Sunrise Communications Holdings S.A.

Financial Results for the period from September 9 to December 31, 2010

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Business

Overview

Sunrise Communications Holdings S.A. (the "Group" or the "Company") was incorporated and existing under the laws of Luxembourg as of September 9, 2010. The main operating entity of the Group is Sunrise Communications AG based in Zürich, Switzerland which is the second largest telecommunications provider in Switzerland based on revenues for the twelve months ended December 31, 2010. Our integrated national mobile and landline network provides us with a strong competitive position. We offer mobile voice and data, landline services (retail voice, business services and wholesale voice) and landline internet to both residential and business customers, as well as to other operators. We are the leading non-incumbent operator in both the mobile and landline retail voice markets, with approximately 2.0 million and 0.6 million subscribers, respectively, as of December 31, 2010. We are also the third-largest landline internet provider with 0.35 million subscribers as of December 31, 2010. We provide our landline services through our national landline network and our mobile services through our own mobile network based on GSM/GPRS/EDGE and UMTS/HSPA technologies.

Financial Data

The financial data in this report covers the period from September 9 to December 31, 2010 with Sunrise Communications AG Group acquired as of October 28, 2010. This report and the associated consolidated financial statements should be read in conjunction with the pro forma condensed combined financial statements for the 12 month and 3 month periods ended December 31, 2010.

Since there is no set of historical financial information available for the Group, no comparison figures are included in this report. For year over year comparison of financial data please refer to the above mentioned pro forma condensed combined financial statements of the Group.

Shareholders

Sunrise Communications Holdings S.A. is ultimately owned by Mobile Challenger Group S.à r.l. – Luxembourg.

Please also refer to note 28 Related Parties.

Management

Sunrise Communications Holdings S.A.

Name	**Function**
Board of Directors	
Lorne R. Somerville	Director
Siddharth T. Patel	Director
Benedicte Moens-Colleaux	Director
Emanuela Brero	Director
Manuel Mouget	Director

Sunrise Communications AG (Main operating entity of the Group)

Name	**Function**
Board of Directors	
Dr. Dominik Koechlin	President
Lorne Somerville	Vice President
Nicholas P. Gray	Member
Siddharth Patel	Member
Dr. Daniel Pindur	Member
Jean-Rémy Roussel	Member
Extended Management Board	
Oliver Steil	Chief Executive Officer (CEO)
Floris Alders	Chief Operating Officer (COO)
Christian Hütwohl	Chief Financial Officer (CFO)
Kamran Ziaee	Chief Technology Officer (CTO)
Jon Erni	Executive Director Business Customers

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

Revenue
Our total revenue was CHF 348.3 million for the period ended December 31, 2010. This revenue can be divided into mobile services CHF 216.3 million, landline telephony CHF 103.2 million and internet services CHF 28.8 million.

Transmission Costs and Cost of Goods Sold
Transmission costs and cost of goods sold was CHF 130.0 million for the period ended December 31, 2010. These costs include primarily costs for mobile and fixed network transmission costs including hubbing costs, and cost for handsets sold as part of a subscriber arrangement.

Other External Expenses
Other external expenses were CHF 101.7 million for the period ended December 31, 2010. These expenses primarily include marketing expenses for service acquisitions and retentions, as well as operating expenses for IT and network maintenance.

Wages, Salaries and Pension Costs
Wages, salaries and pension costs were CHF 31.7 million for the period ended December 31, 2010.

Other Income and Expenses
Other income and expenses were CHF 0.4 million for the period ended December 31, 2010. This income comprises mainly profit relating to disposal of intangible assets and property, plant and equipment.

Depreciation, Amortization and Impairment Losses
Depreciation, amortization and impairment losses were CHF 66.0 million for the period ended December 31, 2010.

Net Special Items
Net special items were CHF 18.5 million for the period ended December 31, 2010. Mainly the expenses for general transaction costs CHF 15.8 million and expenses for management incentive plans CHF 2.5 million are included in this amount.

EBITDA
Our EBITDA was CHF 85.3 million for the period ended December 31, 2010.

Liquidity and Capital resources
As of December 31, 2010, the cash balance for the Group was CHF 126.8 million.

As of December 31, 2010, our total indebtedness, consisting of Senior Secured and Unsecured Notes, Term Loans and capital leases amounted to CHF 2,161,226k out of which CHF 45,196k are expected to be paid within 12 month.

Certain other contractual commitments
As of December 31, 2010 our other contractual commitments excluding those mentioned above amounted to CHF 238,578k consisting mainly of operating lease agreements and outsourcing of network operation and maintenance and the outsourcing of call centers activities.

Subscriber base
The total subscriber base amounted to 2.94 million for the period ended December 31, 2010, whereas the subscriber base can be divided into 2.01 million mobile subscribers, 0.57 million landline retail voice subscribers and 0.36 million landline internet subscribers.

ARPU
Mobile ARPU was at CHF 44.1 for the period ended December 31, 2010. Landline voice and landline internet ARPU were at CHF 45.2 and CHF 36.2 respectively for the period ended December 31, 2010.

Material Affiliate Transactions
Please also refer to note 28 Related Parties of the Consolidated Financial Statements.

Sunrise Communications AG is the counterparty to external financial institutes for all derivative instrument contracts. Please refer to note 26 for further details on derivative instruments. Back-to- back agreements are in place between Sunrise Communications AG and the respective debt holding entity mirroring those agreements.
Between subsidiaries within the Group intercompany loans are in place based on intercompany loan agreements.

Material Contractual Arrangements
During the period ended December 31, 2010, no change has occurred to any material contractual arrangement of the Group and the Group did not enter into new material contractual arrangements.

Material Debt Instruments
During the period ended December 31, 2010, no change has occurred to any material debt instrument of the group.

Material Risk Factors

Sunrise operates a centralized risk management system which distinguishes between strategic and operating risks.

All identified risks are quantified (according to their realization probability and impact) and noted on a risk schedule. This risk schedule is subject to an annual detailed discussion process in the Board of Directors.

During the period ended December 31, 2010, no change has occurred to any material risk factor associated to the Group.

Material Recent Developments

During the period ended December 31, 2010, no material developments affecting the business have occurred.

Material acquisition, dispositions and recapitalizations

The Group acquired the Sunrise Communications AG Group on October 28, 2010, refer to note 25 and the pro-forma condensed combined financial statements, by way of issuance of Senior Secured and Unsecured Notes, Term Loans and Equity contribution, refer to notes 16, 17, 21 and 26.

Sunrise Communications Holdings S.A.

Consolidated financial statements for the period from September 9 to December 31, 2010

Consolidated Statement of Income

Consolidated Statement of Income	Note	CHFk 2010
Revenue	4, 5	**348,304**
Transmission costs and cost of goods sold		(130,028)
Other external expenses		(101,703)
Wages, salaries and pension costs	6	(31,743)
Total operating expenses before other expenses, depreciation, amortization and impairment losses and special items		**(263,474)**
Other income and (expenses), net	7	426
Income before depreciation, amortization and impairment losses, net special items, net financial items and income taxes		**85,256**
Depreciation, amortization and impairment losses		(66,018)
Net special items	8	(18,539)
Operating income		**699**
Foreign currency gains/(losses), net		103,601
Financial income		24,540
Financial expenses		(156,284)
Net financial items	9	**(28,143)**
Loss before income taxes		**(27,444)**
Income taxes	10	(3,951)
Net loss		**(31,395)**
Net loss attributable to equity holders of the company		**(31,395)**

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

Consolidated Statement of Comprehensive Income CHFk

	Note	2010
Net loss		**(31,395)**
Actuarial gains/(losses) related to defined benefit pension plans	22	2,909
Cash flow hedge losses	26	(67,951)
Income tax relating to components of other comprehensive income		(601)
Other comprehensive loss		**(65,643)**
Total comprehensive loss		**(97,038)**
Comprehensive loss attributable to equity holders of the company		**(97,038)**

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

Consolidated Statement of Financial Position

Assets		CHFk
	Note	2010
Non-current assets		
Intangible assets	11	2,580,992
Property, plant and equipment	12	991,380
Derivative assets	26	1,087
Other non-current assets		151
Total non-current assets		**3,573,610**
Current assets		
Inventories	15	20,048
Receivables	13	389,466
Prepaid expenses	14	27,461
Cash		126,754
Total current assets		**563,729**
Total assets		**4,137,339**

