 – December 31, 2009	October 1, 2010 – December 31, 2010	October 1, 2009 – December 31, 2009
Results of Operations				
(in '000 CHF, except where indicated)				
Revenue	2,052,269	1,993,857	525,203	510,461
Mobile	1,232,719	1,150,931	324,335	294,224
Landline Services	642,541	659,814	156,215	170,170
thereof voice hubbing	203,166	187,671	51,498	51,580
Landline Internet	177,009	183,112	44,653	46,066
EBITDA	541,945	497,604	120,779	135,590
EBITDA margin (%)	26.4	25.0	23.0	26.6
EBITDA margin (excluding voice hubbing) (%)	29.3	27.6	25.5	29.5
Subscriber Base (at end of period)				
(in thousands)				
Mobile subscriber base	2,015.3	1,862.9	-	-
Landline voice subscriber base	571.0	635.1	-	-
Landline internet subscriber base	358.3	355.8	-	-
thereof XDSL	350.0	340.1	-	-
thereof LLU	230.2	132.7	-	-
ARPU				
(in CHF/month)				
Mobile Services	46.2	47.1	44.4	46.7
Landline Voice Services	43.8	41.4	44.7	44.0
Landline Internet Services	37.0	39.3	36.3	38.6
Employees				
FTEs (end of period)	1,529	1,549	-	-

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Management's discussion and analysis of the financial results for the twelve months and three months period ended December 31, 2010

Revenue

Our total revenue was CHF 2,052.3 million for the twelve months ended December 31, 2010, an increase of CHF 58.4 million, or 2.9%, from CHF 1,993.9 million for the twelve months ended December 31, 2009. Our total revenue was CHF 525.2 million for the three months ended December 31, 2010, an increase of CHF 14.7 million, or 2.9%, from CHF 510.5 million for the three months ended December 31, 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 twelve months ended December 31, 2009 as compared to the twelve months ended December 31, 2010.

Revenue				CHFk
	January 1, 2010 – December 31, 2010	January 1, 2009 – December 31, 2009	October 1, 2010 – December 31, 2010	October 1, 2009 – December 31, 2009
Mobile services	1,232,719	1,150,931	324,335	294,224
Landline telephony	642,541	659,814	156,215	170,170
Internet services	177,009	183,112	44,653	46,066
Total	2,052,269	1,993,857	525,203	510,461

Mobile revenue was CHF 1,232.7 million for the twelve months ended December 31, 2010, an increase of CHF 81.8 million, or 7.1%, from CHF 1,150.9 million for the twelve months ended December 31, 2009. Mobile revenue was CHF 324.3 million for the three months ended December 31, 2010, an increase of CHF 30.1 million, or 10.2%, from CHF 294.2 million for the three months ended December 31, 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 642.5 million for the twelve months ended December 31, 2010, a decrease of CHF 17.3 million, or 2.6%, from CHF 659.8 million for the twelve months ended December 31, 2009. Landline services revenue was CHF 156.2 million for the three months ended December 31, 2010, a decrease of CHF 14.0 million, or 8.2%, from CHF 170.2 million for the three months ended December 31, 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 177.0 million for the twelve months ended December 31, 2010, a decrease of CHF 6.1 million, or 3.3%, from CHF 183.1 million for the twelve months ended December 31, 2009. Landline internet revenue was CHF 44.7 million for the three months ended December 31, 2010, a decrease of CHF 1.4 million, or 3.1%, from CHF 46.1 million for the three months ended December 31, 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 gross 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 762.1 million for the twelve months ended December 31, 2010, an increase of CHF 10.1 million, or 1.3%, from CHF 752.1 million for the twelve months ended December 31, 2009. Transmission costs and cost of goods sold was CHF 197.0 million for the three months ended December 31, 2010, an increase of CHF 4.7 million, or 2.4%, from CHF 192.3 million for the three months ended December 31, 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 572.8 million for the twelve months ended December 31, 2010, an increase of CHF 10.7 million, or 1.9%, from CHF 562.1 million for the twelve months ended December 31, 2009. Other external expenses were CHF 157.0 million for the three months ended December 31, 2010, an increase of CHF 20.3 million, or 14.9%, from CHF 136.7 million for the three months ended December 31, 2009. The increase in other external expenses is primarily attributable to increasing bad debt and higher cost for network rental and maintenance.

Wages, Salaries and Pension Costs

Wages, salaries and pension costs were CHF 184.1 million for the twelve months ended December 31, 2010, an increase of CHF 1.0 million, or 0.5%, from CHF 183.1 million for the twelve months ended December 31, 2009.

Wages, salaries and pension costs were CHF 49.3 million for the three months ended December 31, 2010, a increase of CHF 2.4 million, or 5.1%, from CHF 46.9 million for the three months ended December 31, 2009. The increase in wages, salaries and pension costs was primarily attributable to structural changes in the management team.

