Sunrise Communications Holdings S.A.

Financial Results for the year ended December 31, 2011

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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 Zurich, Switzerland which is the second largest telecommunications provider in Switzerland based on revenues for the twelve months ended December 31, 2011. 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 and integration 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 2.1 million and 0.5 million subscribers, respectively, as of December 31, 2011. We are also the third-largest landline internet provider with 0.37 million subscribers as of December 31, 2011. We provide our landline services through our national landline network and our mobile services through our own mobile network based on GSM/GPRS/EDGE and UMTS/HSPA technologies.

Financial data

The financial data in this report covers the period from January 1 to December 31, 2011. Prior year 2010 refers to period from September 9 till December 31, 2010. Sunrise Communications AG was bought and consolidated as of November 01, 2010.

Shareholders

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

Please also refer to note 29 Related Parties.

Management

Sunrise Communications Holdings S.A.

Name		Function
Board of Directors		
Lorne R. Somerville		Director
Siddharth T. Patel		Director
Bénédicte Moens-Colleaux	Note 32	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	Note 32	Member
Siddharth Patel		Member
Dr. Daniel Pindur		Member
Jean-Rémy Roussel		Member
Management Board		
Oliver Steil		Chief Executive Officer (CEO)
André Krause		Chief Financial Officer (CFO)
Kamran Ziaee		Chief Technology Officer (CTO)
Dr. Andreas Gregori		Chief Commercial Officer (CCO)
Jon Erni		Executive Director Business Customers
Hans Jörg Denzler		Executive Director Wholesale

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

Revenue
Our total revenue was CHF 1,983.9 million for the period ended December 31, 2011. This revenue can be divided into mobile services CHF 1,292.5 million, landline telephony CHF 515.0 million and internet services CHF 176.3 million.

Transmission costs and cost of goods sold
Transmission costs and cost of goods sold was CHF 618.2 million for the period ended December 31, 2011. 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 operating expenses
Other operating expenses were CHF 592.0 million for the period ended December 31, 2011. 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 196.6 million for the period ended December 31, 2011.

Other income and expenses
Other income and expenses were CHF 30.6 million for the period ended December 31, 2011. This income mainly related to fees raised from early termination of contracts and aperiodic settlements of charges for access services calculated using the prices for interconnection services determined by the Swiss regulator.

Depreciation and amortization
Depreciation and amortization were CHF 373.5 million for the period ended December 31, 2011.

EBITDA
Our EBITDA was CHF 607.6 million for the period ended December 31, 2011.

Liquidity and capital resources
As of December 31, 2011, the cash and financial asset balance for the Group was CHF 585.5 million.

As of December 31, 2011, our total indebtedness, consisting of Senior Secured and Unsecured Notes, Term Loans and capital leases amounted to CHF 2,473,477k out of which CHF 67,789k are expected to be paid within 12 month.

Certain other contractual commitments
As of December 31, 2011 our other contractual commitments excluding those mentioned above amounted to CHF 265,412k 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 3.00 million for the period ended December 31, 2011, whereas the subscriber base can be divided into 2.12 million mobile subscribers, 0.51 million landline retail voice subscribers and 0.37 million landline internet subscribers.

ARPU
Mobile ARPU was at CHF 44.4 for the period ended December 31, 2011. Landline voice and landline internet ARPU were at CHF 44.3 and CHF 35.9 respectively for the period ended December 31, 2011.

Outlook
Group's future development is driven by its strategy, aiming for a clear positioning in the Swiss market and a sound performance. Key objective of the strategy is to continue the current growth path in both residential and business customer segment, further improve customer experience across all touch points and Sunrise brand positioning, invest into our wireline and mobile network as base for high quality service delivery and maintain tight management of cost.

Key levers of the strategy are to continue the value growth in the mobile business, the successful launch of IPTV services to strengthen our wireline business and the successful leverage of the recently acquired Nextira One system integration business to broaden both our service portfolio and customer base.

Material affiliate transactions

Please also refer to note 29 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, 2011, the Group has terminated the service contract with Alcatel-Lucent for the construction and maintenance of its entire telecommunications network, as of April 30, 2012. The Group did not enter into any new material contractual arrangements.

Material debt instruments

In June and December 2011, the Company made the first scheduled repayments on Term Loan A in the total amount of CHF 37.5 million.