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

Consolidated Statement of Financial Position

Equity and liabilities		CHFk
	Note	2010
Equity		
Common shares, share premium and PECs	16	932,574
Other reserves		(65,643)
Retained earnings		(32,137)
Total equity		**834,794**
Non-current liabilities		
Borrowings	17	2,166,455
Deferred tax liabilities	10	260,159
Provisions	19	87,546
Pension liabilities	22	43,490
Derivative liabilities	26	167,289
Deferred income	18	23,717
Total non-current liabilities		**2,748,656**
Current liabilities		
Current borrowings	17	45,916
Trade and other payables	20	411,645
Income tax payable	10	41,373
Deferred income	18	27,901
Other current liabilities		1,494
Provisions	19	25,560
Total current liabilities		**553,889**
Total liabilities		**3,302,545**
Total equity and liabilities		**4,137,339**

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

Consolidated Statement of Cash Flow

CHFk

	Note	2010
Income before depreciation, amortization and impairment losses, net special items, net financial items and income taxes		85,256
Reversal of items without cash flow effect	23	1,194
Pension contributions		(2,217)
Payments related to provisions		(205)
Cash flow related to net special items		(689)
Change in working capital	24	51,413
Cash flow from operating activities before net financial items and tax		134,752
Interest received		1,989
Interest paid		(11,174)
Foreign currency gains/(losses), net		1,140
Cash flow from operating activities before tax		126,707
Corporate income tax paid		(13,685)
Total cash flow from operating activities		**113,022**
Acquisition of subsidiaries, net of cash acquired	25	(3,130,576)
Investment in property, plant and equipment	12	(38,711)
Investment in intangible assets	11	(7,983)
Sale of property, plant and equipment		578
Total cash flow used in investing activities		**(3,176,692)**
Proceeds from issuance of share capital and PECs		1,005,901
Redemption of PECs		(74,069)
Proceeds from long-term borrowings		2,254,048
Repayments of long-term borrowings		(2,677)
Total cash flow from financing activities		**3,183,203**
Total cash flow		**119,533**
Cash at September 9		55
Foreign currency impact on cash		7,166
Cash at December 31		**126,754**

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

Consolidated Statement of Changes in Equity CHFk

	Common shares	Share premium	PECs	Other reserves	Retained earnings	Total
Equity at September 9, 2010	55	-	-	-	-	55
Increase in share capital	945	125,876	-	-	-	126,821
Injection of PECs	-	-	879,025	-	-	879,025
Redemption of PECs	-	-	(73,327)	-	(742)	(74,069)
Net loss for the period	-	-	-	-	(31,395)	(31,395)
Other comprehensive loss						
Changes in actuarial gains and losses, net of tax	-	-	-	2,308	-	2,308
Hedge reserve – cash flow hedges	-	-	-	(67,951)	-	(67,951)
Equity at December 31, 2010	**1,000**	**125,876**	**805,698**	**(65,643)**	**(32,137)**	**834,794**

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

Notes to Consolidated financial statements

Overview

Note 1 Significant Accounting Policies

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 Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. These statements are based on the historical cost convention, except that the following assets and liabilities are measured at fair value: derivatives, financial instruments held for trading, financial instruments classified as available for sale and pension obligations. When preparing the consolidated 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 consolidated financial statements are summarized in note 2 below.

These financial statements were approved for issue by the Company's Board of Directors on March 23, 2011.

Consolidation policies

The consolidated financial statements include the Financial Statements of the Company and its subsidiaries in which it has a direct or indirect controlling interest.

On consolidation, intra-group income and expenses, shareholdings, dividends, internal balances and realized and unrealized profits and losses on transactions between the consolidated subsidiaries have been eliminated.

On acquisition of subsidiaries the purchase method is applied, and acquired assets, liabilities and contingent liabilities are measured on initial recognition at fair values on the date of acquisition. Identifiable intangible assets are recognized if they can be separated and the fair value can be reliably measured. Deferred tax is recognized in connection with such revaluations to fair value.

Any remaining positive differences between cost and fair value of the assets, liabilities and contingent liabilities acquired on acquisition of subsidiaries are recognized as goodwill in the Statement of Financial Position under Intangible assets. The consideration paid is stated at the fair value of submitted shares, debt instruments as well as cash and cash equivalents. Goodwill is not amortized, but is tested annually for impairment. Negative balances (negative goodwill) are recognized in the Statement of Income on the date of acquisition. Acquisition costs are expensed as incurred.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected, adjustments made within twelve months of the acquisition date to the provisional fair value of acquired assets, liabilities and contingent liabilities or cost of the acquisition, are adjusted to the initial goodwill unless they result from new information that did not exist at the date of acquisition. The adjustment is calculated as if it was recognized at the acquisition date and comparative figures are restated.

Acquired subsidiaries are recognized in the consolidated financial statements from the time of acquisition, whereas divested subsidiaries are recognized up to the time of disposal.

Gains and losses related to divestment of subsidiaries are recognized as the difference between the proceeds (less divestment expenses) and the carrying value of net assets (including goodwill).

Foreign currency translation

The consolidated financial statements are presented in CHF. CHF is the functional currency of the Parent Company and each of its subsidiaries. The functional currency is the currency applied in the primary economic environment of each enterprise's operations. Transactions in currencies other than the functional currency are transactions in foreign currencies.

Transactions in foreign currencies are translated at the transaction-date rates of exchange. Foreign exchange gains and losses arising from differences between the transaction-date rates and the rates at the date of settlement are recognized as net financial items in the Statement of Income.

Cash, loans and other amounts receivable or payable in foreign currencies, if any, are translated into the functional currency at the official rates of exchange quoted at the balance sheet date. At December 31, 2010 the CHF to Euro exchange rate used was 1.2504 and the CHF to US Dollar Exchange rate used was 1.05599. Net foreign currency gains/(losses) are recognized as net financial items in the Statement of Income.

Revenue recognition

Revenue comprises goods and services provided during the year after deduction of VAT and rebates relating directly to sales.

The significant sources of revenue are recognized in the Statement of Income as follows:

- Revenues from telephony are recognized at the time the call is made
- Sales related to prepaid services are deferred, and revenues are recognized at the time of use
- Wholesale revenues from voice carrier services are recognized at the time of use
- Revenues from leased lines are recognized over the rental period
- Revenues from subscription and flat-rate service fees are recognized over the subscription period
- Revenues from non-refundable up-front connection fees are deferred and amortized over the expected term of the related customer relationship
- Revenues from the sale of equipment are recognized upon delivery. Revenues from the maintenance of equipment are recognized over the contract period.

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

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

Net special items

Net special items include significant amounts that cannot be attributed to normal operations such as costs directly related to the acquisition of businesses, provisions for restructuring, incentive payments to retain executive management in the months following the acquisition as well as aperiodic settlements of charges for access services calculated using the prices for interconnection services determined by the Swiss regulator, including any reversals of such items.

Intangible assets

Goodwill is recognized at cost less accumulated write-downs. The carrying value of goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that it may not be recoverable, and is subsequently written down to the recoverable amount in the Statement of Income if the latter is exceeded by the carrying value. Write-downs of goodwill are not reversed.

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

Certain new customer-related assets are measured at cost less accumulated amortization and impairment losses and are amortized using the diminishing-balance method based on percentage churn of 33% corresponding to the expected pattern of consumption of the expected future economic benefits.

Development projects, including costs of computer software purchased or developed for internal use, are recognized as intangible assets if the cost can be calculated reliably and if they are expected to generate future economic benefits. Costs of development projects include wages, external charges, depreciation and amortization that are directly attributable to the development activities as well as interest expenses in the production period. Development projects that do not meet the criteria for recognition in the Statement of Financial Position are expensed as incurred in the Statement of Income. Subscriber acquisition and retention costs are expensed in the Statement of Income as incurred.

The main amortization periods are as follows:

UMTS licenses	6-11 years
Subscriber base	5-11 years
Brands	10 years
Other rights, etc.	2 years
Development projects / Software	3 years

Development projects in process are tested for impairment at least annually and written down to their recoverable amount in the Statements of Income if this is less than their carrying value.

Intangible assets are recorded at the lower of recoverable amount and carrying value.

Property, plant and equipment

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

Cost comprises purchase price and costs directly attributable to the acquisition until the date on which the asset is ready for use. The cost of self-constructed assets includes directly attributable payroll costs, materials, parts purchased and services rendered by sub-suppliers or contractors as well as interest expenses in the construction period. Cost also includes estimated asset retirement costs on a discounted basis if the related obligation meets the conditions for recognition as a provision.