Other Income and Expenses

Other income and expenses were CHF 8.7 million for the twelve months ended December 31, 2010, an increase of CHF 7.7 million, from CHF 1.0 million for the twelve months ended December 31, 2009. Other income and expenses were CHF -1.1 million for the three months ended December 31, 2010, compared to CHF 1.1 million for the three months ended December 31, 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 398.8 million for the twelve months ended December 31, 2010, a decrease of CHF 19.9 million, or 4.7%, from CHF 418.7 million for the twelve months ended December 31, 2009. Depreciation, amortization and impairment losses were CHF 99.7 million for the three months ended December 31, 2010, a decrease of CHF 9.5 million, or 8.7%, from CHF 109.2 million for the three months ended December 31, 2009. The decrease in depreciation, amortization and impairment losses was primarily attributable to lower depreciations of GSM equipment.

Net Special Items

Net special items were CHF 2.1 million for the twelve months ended December 31, 2010, a decrease of CHF 19.0 million, from CHF -16.9 million for the twelve months ended December 31, 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 were CHF 3.9 million for the three months ended December 31, 2010, an increase of CHF 6.2 million from CHF -2.3 million for the three months ended December 31, 2009.

EBITDA

Our EBITDA was CHF 541.9 million for the twelve months ended December 31, 2010, an increase of CHF 44.3 million, or 8.9%, from CHF 497.6 million for the twelve months ended December 31, 2009. Our EBITDA was CHF 122.3 million for the three months ended December 31, 2010, a decrease of CHF 14.8 million, or 10.9%, from CHF 135.6 million for the three months ended December 31, 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 the decrease in net special items and less depreciation and amortization, 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

	31 December 2010	31 December 2009
Subscribers at end of period[1]	2,015.3	1,862.9
Subscriber growth from prior equivalent period	*8.2%*	-
Of which:		
Postpaid[1][2]	995,4	863,7
Prepaid[1][3]	1,019.9	999.2

(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 – December 31, 2010	January 1, 2009 – December 31, 2009	October 1, 2010 – December 31, 2010	October 1, 2009 – December 31, 2009
Mobile ARPU[1]	46.2	47.1	44.4	46.7
Increase/(decrease) from prior equivalent period	(1.8)%	-	(4.9)%	-

(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 152,342 or 8.2%, to 2.02 million as of December 31, 2010 from 1.86 million as of December 31, 2009. Our total mobile market share, including MVNOs and resellers on our network, increased to 23.0% as of December 31, 2010, from 22.4% as of December 31, 2009. We believe new subscriber activations during this period were primarily attributed to our competitive flat rate and mobile data plans as well as the introduction of new handsets, i.e. the iPhone.

Mobile ARPU decreased by CHF 0.9, or 1.8%, to CHF 46.2 for the twelve months ended December 31, 2010, from CHF 47.1 for the twelve months ended December 31, 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 2.3, or 4.9%, to CHF 44.4 for the three month ended December 31, 2010, from CHF 46.7 for the three month ended December 31, 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 Churn

Our prepaid and postpaid blended mobile churn rate for the year ended December 31, 2010 decreased to 37.7% from 39.2% for the year ended December 31, 2009, which we attribute primarily to decreased churn in our Sunrise branded postpaid subscriber base. We believe the leading cause of churn on our mobile network has been our lack of the iPhone, which Swisscom introduced in July 2008. Because we have eliminated this concern by now offering the iPhone, churn has decreased.

For several reasons, churn is relatively high in the prepaid market, particularly for prepaid mobile data subscribers. Although we could take steps to reduce prepaid churn, the benefits of reducing the churn would not in many cases justify the costs of doing so. For example, we frequently offer promotions that include free benefits for new prepaid subscribers. These promotions increase our subscriber base but also generate high churn due to the portion of customers who only use their lines until the free benefits are gone. Similarly, we sell SIM cards to visitors from other countries during the Swiss ski season who often stop using them upon returning home.

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 – December 31, 2010	January 1, 2009 – December 31, 2009	October 1, 2010 – December 31, 2010	October 1, 2009 – December 31, 2009
Total mobile voice traffic				
Outgoing voice				
Off-network	1,467.2	1,241.2	395.2	333.9
thereof to national mobile	455.8	388.5	124.5	100.0
thereof to other (national landline, international and roaming off)	1,011.5	852.7	270.7	233.8
On-network	1,015.1	823.8	264.7	229.2
Incoming voice				
Off-network	766.1	764.9	214.5	195.8
Total landline				
Outgoing voice				
Off-network	2,266.7	2,672.6	550.7	673.0
thereof to national mobile	205.1	245.3	48.3	58.2
thereof to other (national landline and international)	2,061.6	2,427.4	502.4	614.8
On-network (to Sunrise mobile)	77.1	74.7	19.5	19.2

We attribute the increase in mobile voice traffic for the twelve months ended December 31, 2010 compared to the twelve months ended December 31, 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 months 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

	31 December 2010	31 December 2009
Retail Voice	571.0	635.1
Subscriber growth/ (decrease) from prior equivalent period	*(10.1%)*	-
Of which:		
LLU	230.2	132.7

(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 64,100, or 10.1%, as of December 31, 2010 to 0.57 million from 0.63 million as of December 31, 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 – December 31, 2010	January 1, 2009 – December 31, 2009	October 1, 2010 – December 31, 2010	October 1, 2009 – December 31, 2009
Retail Voice ARPU [(1)]	43.8	41.4	44.7	44.0
Increase/(decrease) from prior equivalent period	5.6%	-	1.6%	-