The Group made arrangements for two additional term loans on August 30, 2011 in the amounts of CHF 101.9 million and EUR 184.0 million equivalents to CHF 220.6 million which were drawn in September 2011 in anticipation of the mobile license auction.

Material risk factors

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

All identified risks are quantified (according to their realization probability and impact) and located on a risk schedule. This risk schedule is subjective to an annually repeating detailed discussion process in the Group's Board of Directors. The permanent observation and control of risks is a management objective. A follow-up on the long-term measures was performed for 2011.

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

During the period ended December 31, 2011, no change has occurred to any material risk factor associated to the Group.

Material recent developments

In August 2011, the Group obtained consent from its Senior Lenders to make certain amendments to the Senior Facility Agreement ("SFA") based on an application submitted on July 18, 2011. The amendment was initiated in anticipation of the expected auction of mobile spectrum licenses in Switzerland in 2012.

In addition, the Group secured two additional term loans on August 30, 2011 in the amounts of CHF 101.9 million and EUR 184.0 million from its Senior Lenders. The additional facilities were drawn in September 2011.

Material acquisition, dispositions and recapitalizations

During the reporting period, no material acquisitions, dispositions and recapitalizations occurred.

Sunrise Communications Holdings S.A.

Consolidated financial statements for the year ended December 31, 2011

Consolidated Statement of Income CHFk

	Note	January 01 – December 31, 2011	September 09 - December 31 2010
Revenue	5, 6	**1,983,856**	**347,111**
Transmission costs and cost of goods sold		(618,167)	(130,028)
Other operating expenses		(592,029)	(99,402)
Wages, salaries and pension costs	7	(196,605)	(31,743)
Total operating expenses before other income and expenses, depreciation and amortization		**(1,406,801)**	**(261,173)**
Other income and (expenses), net	8	30,556	(16,642)
Income before depreciation and amortization, net financial items and income taxes		**607,611**	**69,296**
Amortization	11	(191,057)	(31,341)
Depreciation	12	(182,404)	(34,677)
Operating income		**234,150**	**3,278**
Foreign currency gains/(losses), net		32,437	103,601
Financial income		155,606	24,540
Financial expenses		(379,025)	(156,284)
Net financial items	9	**(190,982)**	**(28,143)**
Income/(loss) before income taxes		**43,168**	**(24,865)**
Income taxes	10	(32,516)	(4,498)
Net income/(loss)		**10,652**	**(29,363)**
Net income/(loss) attributable to equity holders of the company		**10,652**	**(29,363)**

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

Consolidated Statement of Comprehensive Income CHFk

	Note	January 01 – December 31, 2011	September 09 - December 31 2010
Net income/(loss)		**10,652**	**(29,363)**
Actuarial gains/(losses) related to defined benefit pension plans	22	(30,933)	2,909
Cash flow hedge gains/(losses)	26	2,373	(67,951)
Income tax relating to components of Other Comprehensive Income	10	7,143	(601)
Other comprehensive loss		**(21,417)**	**(65,643)**
Total comprehensive loss		**(10,765)**	**(95,006)**
Comprehensive loss attributable to equity holders of the company		**(10,765)**	**(95,006)**

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

Consolidated Statement of Financial Position

Assets CHFk

	Note	January 01 – December 31, 2011	September 09 - December 31, 2010
Non-current assets			
Intangible assets	11	2,527,227	2,635,482
Property, plant and equipment	12	944,859	991,380
Derivative assets	26	60	1,087
Other non-current assets	21	13,305	151
Total non-current assets		**3,485,451**	**3,628,100**
Current assets			
Inventories	15	28,849	20,048
Receivables	13	323,057	340,441
Prepaid expenses	14	26,848	27,461
Other financial assets	21	100,102	0
Cash	21	485,387	126,754
Total current assets		**964,243**	**514,704**
Total assets		**4,449,694**	**4,142,804**