Directly attributable costs comprise wages, salaries and pension costs, together with other external expenses, calculated in terms of time consumed on self-constructed assets in the relevant departments.

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

Cable installations	20 years
Exchange installations, base stations, etc.	10-15 years
Other telecommunications installations	5-7 years
Leasehold improvements	10 years
Computer equipment	3-5 years
Other installations	5-7 years

The assets' useful lives and residual values are reviewed regularly. If the residual value exceeds the asset's carrying value, depreciation is discontinued.

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

Software that is an integral part of for example telephone exchange installations is presented together with the related assets. Useful lives are estimated individually.

Installation materials are measured at the lower of weighted average cost and recoverable amount.

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

Property, plant and equipment are recognized at the lower of recoverable amount and carrying value.

Inventories

Inventories are measured at the lower of weighted average cost and net realizable value. The cost of merchandise covers purchase price and delivery costs. Handsets sold as part of a subscriber arrangement are not written down below cost until the date of sale. The difference between the cost and the sales price is then recorded as subscriber acquisition or retention costs.

Receivables

Receivables are measured at amortized cost net of provisions for uncollectible amounts.

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

When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against 'other external charges' in the income statement.

Cash

In the consolidated statement of cash flows, cash only includes cash in hand. Cash in the amount of CHF 123.5 million is pledged.

Dividends

Dividends are recognized as a liability at the time of approval by the Annual General Meeting of shareholders.

Current and deferred corporate income taxes

Tax for the year comprises current income tax, changes in deferred tax and adjustments from prior years.

Current income tax liabilities and current income tax receivables are recognized in the Statement of Financial Position as income tax payable or income tax receivable.

Deferred tax is measured under the balance-sheet liability method on the basis of all temporary differences between the carrying values and the tax bases of assets and liabilities at the balance sheet date except for temporary differences arising from goodwill and other items where amortization for tax purposes is disallowed.

Deferred tax assets including the tax value of tax loss carry-forwards are recognized at the value at which they are expected to be realized. Realization is expected to be effected either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is adjusted in connection with the elimination of unrealized intra-group profits and losses.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to be realized as current income tax. Changes in deferred tax as a result of changes in tax rates are recognized in the Statement of Income except for the effect of items recognized directly in Other Comprehensive Income or equity.

Provisions

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

Provisions for restructuring are recognized when a final decision thereon has been made before or on the balance sheet date and has been announced to the parties involved, provided that the amount can be measured reliably. Provisions for restructuring are based on a defined plan, which means that the restructuring is commenced immediately after the decision has been made.

When the Group is under an obligation to demolish an asset or re-establish the site where the asset was used, a liability corresponding to the present value of estimated future costs is recognized and an equal amount is capitalized as part of the initial carrying value of the asset.

Provisions are measured at the Management’s best estimate of the amount at which the liability is expected to be settled. If the timing required to settle the liability have a significant impact on the measurement of the liability, such related costs are discounted.

Pensions

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

A pension asset or pension obligation corresponding to the present value of the pension obligations less the defined pension plans’ assets at fair value is recognized for these benefit plans.

The obligations are determined annually as of December 31 by independent actuaries using the “Projected Unit Credit Method” assuming that each year of service gives rise to an additional unit of benefit entitlement, and each unit is measured separately to build up the final obligations. Estimation of future obligations is based on the Group’s projected future developments in mortality, early retirement, future wages, salaries and benefit levels, interest rate, etc. The defined pension plans’ assets are estimated at fair value at the balance sheet date.

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

Pension assets are recognized to the extent they represent future repayments from the pension plan or to the extent they offset unrecognized actuarial losses.

In case of changes in benefits relating to employees’ previous service period, a change in the estimated present value of the pension obligations will occur, which will be recognized immediately if the employees have acquired a final right to the changed benefits. If not, the change is recognized over the period in which the employees become entitled to the changed benefit. The company recognizes in the income statement a gain or loss on curtailment when a commitment is made to significantly reduce the number of employees, generally as a result of a disposal or discontinuation of part of the business or the outsourcing of business activities.

Financial liabilities
Interest-bearing loans are recognized initially at the proceeds received net of debt issuance expenses incurred. In subsequent periods, loans are measured at amortized cost so that the difference between the proceeds and the nominal value is recognized in the Statement of Income over the term of the loan.

Other financial liabilities are measured at amortized cost.

Deferred income
Deferred income recognized as liabilities comprises payments received covering income in subsequent periods measured at cost. Deferred income comprises e.g. deferred sales related to prepaid services and leased lines. See also 'Revenue recognition'.

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

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

Cash flow from financing activities comprises changes in interest-bearing debt.

Cash and cash equivalents cover cash and marketable securities with a remaining life not exceeding three months at the time of acquisition, and with an insignificant risk of changes in value.

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 categorized 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 recognized 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 amortized 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.

Share Capital

Ordinary Class A and Class B shares are classified as equity. Both classes of shares have the same rights. Share premium solely relates to Class A shares.

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 2 Critical accounting estimates and judgments

The preparation of the Group's Annual Report requires Management to make assumptions that affect the reported amount of assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the fiscal period. Estimates and judgments used in the determination of reported results are continuously evaluated.

Estimates and judgments are based on historical experience and on various other factors that are believed to be reasonable in the circumstances. Actual results may differ from these estimates under different assumptions or conditions. Our Significant Accounting Policies are set out in note 1. The following estimates and judgments are considered important when portraying our financial position:

- Useful lives for intangible assets and property, plant and equipment as shown in note 1 are assigned based on periodic studies of actual useful lives and the intended use for those assets. Such studies are completed or updated when new events occur that have the potential to impact the determination of the useful life of the asset, such as when events or circumstances have occurred which indicate that the carrying value of the asset may not be recoverable and should therefore be tested for impairment. Any change in the estimated useful lives of these assets is recognized in the financial statements as soon as any such change is determined. For more details, see notes 11 and 12.

- Intangible assets comprise a significant portion of our total assets. Impairment tests on goodwill are performed at least annually and, if necessary, when events or changes in circumstances indicate that their carrying value may not be recoverable. The measurement of intangibles is a complex process that requires significant Management judgment in determining various assumptions, such as cash-flow projections, discount rate and terminal growth rates. The sensitivity of the estimated measurement to these assumptions combined or individually, can be significant. Furthermore, the use of different estimates or assumptions when determining the fair value of such assets may result in different values and could result in impairment charges in future periods. For more details, see note 11.

- Net periodic pension cost for defined benefit plans is estimated based on certain actuarial assumptions, the most significant of which relate to returns on plan assets, discount rate, wage inflation and demography (mortality, disability, etc.). As shown in note 22, the assumed discount rate reflects changes in market conditions, whereas the expected return on plan assets reflects the mix of assets held by our pension fund. We believe these assumptions illustrate current market conditions and expectations for market returns in the long term. The demographic assumptions used are based on the Swiss BVG 2005 mortality tables.

- Estimates of deferred taxes and significant items giving rise to the deferred assets and liabilities are shown in note 10. These reflect the assessment of actual future taxes to be paid on items in the financial statements, giving consideration to both the timing and probability of these estimates. In addition, such estimates reflect expectations about the amount of future taxable income and, where applicable, tax planning strategies. Actual income taxes and income for the period could vary from these estimates as a result of changes in expectations about future taxable income, future changes in income tax law or result from the final review of our tax returns by tax authorities.

- The determination of the treatment of contingent assets and liabilities in the financial statements, as shown in note 30, is based on the expected outcome of the applicable contingency. Legal counsel and other experts are consulted both within and outside the Company. An asset is recognized if the likelihood of a positive outcome is virtually certain. A liability is recognized if the likelihood of an adverse outcome is probable and the amount is estimable. If not, we disclose the matter. Resolution of such matters in future periods may result in realized gains or losses deviating from the amounts recognized.

- Provisions for asset retirement obligations are made for costs incurred in connection with the future dismantling of mobile stations and restoration of property owned by third parties. These provisions are primarily based on estimates of future costs for dismantling and restoration and the timing of the dismantling. See note 19.

- Revenues, as shown in note 5, are recognized when realized or realizable and earned. Revenues from non-refundable up-front connection fees are deferred and recognized as income over the expected term of the related customer relationship. The term is estimated using historical customer churn rates. A change of Management estimates may have a significant impact on the amount and timing of our revenues for any period.

Note 3 New accounting standards

The Group applied all standards and interpretations which had become effective before the financial period beginning September 9, 2010.