(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 2.4, or 5.6%, to CHF 43.8 for the twelve months ended December 31, 2010, from CHF 41.4 for the twelve months ended December 31, 2009. Retail voice ARPU increased by CHF 0.7, or 1.6%, to CHF 44.7 for the three month ended December 31, 2010, from CHF 44.0 for the three month ended December 31, 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

	31 December 2010	31 December 2009
Landline internet	358.3	355.8
Increase/(decrease) from prior equivalent period	0.7%	—
Of which:		
Narrowband (dial-up)	8.3	15.7
Broadband BBCS	119.8	207.4
Braodband LLU	230.2	132.7

(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 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 2,500, or 0.7%, as of December 31, 2010 to about 358,300 from about 355,800 as of December 31, 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 9,900, or 2.9%, as of December 31, 2010 to about 350,000 from about 340,100 as of December 31, 2009. We attribute these increases primarily to our attractive LLU and bundled mobile and landline offerings.

We have seen a decrease of 47.2% in our narrowband (dial-up) subscriber base to approximately 8,300 as of December 31, 2010 from approximately 15,700 as of December 31, 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 – December 31, 2010	January 1, 2009 – December 31, 2009	October 1, 2010 – December 31, 2010	October 1, 2009 – December 31, 2009
Landline Internet ARPU (1)	37.0	39.3	36.3	38.6
Increase/(decrease) from prior equivalent period	(5.7)%	-	(6.1)%	-

(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 2.3, or 5.7%, to CHF 37.0 for the twelve months ended December 31, 2010, from CHF 39.3 for the twelve months ended December 31, 2009. Landline internet ARPU decreased by CHF 2.3, or 6.1%, to CHF 36.3 for the three month ended December 31, 2010, from CHF 38.6 for the three month ended December 31, 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.

Sunrise Communications Holdings S.A.

Pro forma condensed combined financial statements for the twelve months and three months period ended December 31, 2010

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

	Note	January 1, 2010 – December 31, 2010 Unaudited	January 1, 2009 – December 31, 2009 Unaudited	October 1, 2010 – December 31, 2010 Unaudited	October 1, 2009 – December 31, 2009 Unaudited
Revenue	5	**2,052,269**	**1,993,857**	**525,203**	**510,461**
Transmission costs and cost of goods sold		(762,146)	(752,075)	(197,010)	(192,331)
Other external expenses		(572,787)	(562,107)	(157,031)	(136,718)
Wages, salaries and pension costs		(184,078)	(183,083)	(49,310)	(46,911)
Total operating expenses before other expenses, depreciation, amortization and impairment losses and special items		(1,519,011)	(1,497,265)	(403,351)	(375,960)
Other income and (expenses), net		8,687	1,012	(1,073)	1,089
Income before depreciation, amortization and impairment losses, net special items, net financial items and income taxes		**541,945**	**497,604**	**120,779**	**135,590**
Depreciation, amortization and impairment losses		(398,850)	(418,736)	(99,677)	(109,230)
Net special items	6	2,114	(16,860)	3,900	(2,266)
Operating income		**145,209**	**62,008**	**25,002**	**24,094**
Net foreign currency gains/(losses)		918	3,175	(94)	(267)
Financial income		1,503	521	(91)	(114)
Financial expenses	2,9	(184,247)	(179,810)	(44,510)	(40,522)
Net financial items		**(181,826)**	**(176,114)**	**(44,695)**	**(40,903)**
Loss before income taxes		**(36,617)**	**(114,106)**	**(19,693)**	**(16,810)**
Income taxes		(10,811)	(5,823)	858	(21,182)
Net loss		**(47,428)**	**(119,929)**	**(18,835)**	**(37,991)**
Net loss attributable to equity holders of the company		**(47,428)**	**(119,929)**	**(18,835)**	**(37,991)**

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 – December 31, 2010 Unaudited	January 1, 2009 – December 31, 2009 Unaudited	October 1, 2010 – December 31, 2010 Unaudited	October 1, 2009 – December 31, 2009 Unaudited
Net loss		**(47,428)**	**(119,929)**	**(18,335)**	**(37,991)**
Actuarial gains/(losses) related to defined benefit pension plans	10	(5,287)	25,981	6,180	1,759
Income tax relating to components of other comprehensive income		1,121	(5,456)	(1,288)	(394)
Other comprehensive income/(loss)		(4,166)	20,525	4,892	1,365
Total comprehensive loss		(51,594)	(99,404)	(13,943)	(36,626)
Comprehensive loss attributable to equity holders of the company		(51,594)	(99,404)	(13,943)	(36,626)

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	December 31, 2010 Unaudited	December 31, 2009 Unaudited
Non-current assets			
Intangible assets	2, 7	2,177,065	2,330,519
Property, plant and equipment		996,079	1,090,057
Deferred tax assets		-	-
Total non-current assets		**3,173,144**	**3,420,576**
Current assets			
Inventories		20,048	11,787
Receivables		369,557	363,173
Prepaid expenses		27,461	21,453
Cash	2	310,273	197,471
Total current assets		**727,339**	**593,884**
Total assets		**3,900,483**	**4,014,460**