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

Consolidated Statement of Financial Position

Equity and liabilities CHFk

	Note	January 01 – December 31, 2011	September 09 - December 31, 2010
Equity			
Common shares, share premium and PECs	16	932,574	932,574
Accumulated deficit	16	(87,060)	(65,643)
Accumulated losses		(19,453)	(30,105)
Total equity		**826,061**	**836,826**
Non-current liabilities			
Borrowings	17	2,405,688	2,166,455
Deferred tax liabilities	10	236,956	246,046
Provisions	19	105,011	87,546
Pension liabilities	22	76,357	43,490
Derivative liabilities	26	202,991	167,289
Deferred income	18	24,139	23,717
Total non-current liabilities		**3,051,142**	**2,734,543**
Current liabilities			
Current borrowings	17	67,789	45,916
Trade and other payables	20	395,020	411,645
Income tax payable	10	23,357	41,373
Deferred income	18	56,180	45,447
Provisions	19	27,845	25,560
Other current liabilities		2,300	1,494
Total current liabilities		**572,491**	**571,435**
Total liabilities		**3,623,633**	**3,305,978**
Total equity and liabilities		**4,449,694**	**4,142,804**

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

Consolidated Statement of Cash Flow CHFk

	Note	January 01 – December 31, 2011	September 09 - December 31, 2010
Income before depreciation and amortization, net financial items and income taxes		607,611	69,296
Reversal of items without cash flow effect	23	1,188	(1,023)
Payments related to provisions		(195)	(205)
Change in working capital	24	16,930	66,684
Cash flow from operating activities before net financial items and tax		625,534	134,752
Interest received		120,719	1,989
Interest paid		(311,752)	(11,174)
Foreign currency gains/(losses), net		175	1,140
Cash flow from operating activities before tax		434,676	126,707
Corporate income tax paid		(67,498)	(13,685)
Total cash flow from operating activities		**367,178**	**113,022**
Acquisition of subsidiaries, net of cash acquired	25	(38,019)	(3,130,576)
Investment in property, plant and equipment	12	(121,935)	(38,711)
Investment in intangible assets	11	(30,390)	(7,983)
Sale of property, plant and equipment		111	578
Investment in other financial assets		(100,102)	-
Total cash flow used in investing activities		**(290,335)**	**(3,176,692)**
Proceeds from issuance of share capital and PECs		-	1,005,901
Redemption of PECs		-	(74,069)
Proceeds from long-term borrowings		320,754	2,254,048
Repayments of long-term borrowings		(42,189)	(2,677)
Total cash flow from financing activities		**278,565**	**3,183,203**
Total cash flow		**355,408**	**119,533**
Cash at January 1		126,754	
Cash at September 9			55
Foreign currency impact on cash		3,225	7,166
Cash at December 31		**485,387**	**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	Accumulated deficit	Accumulated losses	Total
Equity at January 1, 2011	1,000	125,876	805,698	(65,643)	(30,105)	836,826
Net income for the period	-	-	-	-	10,652	10,652
Other comprehensive loss	-	-	-	-	-	-
Changes in actuarial gains and losses, net of tax	-	-	-	(24,375)	-	(24,375)
Hedge reserve – cash flow hedges, net of tax	-	-	-	2,958	-	2,958
Equity at December 31, 2011	**1,000**	**125,876**	**805,698**	**(87,060)**	**(19,453)**	**826,061**

	Common shares	Share premium	PECs	Accumulated deficit	Accumulated losses	Total
Equity at September 9, 2010	55	-	-	-	-	55
Increase in share capital	945	125,876	-	-	-	126,821
Subscription of PECs	-	-	879,025	-	-	879,025
Redemption of PECs	-	-	(73,327)	-	(742)	(74,069)
Net loss for the period	-	-	-	-	(29,363)	(29,363)
Other comprehensive loss						
Changes in actuarial gains and losses, net of tax	-	-	-	2,308	-	2,308
Hedge reserve – cash flow hedges, net of tax	-	-	-	(67,951)	-	(67,951)
Equity at December 31, 2010	**1,000**	**125,876**	**805,698**	**(65,643)**	**(30,105)**	**836,826**

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 Zurich, 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. 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 19, 2012.

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

CHFk	**2011**	**2010**
Audit fee	654	854
Tax	20	20
Advisory services	124	322
Total	**797**	**1,196**

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 acquisition 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 the 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 date of acquisition, whereas divested subsidiaries are recognized up to the date of disposal.

Gains and losses related to divestment of subsidiaries are recognized as the difference between the fair value of 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, 2011 the CHF to Euro exchange rate used was 1.2168 and the CHF to US Dollar Exchange rate used was 0.9381.
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.

The Group has changed its accounting policies regarding the recognition of early termination fees as revenue as applied in the previous periods. Please refer to note 3 for further disclosures on this change.