At December 31, 2010 IASB and the EU have approved the following new accounting standards (IFRSs) and interpretations (IFRICs) that become effective from January 1, 2011 or later, and are judged relevant for the Group:

- IFRS 9, “Financial instruments”, effective January 1, 2013: this standard comprises two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. Management has an option to present in other comprehensive income unrealized and realized fair value gains and losses on equity investments that are not held for trading. A debt instrument is at amortized cost only if it is the entity’s business model to hold the financial asset to collect contractual cash flows and the cash flows represent principal and interest. It will otherwise need to be considered at fair value through profit or loss. The Group is currently accessing the impact of such standard and will determine the date at which it will be adopted.

- IFRS 7 (amendments), “Financial instruments: Disclosures”, effective July 1, 2011: the amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets (e.g. factoring, securitization), any associated liabilities and it includes additional disclosure requirements in respect to those transfers. The Group will adopt these amendments in the financial year 2011. It is not expected to have a significant impact.

- IAS 24 (amendment), “Related party disclosures”, effective January 1, 2011: the amendment clarifies and simplifies the definition of a related party. The Group will adopt this amendment in the financial year 2011. It is not expected to have a significant impact.

- IFRIC 14, “IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction”, effective January 1, 2011: the amendment clarifies that a voluntary prepayment into a pension plan in surplus shall be recognized as an economic benefit. In Switzerland this typically may happen when there is an employer contribution reserve. The Group will adopt this amendment in the financial year 2011. It is not expected to have a significant impact.

- Annual improvements 2010, effective January 1, 2011: this is a collection of non-urgent, relatively minor changes to approximately 7 existing standards and interpretations, which would mostly be applicable as from 1 January 2011. The Group is currently assessing the impact of these improvements. The adoption of such improvements is not expected to have a significant impact.

None of these standards have been early adopted in 2010 by the Group.

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 the Group's 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 the Group.

Sunrise Group'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 office and Home office businesses. Through the Sunrise 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 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 activity 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.

Management is currently revisiting its internal management reporting. Changes, if any, may result in changes in reportable segments.

Activities

CHFk

	Residential	Business	Head Office activities[1]	Total
	2010	2010	2010	2010
External revenue	265,976	82,057	271	348,304
Intra-segment revenue	0	4,843	0	4,843
Revenue	265,976	86,900	271	353,147
Transmission costs and cost of goods sold	(84,275)	(50,597)	1	(134,871)
Other external charges	(62,339)	(4,241)	(35,123)	(101,703)
Wages, salaries and pension costs	(7,364)	(5,300)	(19,079)	(31,743)
Other income and expenses	0	0	426	426
EBITDA	111,998	26,762	(53,504)	85,256

[1] Including Headquarters

Reconciliation of revenue

CHFk

	2010
Reportable segments	353,147
Elimination of intra-segment items	(4,843)
Revenue	**348,304**

Reconciliation of transmission costs and cost of goods sold	CHFk
	2010
Reportable segments	(134,871)
Elimination of intra-segment items	4,843
Transmission costs and cost of goods sold	**(130,028)**

Reconciliation of net loss before depreciation, amortization and special items (EBITDA)	CHFk
	2010
EBITDA from reportable segments	85,256
Unallocated:	
Depreciation, amortization and impairment losses	(66,018)
Net special items (note 8)	(18,539)
Net financial items (note 9)	(28,143)
Consolidated net loss before income taxes	**(27,444)**

Note 5 Revenue

	CHFk
	2010
Landline telephony	103,226
Mobile services	216,269
Internet services	28,809
Total	**348,304**

	2010
Sales of goods	27,007
Sales of services	321,297
Total	**348,304**

Note 6 Wages, salaries and pension costs

CHFk

	2010
Wages and salaries	(29,162)
Pension expense	(1,713)
Other social security cost	(3,238)
Total	**(34,113)**
Of which capitalized as non-current assets	2,370
Total	**(31,743)**

The Board of Directors of Sunrise Communications Holdings S.A. was nominated by CVC Capital Partners and is not compensated by the company.

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

Thereof: Remuneration for the Extended Management Board and the Board of Directors — CHFk

	Extended Management Board	Board of Directors
	2010	2010
Wages and salaries	(2,676)	0
Pensions	(239)	0
Total	**(2,915)**	**0**

Certain executives of Sunrise Communications AG participated in a bonus program based on financial targets for Sunrise. The bonus agreement contained one-time incentive payments. In addition to the amounts mentioned above CHF 2,486k (note 8) related to management one-time incentive payments and retention programs were recorded as net special items.

Note 7 Other income and expenses

CHFk

	2010
Other income and (expenses)	426
Total	**426**

Other income comprises mainly profit relating to disposal of intangible assets and property, plant and equipment.

Note 8 Net special items

CHFk

	2010
Acquisition costs	(15,797)
Aperiodic settlements of charges for access services calculated using the prices for interconnection services determined by the Swiss regulator[1]	2,368
Management one-time incentive payments and retention programs	(2,486)
Other	(2,624)
Net special items before income taxes	**(18,539)**

[1]Settlement of charges represents an adjustment of 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 Commission (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.

Note 9 Net financial items

CHFk

2010

	Interest	Swiss capital tax	Net foreign currency gains/(losses)	Fair value adjustments	Total
Income					
Cash and cash equivalents	971	-	7,166	-	8,137
Financial liabilities measured at amortized cost	-	-	95,319	-	95,319
Derivatives – used for hedging	22,821	-	-	-	22,821
Other	748	-	1,116	-	1,864
Total	**24,540**	**0**	**103,601**	**0**	**128,141**
Expenses					
Financial liabilities measured at amortized cost	(35,640)	-	-	-	(35,640)
Derivatives – used for hedging	(20,456)	-	-	(99,093)	(119,549)
Derivatives – held for trading	-	-	-	(343)	(343)
Other	(684)	(68)	-	-	(752)
Total	**(56,780)**	**(68)**	**0**	**(99,436)**	**(156'284)**
Net financial items	**(32'240)**	**(68)**	**103'601**	**(99'436)**	**(28'143)**

Note 10 Income taxes

CHFk

	2010		
	Income taxes cf. the Statements of Income	Income tax payable/ (receivable)	Deferred tax liabilities /(assets)
At September 9	0	0	0
Additions relating to acquisition of subsidiaries	-	(29,138)	(266,308)
Income taxes	(3,951)	(10,701)	6,750
Tax liability recharged to third party	-	(15,219)	-
Tax paid	-	13,685	-
Tax recognized in other comprehensive income	-	-	(601)
Total	**(3,951)**	**(41,373)**	**(260,159)**
which can be specified as follows:			
Tax payable/deferred tax liabilities	-	(41,373)	(260,159)
Total	**0**	**(41,373)**	**(260,159)**
Income taxes are specified as follows:			
Income excluding net special items	(4,447)	-	-
Net special items (see note 8)	496	-	-
Total	**(3,951)**	**0**	**0**

Reconciliation of income before tax

CHFk

	2010
Tax calculated at the weighted average applicable tax rate of 21.2%	5,818
Non-tax deductible items	(9,769)
Other non-taxable income	0
Effective tax expense	**(3,951)**

Specification of deferred tax

CHFk

	2010		
	Deferred tax assets	Deferred tax liabilities	Total
Non-current			
Intangible assets	-	(313,511)	(313,511)
Customer acquisition costs	46,493	-	46,493
Pension liabilities	9,220	-	9,220
Property, plant and equipment	-	(5,555)	(5,555)
Potential claim	751	-	751
Deferred income	2,443	-	2,443
Deferred tax assets (liabilities) at December 31	**58,907**	**(319,066)**	**(260,159)**
Netting within same company	(58,907)	58,907	-
Deferred tax liabilities at December 31	**-**	**(260,159)**	**(260,159)**

The Group has no tax losses to carry forward or other tax assets not capitalized.