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	December 31, 2010 Unaudited	December 31, 2009 Unaudited
Equity	2, 8		
Common shares, share premium and PECs		932,574	932,574
Retained earnings		(167,537)	(115,943)
Total equity		**765,037**	**816,631**
Non-current liabilities			
Borrowings	2, 9	2,196,863	2,414,890
Derivatives	2, 9, 11	99,019	(134,942)
Deferred tax liabilities		202,498	237,050
Provisions		87,547	80,973
Pension liabilities	10	43,490	41,260
Loans		46,174	53,893
Deferred income		23,504	22,268
Total non-current liabilities		**2,699,095**	**2,715,392**
Current liabilities			
Loans		4,971	4,471
Trade and other payables		353,996	394,120
Income tax payable		22,163	21,721
Deferred income		30,014	32,626
Provisions		25,207	29,499
Total current liabilities		**436,351**	**482,437**
Total liabilities		**3,135,446**	**3,197,829**
Total equity and liabilities		**3,900,483**	**4,014,460**

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 – December 31, 2010 Unaudited	January 1, 2009 – December 31, 2009 Unaudited	October 1, 2010 – December 31, 2010 Unaudited	October 1, 2009 – December 31, 2009 Unaudited
Income before depreciation, amortization and impairment losses, net special items, net financial items and income taxes	541,945	497,604	120,779	135,590
Reversal of items without cash flow effect	1,397	12,349	2,154	4,073
Pension contributions	(14,648)	(13,080)	(3,342)	(5,810)
Payments related to provisions	454	185	1,059	437
Cash flow related to net special items	(1,327)	7,881	(16,351)	(2,581)
Change in working capital	(63,239)	189,922	52,468	80,149
Cash flow from operating activities before net financials and tax	464,582	694,861	156,767	211,858
Interest received	578	522	(91)	(114)
Interest paid	(169,466)	(172,256)	(37,996)	(40,022)
Realized net foreign currency gains/(losses)	2,514	(259)	(1,659)	(2,164)
Cash flow from operating activities before tax	298,208	522,868	117,021	169,558
Corporate income tax paid	(44,724)	(26,031)	(7,197)	(6,690)
Total cash flow from operating activities	253,484	496,837	109,824	162,868
Investment in Sunrise Communications AG	-	(3,246,001)	-	-
Investment in TelCommunication Services AG		(32,568)		
Payment of acquisition fees	-	(15,797)	-	(350)
Investment in property, plant and equipment	(120,560)	(169,005)	(42,450)	(53,694)
Investment in intangible assets	(40,989)	(30,491)	(9,918)	(8,240)
Sale of property, plant and equipment[1]	26,909	1,950	469	1,196
Sale of intangible assets	1,177	-	-	-
Total cash flow used in investing activities	(133,463)	(3,491,912)	(51,899)	(61,088)
Issue of equity	-	932,574	-	-
Proceeds from long-term loans	-	2,264,537	-	-
Repayments of long-term loans	(7,219)	(4,565)	(3,402)	(1,545)
Total cash flow from/(used in) financing activities	(7,219)	3,192,546	(3,402)	(1,545)
Total cash flow	112,802	197,471	54,523	100,235
Cash and cash equivalents at January 1	197,471	-	-	-
Cash and cash equivalents at October 1	-	-	255,750	97,236
Cash and cash equivalents at December 31	310,273	197,471	310,273	197,471

[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, share premium and PECs Unaudited	Retained earnings Unaudited	Total Unaudited
Equity at January 1, 2009	0	0	0
Total comprehensive loss	-	(99,404)	(99,404)
Acquisition costs	-	(15,797)	(15,797)
Issue of equity	932,574	(742)	931,832
Equity at December 31, 2009	932,574	(115,943)	816,631
Equity at January 1, 2010	932,574	(115,943)	816,631
Total comprehensive loss	-	(51,594)	(51,594)
Equity at December 31, 2010	932,574	(167,537)	765,037

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

Notes to Pro forma Condensed Combined Financial Statements

Overview

Note 1 Basis of Preparation

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. 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 twelve month ended December 31, 2010 have not been prepared in accordance with IFRS 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 2009 and the Sunrise Communications Holdings S.A. Group 2010. The unaudited pro forma condensed combined financial information should be read in conjunction with the Consolidated financials statements for the period from September 9 to December 31, 2010 of Sunrise Communications Holdings S.A., which have been prepared in accordance with IFRS as adopted by the European Union.

The following unaudited pro forma condensed combined balance sheets at December 31, 2010 and December 31, 2009, the statements of changes in equity for the twelve month periods ended December 31, 2010 and December 31, 2009 and the pro forma condensed combined statements of income, statements of comprehensive income and statements of cash flow for the twelve month periods ended December 31, 2010 and 2009 and the three-month periods ended December 31, 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 condensed consolidated financial statements of Sunrise Communication AG as of and for the periods ended December 31, 2010 and December 31, 2009 and the pro forma condensed combined financial statements of Sunrise Communications Holdings S.A. since there is no set of historical financial information available for Sunrise Communications Holdings S.A., Sunrise Communications International S.A., and Skylight S.à.r.l. covering a complete financial year or financial quarter. 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 3.323 billion (excluding transaction fees and expenses) by way of:
  - Equity contribution of CHF 1,005 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 74 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 (on November 26, 2010 the amount available under the revolving credit facility was reduced by CHF 15 million due to the establishement of an Ancillary Facility for CHF 15 million, which is used for bank guarantees and performance bonds).