Other income and expenses

The Group has changed its accounting policies and ceased the use of Net Special Items. Such items are now classified as other income and expenses. Please refer to note 3 for further disclosures on this change.

Other income and expenses primarily include significant amounts that cannot be attributed to normal operations such as costs directly related to the acquisition of businesses, fees raised from early termination of contracts, gain or loss on sale of asset, 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 impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The carrying value of goodwill is tested for impairment annually in the fourth quarter. If there is any indication during the year that goodwill may be impaired, the cash-generating unit is tested for impairment at that time. Goodwill is subsequently written down to the recoverable amount through the Statement of Income if the recoverable amount is exceeded by the carrying value. Impairment losses on 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.

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.

General borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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, calculated in terms of time consumed on self-constructed assets in the relevant departments together with other external expenses,.

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.

Financial assets

Loans and receivables

Classification

Loans and receivables are interest bearing term deposits held with financial institutions for periods of more than 3 months. They are included in current assets, except for deposits with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

Recognition and measurement

Loans and receivables are initially measured at fair value and subsequently carried at amortized cost using the effective interest method. Foreign exchange gains and losses are taken into the consolidated Statement of Income.

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. The cost of work in progress comprises direct costs of merchandise, direct labor, other direct costs and related production overheads. 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 Statement of Income 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 Statement of Income.

Cash

The cash includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. In the consolidated Statement of Cash Flow, cash only includes cash in hand. Cash and financial assets in the amount of CHF 572 million (2010: CHF 123.5 million) are 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.

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 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 IAS19 treatment of pension liabilities differs from the treatment under the Swiss accounting standards for pension funds. Under the Swiss standards, the coverage ratio of the pension fund is approximately 105% for the year ended 2011 (2010: 106.6%), hence, the net Pension Obligation at year end, calculated in accordance with IAS 19, does not currently imply a cash obligation for the group.

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 reduction in future contributions from the pension plan.

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 Statement of Income 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 adjusted for non-cash operating items, cash flow related to 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 Statement of Income 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 Statement of Income 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 Statement of Income 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 Statement of Income 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 Statement of Income in ‘Net financial items’.

The hedge relationship is terminated if the hedging instrument expires or is sold, or if the hedge no longer meets the criteria for hedge accounting,. 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 Statement of Income.

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 2010 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 31, 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 determinable. 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 6, 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 IAS 8 - Accounting policies, changes in accounting estimates and errors

The Group separately disclosed in the prior period other income and expenses above EBITDA and net special items below EBITDA. As net special items is not defined within IFRS, the Group decided to cease the use of net special items and classify such charges in other income and expenses. This change in accounting policy required a reclassification of CHF (18.5) million in 2010 from net special item to other income and expenses in the consolidated Statement of Income. A comparable figure for the twelve months period ended 2011 of net special items would be CHF 5.9 million.

Early termination fees result from the early termination of a legal contract either by the Group due to a defaulting customer or by the customer itself. Those charges are considered to be compensation of damages as it does not constitute the core business of Sunrise and the majority of the charges relate to customers defaulting on their payments. In prior years, these revenues were recognized in gross revenue and the uncollectible part in operating expenses as a bad debt expense. The Group decided to change its accounting policy and recognize the collectible amount of the early termination fees in other income. This change required the reclassification of CHF 3.8 million of revenue and CHF (2.3) million of bad debt to other income resulting in CHF 1.5 million of other income for the period from 9.September to 31.December 2010, representing the net collectible amount of early termination fees.

During the year end closing it was identified that revenue related accruals of Sunrise Communications AG were overstated and had to be retrospectively adjusted as from the date of acquisition. The immaterial adjustments resulted in a reclassification between receivables, deferred revenue, deferred tax and goodwill as at the date of acquisition with an immaterial impact on earnings and no impact on cash flow from the date of acquisition.

Note 4 New accounting standards

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

The accounting policies are consistent with those of the annual financial statements for the period ended December 31, 2010, except those identified in note 3 and as detailed below:

New and amended standards adopted by the Group:

The following new standards and amendments to standards are effective for the first time for the financial year beginning January 1, 2011.