Note 11 Intangible assets

CHFk

2010	Goodwill	Subscriber bases	Other rights, software, licenses and brands	Intangibles under constructions	Total
At September 9	0	0	0	0	0
Additions relating to the acquisition of subsidiaries	966,612	1,301,000	301,477	35,261	2,604,350
Additions during the period from third parties	-	-	814	5,342	6,156
Additions from internal development	-	-	-	1,827	1,827
Transferred (to)/from other items	-	-	8,054	(8,054)	-
Assets disposed of or fully amortized during the period[1]	-	-	(66)	-	(66)
Accumulated cost at December 31	**966,612**	**1,301,000**	**310,279**	**34,376**	**2,612,267**
At September 9	0	0	0	0	0
Amortization for the period	-	(21,503)	(9,838)	-	(31,341)
Assets disposed of or fully amortized during the period[1]	-	-	66	-	66
Accumulated amortization and write-downs for impairment at December 31	**-**	**(21,503)**	**(9,772)**	**-**	**(31,275)**
Carrying value at December 31	**966,612**	**1,279,497**	**300,507**	**34,376**	**2,580,992**

[1]Comprises primarily fully amortized software.

In the period, no write-downs for impairment of other rights, software, licenses and brands were recognized.

The carrying value of software amounted to CHF 69,951k at December 31, 2010.

In the period ended December 31, 2010 internal cost capitalized amounted to CHF 1,827k.

No interest was capitalized during the period ended December 31, 2010.

The carrying value of pledged intangible assets amounted to CHF 173.0 million at December 31, 2010.

Impairment tests for goodwill

Management has determined that for the purposes of testing goodwill impairment, the cash generating units (CGUs) to which goodwill is allocated are equivalent to the Group's operating segments. Following the acquisition of Sunrise Communications AG, a preliminary allocation of the purchase price has been performed in December 2010, resulting in the provisional determination of goodwill which is included in the consolidated Statement of Financial Position at December 31, 2010. Because the purchase price allocation may be subject to adjustments in the period up to October 28, 2011, resulting in a change in the amount of residual goodwill (see note 25) and because management is currently reconsidering its definition of operating segments, the goodwill has not been allocated to the operating segments and has not been tested for impairment in the period ended December 31, 2010. The allocation of goodwill to operating segments and testing thereof for impairment will be performed in 2011. Management has identified no indications of goodwill impairment at December 31, 2010.

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Note 12 Property, plant and equipment

CHFk

				2010
	Telecommunications installations	Other installations	Property, plant and equipment under construction	Total
Accumulated cost at September 9	0	0	0	0
Additions relating to the acquisition of subsidiaries	862,639	32,672	90,011	985,322
Acquisitions from third parties	2,220	(96)	38,220	40,344
Additions from internal development	-	-	543	543
Transfers (to)/from other items	20,625	3,224	(23,849)	-
Assets disposed of during the period	(152)	-	-	(152)
Accumulated cost at December 31	**885,332**	**35,800**	**104,925**	**1,026,057**
Accumulated depreciation and write-downs for impairment at September 9	0	0	0	0
Depreciation for the period	(31,279)	(3,398)	-	(34,677)
Accumulated depreciation and write-downs for impairment at December 31	**(31,279)**	**(3,398)**	**-**	**(34,677)**
Carrying value at December 31	**854,053**	**32,402**	**104,925**	**991,380**
Carrying value of finance leases[1] at December 31	**35,553**	**-**	**-**	**35,553**
Carrying value of capitalized interest at December 31	**14,852**	**-**	**-**	**14,852**

[1] Finance leases are related primarily to lease agreements regarding renting of fiber networks.

In the period, no write-downs for impairment were recorded.

Interest capitalized in the period amounted to CHF 359k. Acquisitions from 3rd parties include CHF 1,817k increase in asset retirement obligation without cash effect.

The capitalization rate used to determine the amount of borrowing costs eligible for capitalization is 1.7% in 2010.

The Group has recourse guarantee obligations of payment and performance in connection with lease contracts. Reference is made to note 30 Contingencies.

In the period, compensation for damages received relating to property; plant and equipment of CHF 40k were recognized as income.
In the period, no write-downs for impairment were recorded.

Note 13 Receivables	CHFk
	2010
Trade receivables	363,398
Allowances for uncollectible amounts	(2,934)
Trade receivables, net	360,464
Interest receivables	19,909
Other receivables	9,093
Total	**389,466**
Recognized as current assets	389,466
Total	**389,466**
Allowances for uncollectible amounts at September 9	0
Charges for realized and unrealized losses	(2,934)
Allowances for uncollectible amounts at December 31	**(2,934)**
Receivables past due and impaired (before impairment allowance)	**12,168**
Receivables past due but not impaired	**17,226**
Receivables past due but not impaired can be specified as follows:	
Receivables past due less than 6 months	15,289
Receivables past due less between 6 and 12 months	1,937
Receivables past due more than 12 months	-
Total	**17,226**

Trade receivables past due at December 31, 2010 amounted to CHF 68,337k. Other classes within receivables do not contain impaired assets.

The carrying value of pledged receivables amounted to CHF 369.5 million at December 31, 2010.

As of December 31, 2010 receivables of CHF 17,226k were past due but not impaired, respectively. These mainly relate to a number of independent businesses, wholesale and residential customers for whom there is no recent history of default.

Note 14 Prepaid expenses	CHFk
	2010
Prepaid lease payments	23,988
Other prepaid expenses	3,473
Total	**27,461**
Recognized as current assets	27,461
Total	**27,461**

Note 15 Inventories	CHFk
	2010
Finished goods (merchandise)	20,048
Total	**20,048**

Inventories expensed in the period amounted to CHF 50,004k.

No inventories were expected to be sold after more than one year.

Write-downs of inventories in the period amounted to CHF 216k.

Note 16 Equity			CHFk
	Shares (number)	Nominal value	
Class A Shares	90,000,000	900	900
Class B Shares	10,000,000	100	100
Share premium			125,876
Series A Preferred Equity Certificates	71,896,603,100		718,966
Series B Preferred Equity Certificates	8,673,191,900		86,732
At December 31, 2010		**1,000**	**932,574**

Share capital

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

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

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.

Other reserves

Other reserves records fair value changes in derivatives deferred in equity as qualifying cash flow hedges and accumulated actuarial gains and losses, net of taxes.

Note 17 Borrowings

CHFk

	2010			
	Nominal value at inception	Foreign exchange movement	Capitalized debt issuance cost	Carrying value
Borrowings				
Floating rate				
Term Loan A – CHF denominated	500,000		(31,122)	468,878
Term Loan B – CHF denominated	220,000		(13,754)	206,246
Term Loan B – EUR denominated	100,000	(8,193)	(6,272)	85,534
Fixed rate				
Senior Secured Notes - CHF denominated	300,000		(14,605)	285,395
Senior Secured Notes - EUR denominated	500,256	(34,936)	(19,629)	445,691
Senior Notes - EUR denominated	755,942	(52,188)	(34,272)	669,482
Total loans and notes	**2,376,198**	**(95,319)**	**(119,653)**	**2,161,226**
Other				
Debt relating to finance leases				51,145
Total borrowings				**2,212,371**
Of which loans expected to be paid within 12 months				(45,916)
Total long-term borrowings				**2,166,455**

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. Term Loan B CHF bears a coupon of CHF LIBOR plus 5.00% per annum and Term Loan B EUR bears a coupon of EURIBOR +5%. The Group has entered into a cross currency interest rate swap related to the Euro tranche of Term Loan B (note 26). 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.

Term Loan A has mandatory principle repayments of CHF 37,500k in 2011. This amount has been classified as current at December 31, 2010. The remaining amount of borrowings classified as current relates to finance lease payables due within one year.

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

The Group incurred significant EUR denominated borrowings in connection with the acquisition of Sunrise Communications AG. The total notional value of the Group's borrowings in Swiss Francs was CHF 2,376,198k at October 28, 2010. The Group has entered into cross currency interest rate swaps to economically convert its Euro denominated borrowings into Swiss Franc denominated borrowings. The executed swap exchange rates mirror the exchange rates realized by the Group when the borrowings were received. Further details on the Group's accounting for derivatives are set out in note 26.

The borrowings are governed by a number of financial covenants specified in the Senior Facilities Agreement. The main covenants are leverage ratio, interest cover ratio, cash flow cover ratio and capital expenditure spending. Covenant testing will commence as at June 30, 2011.

Liabilities relating to finance leases are related primarily to lease agreements regarding renting of fiber networks.

Note 18 Deferred income

CHFk	2010
Deferred income from dark fibers[1)]	17,269
Deferred income from other telecommunication services	34,349
Total	**51,618**
Recognized as follows:	
Non-current liabilities	23,717
Current liabilities	27,901
Total	**51,618**

1) Refers to optical fibers, which are unused by Sunrise, and are thereby available for use by other companies.