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 the resulting pro forma financial information have 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. Our valuation studies to allocate the purchase price to identifiable net assets are not final, the preliminary allocation of the purchase price was based upon a preliminary valuation, and the Company's estimates and assumptions are subject to change within the measurement period as valuations are finalized. For further discussion, refer to Note 7 which represents the allocation of the preliminary purchase price to the acquired net assets of Sunrise Communications AG and subsidiaries completed in 2010. In addition, we have not finalized the allocation of our remaining goodwill to the relevant cash generating units. We have up to 12 months from December 31, 2010 to finalize the allocation of goodwill to cash generating units.

Goodwill and intangible assets

Historical goodwill of Sunrise Communications AG is reduced by CHF 1,391.6 million on a pro forma basis to reflect the purchase accounting upon acquisition and to recognize new intangible assets. 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 the preliminary allocation of purchase price adjustments on acquisition (refer to Note 7).

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 15.8 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 year ended December 31, 2009, and CHF 134 million for the period ended December 31, 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 150 million and CHF 155 million for the years ended December 31, 2009 and 2010 respectively).

Because of the above pro forma adjustments, the cash position of the Group. as of December 31, 2010 is CHF 310.3 million on a pro forma basis. However, it should not be taken as representative of what the Group 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 Group's future cash position. The actual cash balance of the Group as of December 31, 2010 was CHF 126.8 million.

Common shares, share premium, PECs 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 932.6 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 years ended December 31, 2009 and 2010 (CHF (119.9) million and CHF (47.4) million respectively).

Derivatives

The pro forma adjustments represent the accounting for the derivative (assets) and liabilities related to the cross-currency interest rate 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 December 31, 2009 and 2010 (asset of CHF (134.9) million and liability of CHF 99.0 million respectively). For purposes of the pro forma condensed combined financial information, the derivatives were assumed to be 100% effective.

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 December 31, 2009 and 2010, 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 83.9million and other accruals of CHF 17.4 million, totalling CHF 101.3 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 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 10.3 million for both years ended December 31, 2009 and 2010) 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.

Deferred taxes
The pro forma adjustments to the balance sheets mainly reflect the recognition of deferred tax liabilities associated with the identifiable net assets arising from the purchase price allocation. The pro forma adjustments to the income statements (CHF 32.3 million and CHF 28.1 million for the years ended December 31, 2009 and 2010 respectively) mainly reflect the related release of deferred tax liability arising from the additional amortization expense of the identiable intangible assets recognized as part of the acquisition, as well as other identifiable net assets arising from the acquisition, calculated and recorded using the statutory tax rate in effect during the periods for which pro forma income statements are presented (or 21.2%).

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 as of October 28, 2010). Related interest on this loan has also been reversed out of the years presented (CHF 7.3 million and CHF 3.1 million for the years ended December 31, 2009 and 2010).

In addition dividend payments to the previous shareholder have been reversed out of the periods presented (CHF 134 million and CHF 158 million for the years ended December 31, 2010 and 2009).

Depreciation, amortization and impairment losses
As of the date of these unaudited pro forma condensed combined financial statements for the period ended December 31, 2010, we have not yet finalized the valuation studies necessary to estimate the fair values of the assets acquired and liabilities assumed.
The preliminary allocation of the purchase price was based upon a preliminary valuation, and the Company's estimates and assumptions are subject to change within the measurement period as valuations are finalized. For further discussion, refer to Note 7 which represents the allocation of the preliminary purchase price to the acquired net assets of Sunrise Communications AG and subsidiaries completed in 2010.

Accordingly, the excess of the purchase price over the historical carrying values of Sunrise Communications AG's net assets (excluding goodwill) has been reflected in the unaudited pro forma condensed combined balance sheets. A significant portion of the purchase price has been allocated to property and equipment, licenses, brands, customer-related intangibles, or other intangibles with finite lives ranging from 3 to 15 years, which materially increase amortization expenses (CHF 144.7 million and CHF 145.5 million for the years ended December 31, 2009 and 2010). The allocation of the purchase price to other assets or liabilities did not materially impact recurring expenses other than non-cash amortization and depreciation expenses. The preliminary purchase price allocation did not have a significant impact on our 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 – December 31, 2010	January 1, 2009 – December 31, 2009	October 1, 2010 – December 31, 2010	October 1, 2009 – December 31, 2009
Unaudited pro forma cash interest expense on the Term Loans and Notes	155.9	157.8	39.0	39.2
Amortization of debt issuance costs	15.9	15.8	4.0	3.9
Adjustment to eliminate interest payable on historical shareholder loans	(3.1)	(7.3)	0	(1.7)
Total effect of transactions	168.7	166.3	43.0	41.4

For the purposes of this unaudited pro forma presentation, we have used the actual interest rate, adjusting for cross currency interest rate swaps and historical CHF LIBOR 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 – December 31, 2010	January 1, 2009 – December 31, 2009	October 1, 2010 – December 31, 2010	October 1, 2009 – December 31, 2009
Additional interest and amortisation charges resulting from financing for the Acquisition	168.7	166.3	43.0	41.4
Less: non deductible amortization of debt issuance costs	(15.9)	(15.8)	(4.0)	(3.9)
Less: non-deductible interest	(104.3)	(102.0)	(26.9)	(25.4)
Total additional interest expense available to offset for tax purposes	48.5	48.5	12.1	12.1
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	10.3	10.3	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 Holdings S.A. 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 twelve months ended December 31, 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, 2009:

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 derivatives designated as cash flow hedges and 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 – Cash Flow Hedge
For designated and qualifying cash flow hedges, the effective portion of changes in the fair value of a hedging derivative is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'Net financial items'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps is recognized in the income statement within 'Net Financial items'.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity is immediately transferred to the income statement within 'Net Financial items'.

Cash flow hedges are used by the company to protect against changes in the amount payable for euro-denominated Senior Notes and Senior Secured Notes due to changes in foreign exchange rates. Cross-currency interest rate swaps are used to hedge specifically identified currency risks.

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. Cross-currency interest rate swaps are used to hedge specifically identified currency risks related to euro-denominated Term Loans.

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.

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 AG 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 network and systems serving both the mobile and fixnet as well as the residential and business revenue streams.

Sunrise Communications AG '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 AG 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 AG 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 – December 31, 2010	January 1, 2009 – December 31, 2009	January 1, 2010 – December 31, 2010	January 1, 2009 – December 31, 2009	January 1, 2010 – December 31, 2010	January 1, 2009 – December 31, 2009	January 1, 2010 – December 31, 2010	January 1, 2009 – December 31, 2009
External revenue	1,535,267	1,488,412	505,760	494,470	11,242	10,975	2,052,269	1,993,857
Intra-segment revenue	383	2,202	23,829	27,016	0	0	24,212	29,218
Revenue	1,535,650	1,490,614	529,589	521,486	11,242	10,975	2,076,481	2,023,075
Transmission costs and cost of goods sold	(468,748)	(468,470)	(317,759)	(308,234)	149	(4,589)	(786,358)	(781,293)
Other external charges	(332,221)	(318,734)	(24,099)	(23,779)	(216,467)	(219,594)	(572,787)	(562,107)
Wages, salaries and pension costs	(44,658)	(39,522)	(30,497)	(31,627)	(108,923)	(111,934)	(184,078)	(183,083)
Other income and expenses	0	98	0	0	8,687	914	8,687	1,012
EBITDA	690,023	663,986	157,234	157,846	(305,312)	(324,228)	541,945	497,604

[1] Including Headquarters.

Reconciliation of revenue | in CHF 1,000

	January 1, 2010 – December 31, 2010	January 1, 2009 – December 31, 2009	October 1, 2010 – December 31, 2010	October 1, 2009 – December 31, 2009
Reportable segments	2,076,481	2,023,075	531,601	518,062
Elimination of intra-segment items	(24,212)	(29,218)	(6,398)	(7,601)
Combined amounts	2,052,269	1,993,857	525,203	510,461

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

	January 1, 2010 – December 31, 2010	January 1, 2009 – December 31, 2009	October 1, 2010 – December 31, 2010	October 1, 2009 – December 31, 2009
EBITDA from reportable segments	541,945	497,604	120,779	135,590
Unallocated:				
Depreciation, amortization and impairment losses	(398,850)	(418,736)	(99,677)	(109,230)
Net special items	2,114	(16,860)	3,900	(2,266)
Net financial items	(181,826)	(176,114)	(44,695)	(40,903)
Combined loss before income taxes	(36,617)	(114,106)	(19,693)	(16,810)

Note 5 Revenue

in CHF 1,000

	January 1, 2010 – December 31, 2010	January 1, 2009 – December 31, 2009	October 1, 2010 – December 31, 2010	October 1, 2009 – December 31, 2009
Landline telephony	642,541	659,814	156,215	170,170
Mobile services	1,232,719	1,150,931	324,335	294,224
Internet services	177,009	183,112	44,653	46,066
Total	**2,052,269**	**1,993,857**	**525,203**	**510,461**

Note 6 Net special items

in CHF 1,000

Profit for the twelve month period ending December 31, 2010 includes the following items, which are special because of their nature, size and incidence:

	January 1, 2010 – December 31, 2010	January 1, 2009 – December 31, 2009	October 1, 2010 – December 31, 2010	October 1, 2009 – December 31, 2009
Gain/Loss from divestments of subsidiaries		(3,280)		
Aperiodic settlements of charges for access services calculated using the prices for interconnection services determined by the Swiss regulator[1]	1,406	(8,225)	1,406	-
Restructuring costs[2]	235	(175)	2,095	(175)
Aperiodic settlements from social security institutions and other			(424)	
Reversal of provisions related to Octavo move	764	-	764	-
Costs related to intended and effective sale of Sunrise	(291)	(5’180)	59	(2,091)
Net special items before income taxes	**2,114**	**(16,860)**	**3,900**	**(2,266)**

[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 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 3,323 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 the preliminary allocation of purchase price on acquisition. As of the date of preparation of these accounts, the Company has not completed the valuation studies necessary to estimate the fair values of all the assets acquired and liabilities assumed, and the Company's estimates and assumptions are subject to change within the measurement period as valuations are finalized. On the basis of the preliminary allocation of purchase price, the difference between the fair value of the identifiable net assets acquired over the historical carrying values of Sunrise's net assets (excluding goodwill) has been reflected as pro forma adjustments in the unaudited pro forma condensed combined balance sheet. A significant portion of the purchase price was allocated to property and equipment, licenses, brands, customer-related intangibles, or other intangibles with finite lives ranging from 3 to 15 years, which materially increased amortization expenses. The allocation of the purchase price to other assets or liabilities did not materially impact recurring expenses other than non-cash amortization expenses.