Note 19 Provisions

CHFk

	2010			
	Asset retirement obligations	Restructuring obligations	Other provisions	Total
Provisions at September 9	0	0	0	0
Additions relating to the acquisition of subsidiaries	87,174	65	19,688	106,927
Provisions made during the period	1,816	265	7,856	9,937
Change in present value	(25)	-	-	(25)
Provisions used during the period	(205)	-	(2,709)[1]	(2,914)
Unused provisions reversed during the period	(819)	-	-	(819)
Provisions at December 31	**87,941**	**330**	**24,835**	**113,106**
Recognized as follows:				
Non-current liabilities	87,546	-	-	87,546
Current liabilities	395	330	24,835	25,560
Total	**87,941**	**330**	**24,835**	**113,106**

1 Cash payments in the period relate to the settlement of bonuses. Due to the short term nature these are captured in changes in net working capital.

Provisions for asset retirement obligations relate to the future dismantling of mobile stations and restoration of property owned by third parties. The uncertainties relate primarily to the timing of the related cash outflows. The majority of these obligations are not expected to result in cash outflow until after 2014.

Provisions for restructuring obligations relate to redundant rented offices. The majority of these obligations are expected to result in cash outflow 2011. The uncertainties relate primarily to the estimated amounts.

Other provisions are related to bonuses for management and employees and legal claims.

Note 20 Trade and other payables CHFk

	2010
Trade payables	346'129
Interest payable [1)]	44'001
Other payables and accruals	21'515
Total	**411,645**

1) Includes CHF 24,460k accrued interest payable related to the Senior Notes and the Senior Secured Notes and CHF 19,541k accrued interest payable relating to cross currency swaps

None of the trade and other payables at December 31, 2010 falls due after more than one year.

Note 21 Financial instruments CHFk

Reconciliation of financial assets and financial liabilities by categories:

	Loans and receivables	Financial liabilities measured at amortized cost	Other financial liabilities	Derivatives used for hedging	Derivatives held for trading	2010 Total
Cash	126,754					126,754
Trade receivables and other receivables	389,466					389,466
Derivative assets					1,087	1,087
Total financial assets	**516,220**	**0**	**0**	**0**	**1,087**	**517,307**
Trade and other payables			(411,645)			(411,645)
Derivative liabilities				(167,045)	(244)	(167,289)
Borrowings		(2,161,226)				(2,161,226)
Financial leases			(51,145)			(51,145)
Total financial liabilities		**(2,161,226)**	**(462,790)**	**(167,045)**	**(244)**	**(2,791,305)**
Total	**516,220**	**(2,161,226)**	**(462,790)**	**(167,045)**	**843**	**(2,273,998)**

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

Sunrise is exposed to a variety of financial risks, namely market risk (including currency and interest rate risk), credit risk and liquidity risk. The group uses derivative financial instruments to hedge certain risk exposures.

A: Foreign-currency exposures

The Group's principle exposure to foreign currency risk arises from borrowings denominated in Euros. In addition, future commercial transactions and the net assets of Group companies denominated in foreign currencies are also a source of foreign exchange risk.

The Group's policy is to reduce this risk by:

- hedging 100% of Euro denominated borrowings; and
- otherwise having borrowings denominated in the functional currencies of the Group companies concerned.

Financial assets and liabilities by currency at December 31, 2010 are specified below:

					2010
	CHF	EUR	USD	Other	Total
Cash	112,123	12,944	1,687	-	126,754
Trade receivables and other receivables	339,473	32,814	6,907	10,272	389,466
Derivative assets	1,087	-	-	-	1,087
Total financial assets	**452,683**	**45,758**	**8,594**	**10,272**	**517,307**
Trade and other payables	(363,413)	(37,613)	(4,643)	(5,976)	(411,645)
Derivative liabilities	(167,289)	-	-	-	(167,289)
Borrowings	(955,923)	(1,205,303)	-	-	(2,161,226)
Financial leases	(51,145)	-	-	-	(51,145)
Total financial liabilities	**(1,537,770)**	**(1,242,916)**	**(4,643)**	**(5,976)**	**(2,791,305)**
Total	**(1,085,087)**	**(1,197,158)**	**3,951**	**4,296**	**(2,273,998)**

At December 31, 2010, if the Euro had weakened/strengthened by 10% against the Swiss Franc, with all other variables held constant, post-tax profits for the period would have been CHF 4,203k lower/higher mainly as a result of the net effect of foreign exchange gains/losses on translation of Euro denominated borrowings and the fair value movements of cross currency interest rate swaps designated as hedges. Other comprehensive income for the period would have been CHF 37,514k lower/higher, as a result of the fair value movements of cross currency interest rate swaps designated as cash flow hedges.

B: Interest rate risk

The Group's interest rate risk arises from external borrowings. The Group has both variable rate borrowings through its Term Loan Facilities and fixed rate borrowings through its Senior Secured and Senior Notes. Borrowings issued at variable interest rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Under the terms of the Senior Credit Facility, the Group is required to hedge at least 66.66% of outstanding variable rate borrowings for a period of three years. As a result the Company has entered into interest rate derivatives to manage the Group's exposure to variable interest rates and comply with this requirement.

At December 31, 2010, 85.3% Group's variable rate borrowings are hedged by interest rate derivatives. The Group has not applied hedge accounting for its interest rate derivatives (note 26).

At December 31, 2010, if the interest rate on Swiss Franc denominated borrowings had been 0.10% lower/higher with all other variables held constant, post-tax profits would have been CHF 319 k lower and CHF 414k higher respectively, mainly as a result of lower/higher interest expense on floating rate borrowings offset by the change in the fair value of interest rate derivatives.

C: Liquidity risk

CHFk

Cash flow forecasting is performed by Group Treasury. Group Treasury monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs and services its borrowings while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the group's debt financing plans and covenant compliance.
The maturity analysis of financial assets and liabilities is disclosed by category and class and is allocated according to maturity period. All interest payments and repayments of financial assets and liabilities are based on contractual agreements. Interest payments on floating-rate instruments are determined using the zero-coupon rates.

All carrying values are derived from the Statement of Financial Position and other notes.

	Maturity profiles (CHFk) [1]						December 31, 2010
	< 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Fair value	Carrying value
Cash	126,754	-	-	-	126,754	126,754	126,754
Trade receivables and other receivables	389,466	-	-	-	389,466	389,466	389,466
Total financial assets excluding derivatives	**516,220**	**-**	**-**	**-**	**516,220**	**516,220**	**516,220**
Trade payables and other payables	(411,645)	-	-	-	(411,645)	(411,645)	(411,645)
Borrowings	(37,500)	(62,500)	(329,500)	(1,847,701)	(2,277,201)	(2,338,315)	(2,161,226)
Financial leases	(8,416)	(8,416)	(25,126)	(27,446)	(69,405)	(51,127)	(51,145)
Total financial liabilities excluding derivatives	**(457,562)**	**(70,916)**	**(354,626)**	**(1,875,147)**	**(2,758,251)**	**(2,801,087)**	**(2,624,017)**
Total	**58,659**	**(70,916)**	**(354,626)**	**(1,875,147)**	**(2,242,030)**	**(2,284,866)**	**(2,127,706)**

[1] All cash flows are undiscounted.

The table below analyzes the group's derivative financial instruments which will be settled on a gross basis.

	Maturity profiles (CHFk)				December 31, 2010
	< 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Notional amounts receivable			1,257,179		1,257,179
Notional amounts payable			(1,356,198)		(1,356,198)

D: Undrawn credit lines

The undrawn credit lines at December 31, 2010 are related to payables to shareholder and to bank guarantees and are specified as follows:

	CHFk
Facilities	
Revolving credit facility (RCF) and Acquisition facilities	235,000
Ancillary facility	15,000
Total	**250,000**

The committed and undrawn RCF and Acquisition facilities of CHF 135,000k and CHF 100,000k 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 4.75% per annum, respectively.

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

E: Credit risks

Credit risk arises because a counterparty may fail to perform its obligations. The maximum credit risk is the carrying value of the available financial assets at the Statement of Financial Position date.

The Group is exposed to credit risks principally as a supplier of telecommunication services in Switzerland and abroad. The credit risk arising from supplying telecommunication services is handled by the individual business line by assessing the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.

The credit risk for trade receivables is limited by the wide distribution of customers. There is no major concentration of risk as Sunrise has a very large number of customers. On a regular basis, trade accounts receivable are sold without recourse.
The Company is exposed to credit risk in the event of non-performance by its counterparties on its interest rate and cross currency interest rate swap contracts. The Company does not anticipate non-performance by any of the counterparties, as it only deals with counterparties who are major financial institutions. The Company anticipates the counterparties will satisfy their obligations under the contracts. The market positions with each counterparty are monitored to ensure an adequate diversification of risk. The maximum exposure to credit risk is the fair value of the receivables under these contracts.

Sunrise's Cash comprises primarily short-term bank deposits mainly in Swiss banks holding the short-term credit rating of A-1 or A+ from Standard & Poor's. Sunrise Communications AG has, as part of the Senior Facilities Agreement, pledged its bank accounts.

F: Capital management

The group’s objectives when managing capital are to safeguard the group’s ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The group defines its managed capital as equity plus total borrowings (current and non-current) less cash and cash equivalents. In order to maintain this capital structure, the group manages its liquidity to ensure it is able to service its borrowings. The group monitors its capital on an ongoing basis using the covenants defined by the Senior Facilities Agreement. These ratios are disclosed to the Company’s bank syndication quarterly, commencing as at June 30, 2011.

G: Fair value estimation

The carrying value of receivables (after allowances) and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Fair value hierarchy

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset of liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at December 31, 2010, the Group held the following financial instruments measured at fair value:

		CHFk
		2010
Derivatives	Level	Fair value
Derivative financial assets – held for trading	2	1,087
Total derivative financial assets		**1,087**
Derivative financial liabilities – held for trading	2	(244)
Derivative financial liabilities – used for hedging	2	(167,045)
Total derivative financial liabilities		**(167,289)**

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

Note 22 Pension assets and pension obligations

	CHFk
	2010
Obligations	43,490
Income statement change	(1,713)
Actuarial gain/(loss) recognized in the statement of OCI in the period	2,909
Cumulative actuarial gain/(loss) recognized in the statement of OCI	2,909

The Company provides retirement benefits to its employees as required by Swiss law by means of a pension fund which is a separate legal entity. The pension fund operates a basic pension plan for all staff and a supplemental plan for employees having an insured annual salary of more than CHF 150,000. Both plans qualify as defined benefit plans under IAS 19. Future pension benefits are based primarily on years of credited service and on contributions made by the employee and employer over the service period which vary according to age as a percentage of insured salary.

The rate of annual interest credited to employees' accounts on the balance representing the minimum amount required under the pension law is defined by the government. In addition the conversion factor used to convert the accumulated capital on retirement into an annual pension is also defined by the government. In the case of overfunding it may be possible to a limited extent to reduce the level of contributions by both employer and employee. A distribution of excess funds from the pension fund to the company is not possible.

	CHFk
Specification of pension (costs)/income	2010
Service cost[1]	(1,768)
Interest cost[2]	(1,007)
Expected return on plan assets	1,062
Pension (cost)/income recognized in the statement of Income	**(1,713)**

[1] The actuarial present value of benefits attributed to services rendered by employees during the year.
[2] Reflects the interest component of the increase in the projected benefit obligations during the year.

	CHFk
Assets and obligations	2010
Specification of pension obligations	
Fair value of plan assets	(165,675)
Projected benefit obligations	209,165
Funded status = Pension obligations recognized in the Statement of Financial Position	**43,490**
Movement in the pension benefit obligations	
At September 9	0
Liabilities acquired in business combination	211,470
Service cost	1,768
Interest cost	1,007
Actuarial gain/(loss)	(3,350)
Plan participants' contributions	1,409
Benefit paid	(3,139)
Projected benefit obligations at December 31	**209,165**
Change in fair value of plan assets	
At September 9	0
Assets acquired in business combination	164,567
Expected return on plan assets	1,062
Actuarial gain/(loss)	(441)
Company contributions	2,217
Plan participants' contributions	1,409
Benefit paid	(3,139)
Fair value of plan assets at December 31	**165,675**

Plan assets are comprised as follows	%
	2010
Equity securities	24.24
Debt securities	57.10
Real estate	10.89
Other	7.77
Total	**100.0**

Plan assets did not include any property used by Group companies at December 31, 2010.

Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. The largest proportion of assets is invested in equities, although the Group also invests in property, bonds, hedge funds and cash. The Group believes that equities offer the best return over the long term with an acceptable level of risk.

Weighted-average assumptions used to determine benefit obligations	%
	2010
Discount rate	2.75
General wage inflation	2.00
General price inflation	1.00

Weighted-average assumptions used to determine net periodic pension cost	%
	2010
Discount rate	2.75
Expected return on plan assets	4.00
General wage inflation	2.00
General price inflation	1.00

Experience adjustments	CHFk
	2010
Asset experience	441
Liability experience	392
Liability assumptions	(3,742)

The basis for determining the overall expected rate of return is the pension funds' long-term strategic asset allocation of approximately 25% as equity securities, 60% as debt securities, 10% as real estate and 5% as other assets. The overall expected rate of return is based on the average long-term yields on the plan assets invested or to be invested. For the period ended December 31, 2010, the actual return on plan assets was 2.3%.

Mortality

The mortality table is the Swiss BVG 2005 mortality table for males and females with a one year setback post-retirement. The expected lifetime of a participant who is age 65 and the expected lifetime (from age 65) of a participant who will be age 65 in 15 years are shown in years below based on these mortality tables.

Age	Males	Females
65	18,69	21,85
65 in 15 years	18,69	21,85

For 2011, the projected contributions from the Company and plan participants amount to CHF 12,037k and CHF 7,543k, respectively. For 2011, the projected benefit payments amount to CHF 13,226k.

Note 23 Reversal of items without cash flow effect

	CHFk
	2010
Pension expense/(income)	1,713
Net (gain) on disposal of property, plant and equipment	(426)
Other items	(93)
Total	**1,194**

Note 24 Change in working capital

	CHFk
	2010
Change in inventories	1,701
Change in receivables	51,143
Change in trade payables	(7,724)
Change in other items, net	6,293
Total	**51,413**

Note 25 Business Combinations

On 28 October 2010, the group acquired 100% of the share capital of Sunrise Communications AG for CHF 3,322,733k and obtained the control of Sunrise Communications AG group, the second-largest full-range telecommunications provider in Switzerland, which offers mobile telephony, landline telephony and internet services.

The goodwill of CHF 966,612k arising from the acquisition is attributable to acquired customer base (which cannot be separately identified) and workforce representing assets which could not be separately recognized as part of the purchase price allocation.

Only part of the goodwill recognized is expected to be deductible for income tax purposes (CHF 188,034k at December 31, 2010).

The following table summarizes the consideration paid for Sunrise Communications AG and the net assets acquired as at October 28, 2010:

The following table summarizes the consideration paid for Sunrise Communications AG and the amounts of net assets acquired as at October 28, 2010:	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 [2)]	**3,174,001**
Acquisition-related costs (note 8)	15,797
Cash and cash equivalents [2)]	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.
[2)] Acquisition of Sunrise Communications AG,net of cash acquired was CHF 3,130,576k

No ordinary shares were issued as part of the consideration paid for Sunrise Communications AG Group. There was no contingent consideration arrangement as part of the acquisition.

The fair value of trade and other receivables is CHF 418,700k. The gross contractual amount for trade receivables due is CHF 418,700k, of which none is expected to be uncollectable. These mainly relate to a number of independent businesses, wholesale and residential customers for whom there is no recent history of default.

The fair value of the acquired identifiable intangible assets of CHF 1,637,738k (including subscriber bases, brands, licenses, rights and software) is provisional pending receipt of the final valuations for those assets.

The revenue included in the consolidated statement of comprehensive income since 28 October 2010 contributed by Sunrise Communications AG Group was CHF 349,868k. Sunrise Communications AG Group also contributed a net income of CHF 31,859k over the same period.

Had Sunrise Communications AG Group been consolidated from 1 January 2010, the consolidated statement of comprehensive income would show revenue of CHF 2,052,269k and a net loss of CHF 47,428k.

Note 26 Derivatives

CHFk

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

			2010
	Notional amount CHFk	Carrying Value – Asset	Carrying Value – Liability
Cash flow hedges			
Cross currency interest rate swaps – fixed rate borrowings	1,256,198		(156,101)
Cross currency interest rate swaps – variable rate borrowings	-		(2,751)
Fair value hedges			
Cross currency interest rate swaps – variable rate borrowings	100,000		(8,193)
Hedges held for trading			
Interest rate cap	600,000	1,087	
Interest rate swap	100,000		(244)
Total derivatives		**1,087**	**(167,289)**
The change in the fair value of derivatives in the period can be summarized as:			
Cash flow hedges – movement in hedge reserve			90,826
Cash flow hedges – ineffectiveness			74
Fair value hedges			8,193
Total income statement impact of hedging derivatives (note 9)			**99,093**
Income statement impact of interest rate derivatives – held for trading (note 9)			343
Total income statement impact of derivatives (note 9)			**99,436**
Other comprehensive Income – cash flow hedges			67,951

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. All the Group's derivatives are classified as non current at December 31, 2010.