The following table is prepared on the basis of actual amounts, summarizing the actual consideration paid for Sunrise Communications AG and the actual amounts of net assets acquired as at October 28, 2010, and therefore, is not prepared on a pro forma basis as defined in Note 1:	CHFk
Purchase price	3,322,733
Agreed purchase price prepayments[1]	(76,732)
Agreed purchase price	**3,246,001**
Repayment out of generated cash	(72,000)
Total Consideration	**3,174,001**
Acquisition-related costs	15,797
Cash and cash equivalents	43,425
Property, plant and equipment	985,322
Intangible assets	1,637,738
Inventories	21,749
Receivables	418,700
Prepaid expense	26,422
Trade and other payables	(375,658)
Income tax payable	(29,138)
Deferred tax liabilities	(266,308)
Deferred income	(49,000)
Capital lease liability	(51,872)
Provisions	(106,927)
Pension obligations	(46,903)
Other liabilities	(161)
Total Sunrise Communications AG net assets acquired	**2,207,389**
Goodwill arising on acquisition	**966,612**

1) Represents certain prepayments to be made as per the Acquisition Agreement and netted against the purchase price.

Based on the above purchase price allocation, and for purposes of the pro forma financial information, the difference between the carrying values including goodwill of Sunrise Communications AG (CHF 3,159.8 million) at the date of acquisition and their related fair values including goodwill (CHF 3,174.0 million) was allocated to the carrying values of Sunrise Communications AG as of January 1, 2009.

Note 8 Equity Securities Offered

Equity Securities Issued | in CHF 1,000

Pro forma Equity Securities Issued	Number	31 December 2010 Unaudited	31 December 2009 Unaudited
Class A shares	90,000,000	900	900
Class B shares	10,000,000	100	100
Share capital		*1,000*	*1,000*
Share premium		125,876	125,876
Series A Preferred Equity Certificates	71,896,603,100	718,966	718,966
Series B Preferred Equity Certificates	8,673,191,900	86,732	86,732
Total Equity Securities		**932,574**	**932,574**

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 74 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 (PECs) have no maturity date but are redeemable solely 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 comprise of 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. On November 26, 2010 the amount available under the revolving credit facility was reduced by CHF 15 million due to the establishement of an Ancillary Facility for CHF 15 million, which is used for bank guarantees and performance bonds.

Pro forma borrowings, interest, currency effects and capitalized 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 amortized cost.

Borrowings in CHF 1,000

Pro forma borrowing at fair value	31 December 2010 Unaudited	31 December 2009 Unaudited
Floating rate		
Term Loan A – CHF denominated	500,000	500,000
Term Loan B – CHF denominated	220,000	220,000
Term Loan B – EUR denominated	91,806	108,891
Fixed rate		
Senior Secured Notes - CHF denominated	300,000	300,000
Senior Secured Notes - EUR denominated	463,899	550,231
Senior Notes - EUR denominated	701,474	832,019
Total borrowings	**2,277,179**	**2,511,141**
Capitalised debt issuance costs	(80,316)	(96,251)
Accrued interest	-	**-**
Total book value of borrowings	**2,196,863**	**2,414,890**

The Term Loan A Facility has a maturity of December 31, 2016 and bears a coupon of CHF LIBOR plus 4.50% per annum. The Term Loan B Facilities have a maturity date of December 31, 2017 and bear a coupon of CHF LIBOR 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 31 December 2010							
Finance leases	4,208	4,208	8,416	25,047	27,640	69,520	51,145
Borrowings	18,750	18,750	62,500	329,500	1,946,698	2,376,198	2,196,863
Total non-derivatives	**22,958**	**22,958**	**70,916**	**354,547**	**1,974,338**	**2,445,718**	**2,248,008**
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	2,414,890
Total non-derivatives	**4,208**	**4,208**	**27,166**	**254,729**	**2,170,173**	**2,460,484**	**2,471,750**

In addition the Company has the following undrawn borrowing facilities:

Undrawn Credit Facilities in CHF 1,000

	31 December 2010 Unaudited	31 December 2009 Unaudited
Floating rate		
RCF and Acquisition facilities	235,000	235,000
Ancilliary facility	15,000	15,000
Expiring beyond one year	**250,000**	**250,000**

The commited and undrawn RCF and Acquisition facilities of CHFk 135,000 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 CHF LIBOR plus 4.5% and CHF LIBOR plus 4.0% per annum, respectively.

The ancillary facility of CHFk 15,000 bears a commitment off of 0.675% per annum. In addition, a fee of 2.16% per annum is charged on outstanding bank guarantees.

Note 10 Pension liabilities

The pension liabilities have decreased from CHF 67.5 million on January 1, 2009 to CHF 43.5 million at December 31, 2010. The principal reason for the movement in the liability are the actuarial gains and losses which 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 2010 as a result of a decrease in the discount rate from 3.25% to 2.75%. This was only partially offset by the performance of the financial markets in 2010.