Cross Currency Interest Rate Swaps – fixed rate borrowings
The Group has entered into cross currency principal and interest rate swap agreements on EUR 371,000k of notes payable, bearing interest at 7.0%, due December 2018, and on EUR 561,000k of notes payable, bearing interest at 8.5%, due December 2017. The swaps are designated as a partial term cash flow hedges and have a maturity of December 31, 2015.

The ineffective portion recognized in the profit or loss that arises from cash flow hedges amounts to a loss of CHF 74k Hedge ineffectiveness is recognized in 'Net Financial Items'.

Cross Currency Interest Rate Swaps – variable rate borrowings
The Group has entered into a cross currency principal and interest rate swap agreement on EUR 73,421k, the entire amount of the Euro tranche of its term loan facility, bearing interest at EURIBOR +5%, due December 2017. The Group pays CHF LIBOR +5.017%. The swap has a maturity date of December 31, 2015 and is considered a partial term hedge. The variable for variable portion of the swap is designated as a fair value hedge and the swap of the fixed margin is designated as a cash flow hedge.

Both the fair value hedge and the cash flow hedge were 100% effective in the period ending December 31, 2010.

Interest Rate Cap

The Group entered into an option contract to hedge the interest rate on its term loan facilities. For a fixed premium it has purchased the right to receive interest based on CHF LIBOR when CHF LIBOR exceeds a strike price of 0.75%. The instrument effectively caps the Group's variable interest rate exposure on its term loan facilities. The notional amount of this derivative at December 31, 2010 was CHF 600,000k. The Group has not applied hedge accounting to this instrument. The fair value of this instrument is recognized in 'Net financial items' at December 31, 2010.

Interest Rate Swaps

Interest rate swaps are recorded on the Statement of Financial Position at their fair value, reflecting the estimated amount the Group would receive or pay if forced to settle these contracts at the year end using market interest rates. The Group has no intention to settle these contracts before maturity.
The Company has entered into an interest rate swap agreement to receive interest based on CHF LIBOR and to pay interest at the rate of 0.78%. The Group has not applied hedge accounting with respect to this instrument. The fair value of this instrument is recognized in 'Net financial items' at December 31, 2010.

Note 27 Overview of Group companies at December 31, 2010

Company name	Operating purpose	Domicile	Currency	Sunrise Group ownership share (%)
Sunrise Communications Holdings S. A.	Holding	Luxembourg	CHF	
Sunrise Communications International S. A.	Subholding	Luxembourg	CHF	100.0
Skylight S.à r.l.	Subholding	Luxembourg	CHF	100.0
Sunrise Communications AG	Telcommunication Services	Zürich, Switzerland	CHF	100.0
Telcommunication Services AG	Telcommunication Services	Zürich, Switzerland	CHF	100.0
Come-2-IT AG[1)]	Education for IT apprentices	Bern, Switzerland	CHF	40.0
Teldas GmbH[1)]	Swiss number portability services	Zürich, Switzerland	CHF	23.0
Econophone GmbH	Dormant	Zürich, Switzerland	CHF	100.0
Sunrise Switzerland GmbH	Dormant	Zürich, Switzerland	CHF	100.0
Sunrise Internet Services AG	Dormant	Zürich, Switzerland	CHF	100.0
diAx GmbH	Dormant	Zürich, Switzerland	CHF	100.0
Sunrise Communications Switzerland GmbH	Dormant	Zürich, Switzerland	CHF	100.0

1) Entities operate on a non-profit base

Note 28 Related parties

Name of related party	Nature of relationship	Domicile
Mobile Challenger Group S.à r.l.[1)]	Ultimate holding company	Luxembourg
New Dawn MEP Holder S.à r.l.	Subsidiary of ultimate holding company	Luxembourg
New Dawn MEP Issuer Co. S.A.	Subsidiary of New Dawn MEP Holder S.à r.l.	Luxembourg
New Dawn MEP EPP Issuer Co. S.A.	Subsidiary of New Dawn MEP Holder S.à r.l.	Luxembourg
Mobile Challenger Intermediate Group S.A.	Incorporated Feb 25, 2011. New 100% shareholder of Sunrise Communications Holding S.A.	Luxembourg
Pensionskasse Sunrise Communications AG	Pension fund (see note 22)	Zürich

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

The ultimate holding company of Sunrise Communications Holdings S. A. is Mobile Challenger Group S.à r.l..
There are no significant related party transactions between the Group and the above listed related parties.

Key management of Sunrise Communications Holdings S.A. is composed of:

Name	Function
Board of Directors	
Lorne R. Somerville	Director
Siddharth T. Patel	Director
Benedicte Moens-Colleaux	Director
Emanuela Brero	Director
Manuel Mouget	Director

Key management of Sunrise Communications AG, the operating company of the Group is composed of:

Name	Function
Board of Directors	
Dr. Dominik Koechlin	President
Lorne Somerville	Vice President
Nicholas P. Gray	Member
Siddharth Patel	Member
Dr. Daniel Pindur	Member
Jean-Rémy Roussel	Member
Extended Management Board	
Oliver Steil	Chief Executive Officer (CEO)
Floris Alders	Chief Operating Officer (COO)
Christian Hütwohl	Chief Financial Officer (CFO)
Kamran Ziaee	Chief Technology Officer (CTO)
Jon Erni	Executive Director Business Customers

For details on the transactions between key management of Sunrise Communications AG and the Group refer to note 6.

Note 29 Other financial commitments

	CHFk
	2010
Non-cancelable lease commitments for all operating leases	
Rental expense relating to properties and mobile sites in the period of interminability	233,125
Accumulated lease commitments for machinery, equipment, computers, etc.	5,453
Total	**238,578**
which can be specified as follows:	
Less than 6 months	32,931
Between 6 and 12 months	27,149
Between 1 and 2 years	40,396
Between 2 and 5 years	57,491
Over 5 years	80,611
Total	**238,578**
Total rental expense for the period for all operating leases	
Minimum lease payments	11,516
Sublease receipts	-
Total	**11,516**
Capital and purchase commitments	
Investments in property, plant and equipment	21,656
Investments in intangible assets	7,555
Commitments related to outsourcing agreements[1]	218,562
Other purchase commitments	8,180

[1] Outsourcing agreements relate primarily to the outsourcing of network operation and maintenance to Alcatel Lucent and the outsourcing of call centers to external call centers. The payments to Alcatel Lucent will be charged to capital expenditures and operating expenses. The payments to external call centers will be charged to operating expenses.

Operating leases, for which Sunrise is the lessee, are related primarily to agreements on fiber networks and sea cables, and agreements on property leases and mobile sites. The lease agreements terminate in 2030 at the latest.

Note 30 Contingencies

Contingent liabilities

The Sunrise Group is party to certain pending lawsuits and cases pending with public authorities and complaints boards. Based on a legal assessment of the possible outcome of each of these lawsuits and cases, Management is of the opinion that these will have no significant adverse effect on the Sunrise Group's financial position. Provisions for legal claim amounts CHF 3,540k at December 31 2010 (note 19).

Under the terms of the Senior Facilities Agreement, entities of the Group are guarantors. The maximum guarantee amounts to trade receivables (note 13), the Sunrise brand (note 11) and cash (note 1). The guarantee amounts to CHF 666.0 million.

Note 31 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 2, 2011.

Audit report

To the Shareholders of
Sunrise Communications Holdings S.A.

We have audited the accompanying consolidated financial statements of Sunrise Communications Holdings S.A. and its subsidiaries on pages 7 to 45, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the period from 9 September 2010 to 31 December 2010 and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé" including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°95992)
R.C.S. Luxembourg B 65 477 - Capital social EUR 516 950 - TVA LU17564447

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Sunrise Communications Holdings S.A. and its subsidiaries as of 31 December 2010, and of its consolidated financial performance and its consolidated cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

PricewaterhouseCoopers S.à r.l. Luxembourg, 23 March 2011
Represented by

Alain Maechling