Note 11 Derivatives

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

Fair value hedges in CHF 1,000

	31 December 2010 Unaudited	31 December 2009 Unaudited
Cross currency interest rate swaps – cash flow hedges (asset) / liability	90,825.6	(126,050.8)
Cross currency interest rate swaps – fair value hedges (asset) / liability	8,193.8	(8,891.4)
	99,019.4	(134,942.2)

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 interest rate swaps are classified as non-current at December 31, 2010.

There was no ineffective portion recognized in the profit or loss arising from fair value hedges and cash flow hedges above.

The notional principal amounts of the outstanding cross-currency interest rate swap contracts (cash flow hedges) and the cross currency interest rate swap contracts (fair value hedges) were CHF 1,165.4 million and CHF 91.8 million at December 31, 2010 respectively.

Note 12 Events after the balance sheet date

As already contemplated in the Offering Memorandum dated October 7, 2010, Sunrise Communications AG approved to assume the debt obligations of Skylight S.à r.l. under the Senior Credit Facilities (the “debt pushdown”), in exchange for a reduction of share capital, as described below.

On November 16, 2010, the extraordinary general meeting of Sunrise Communications AG resolved a capital reduction of the share capital and repayment of the capital reduction amount to the shareholders. The Capital Reduction was registered in the Commercial Register of the Canton of Zurich as of February 8, as a result of which (i) Skylight S.à r.l. has obtained an intercompany receivable of CHF 655,225,000 against the Sunrise Communications AG and (ii) Sunrise Communications International S.A. has obtained an intercompany receivable of CHF 218,408,300 against the Sunrise Communications AG. On February 22, 2011, Sunrise Communications International S.A. contributed its intercompany receivable of CHF 218,408,300 to Skylight S.à r.l. (the Contribution). Following the Contribution, Skylight S.à r.l. had an aggregate intercompany receivable of CHF 873,633,300 against Sunrise Communications AG (the Aggregate Claim).

On February 23, 2011 and in accordance with a senior facilities agreement entered into by, amongst others, Sunrise Communications International S.A., Skylight S.à r.l. and BNP Paribas as Agent (the Facilities Agreement), Sunrise Communications AG approved to enter into a debt push down arrangement (the Debt Pushdown) under which Sunrise Communications AG will assume the outstanding amount of the Facility A Loans and Facility B Loans (as defined in the Facilities Agreement) of Skylight S.à r.l., (excluding all accrued interest thereon) under the Facilities Agreement (the Debt Pushdown Amount). In exchange for the assumption of the Debt Pushdown Amount, Sunrise Communications AG will have an intercompany receivable against Skylight S.à r.l. of CHF 820,000,000 (the Debt Pushdown Claim). Sunrise Communications AG and Skylight S.à r.l. will set-off the Debt Pushdown Claim against the Aggregate Claim in the amount of CHF 820,000,000. After the set-off, the remaining part of the Aggregate Claim will amount to CHF 53,633,300 and will increase the intercompany payable.

On October 22 / 25, 2010, the Company and Skylight S.à r.l. entered into an intra-group Loan Agreement whereby Sunrise Communications AG granted a loan to Skylight S.à r.l. On February 23, 2011, the Board of Directors approved that the outstanding amount of the intra-group loan shall be partially repaid by set-off against the remaining part of the Aggregate Claim in the amount of CHF 53,633,300 thereby reducing the balance between Sunrise Communications AG and Skylight S.à r.l..

The Debt Pushdown was duly signed and executed on March 02, 2011.

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Independent Assurance Report
to the Board of Directors of
Sunrise Communications Holdings SA
Luxembourg

We have examined the pro forma condensed combined financial information comprising the condensed combined statements of income and of comprehensive income, the condensed combined balance sheets, the condensed combined statements of cash flow and the condensed combined statements of changes in equity for each of the two years ended 31 December 2010 and a summary of significant accounting policies and other explanatory notes, which have been prepared on the basis described in Note 1 and are set out on pages 11 to 32. This pro forma financial information has been prepared for illustrative purposes only to show what the significant effects on the company might have been had the transactions described in Note 1 occurred on January 1, 2009. Management is responsible for the preparation and presentation of this pro forma financial information. We are not responsible for expressing any other opinion on the pro forma financial information or on any of its constituent elements.

We conducted our examination in accordance with International Standard on Assurance Engagements 3000, Assurance Engagements Other than Audits or Reviews of Historical Information. Our work consisted primarily of comparing the unadjusted financial information with the source documents, obtaining evidence supporting the adjustments made and discussing the pro forma financial information with management. Our opinion does not extend to the pro forma condensed combined financial information for the 3 month periods ended 31 December 2009 and 2010.

Based on our examination, in our opinion:

(a) The pro forma condensed combined financial information for the each of the two years ended 31 December 2010 has been properly compiled on the basis stated.
(b) Such basis is consistent with the accounting policies of the company.

Without qualifying our opinion, we draw attention to the fact that, as outlined in Note 1, this pro forma condensed combined financial information has been prepared using management's assumptions. It is not necessarily indicative of the effects on the financial position that would have resulted had the above-mentioned transactions actually occurred earlier. Moreover, this pro forma condensed combined financial information is not intended to, and does not, provide all the information and disclosures necessary to present a true and fair view in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers AG

Stephen Williams Bernhard Bichsel

Zurich, 23 March 2011