Revised IAS 24, “Related party disclosures”, issued in November 2009. It supersedes IAS 24, “Related party disclosures”, issued in 2003. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities; and clarifies and simplifies the definition of a related party. The revised IAS 24 is required to be applied from January 1, 2011. The amendment did not impact the Group’s result and financial position
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“Prepayments of a minimum funding requirement” (Amendments to IFRIC 14), issued in November 2009. The amendments correct an unintended consequence of IFRIC 14, “IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction”. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. The amendments are effective for annual periods beginning January 1, 2011. The amendment did not impact the Group’s result and financial position.

Amendments to IFRS 7 “Disclosures - Transfers of financial assets” 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 amendment is effective for annual periods beginning on or after July 1, 2011. The Group has adopted this standard effective January 1, 2011. The amendment did not impact the Group’s result and financial position.

Standards, amendments and interpretations to existing standards effective in 2011 but not relevant to the Group

“Classification of rights issues” (Amendment to IAS 32), issued in October 2009. The amendment should be applied for annual periods beginning on or after February 1, 2010.

IFRIC 19, “Extinguishing financial liabilities with equity instruments”. The interpretation is effective for annual periods beginning on or after July 1, 2010.

Improvements to International Financial Reporting Standards 2010 were issued in May 2010. The effective dates vary standard by standard but most are effective January 1, 2011.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group and not yet endorsed by the EU:

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 assessing the impact of such standard and will determine the date at which it will be adopted.

IFRS 10, “Consolidated financial statements“, effective January 1, 2013: this standard replaces all of the guidance on control and consolidation in IAS 27 and SIC-12. IAS 27 is renamed and continues to be a standard dealing solely with separate financial statements. There are four key changes. The first is the definition of control: focus on the need to have both power and variable returns before control is present and power is the current ability to direct the activities that significantly influence returns. As SIC-12 criteria no longer exist, existing relationships are in the scope of this standard. The second change is a new concept of De facto control. The third change is in regards of Principal-agent relationships: new factors for an entity to consider in determining if it is acting as a principal or an agent, which has a direct impact on the decision who has control. The fourth change is in regards of potential voting rights: Only substantive potential voting rights have to be considered. The Group is currently assessing the impact of such standard.

IFRS 11, “Joint arrangements“, effective January 1, 2013: The definition new standard introduces new terminology – joint arrangements is now the umbrella term used to describe all of the arrangements, and there exist only two types i.e. Joint operations and joint ventures. The classification is purely based on substance not on legal form. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting according to IAS 28 is mandatory for participants in joint ventures. Entities that participate in joint operations will follow accounting much like that for joint assets or joint operations today. The new accounting standard will not impact the Group’s results and financial position.

IFRS 12, “Disclosure of interests in other entities“, January 1, 2013: The standard sets out the required disclosures for entities reporting under the two new standards, IFRS 10 and IFRS 11 and replaces the disclosure requirements currently found in IAS 28 'Investments in associates'. IFRS 12 requires entities to disclose information about the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. The Group is currently assessing the impact of such standard.

IFRS 13, “Fair value measurement“, January 1, 2013: The standard explains how to measure fair value and aims to enhance fair value disclosures; it does not say when to measure fair value or require additional fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The fair value of a liability therefore reflects non-performance risk (that is, own credit risk). The Group is currently assessing the impact of such standard.

IAS 27 (revised) “Separate financial statements'“, January 1, 2013: The revised standard contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The new accounting standard will not impact the Group’s results and financial position.

IAS 28 (revised) “Investments in associates and joint ventures“, January 1, 2013: The revised standard prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The new accounting standard will not impact the Group’s results and financial position.

IAS 19 (revised) “Employee benefits“, January 1, 2013: Under the amendment the ‘corridor and spreading’ option to account for actuarial gains and losses (now called re-measurements) will be replaced by the requirement to present those re-measurements including other changes in DBO and plan assets and asset ceiling effects in OCI.
Annual expense for funded benefit plans will include net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability. This will replace the finance charge and expected return on plan assets.
Additional disclosures are required to present the characteristics of benefit plans, the amounts recognized in the financial statements and risks arising on from defined-benefit and multi-employer plans. The definition of a termination benefit is amended: A liability for a termination benefit is recognized when the entity can no longer withdraw the offer of the termination benefit or recognizes any related restructuring costs.
The Group assessed the impact of the net interest expense. The absolute impact is CHF 1,822k mainly affecting pension cost increase by 15%, net income decrease by 16%. Payroll cost and equity would not change significantly. The Group is currently assessing the impact of the remaining changes in such standard.

Amendments to IAS 1 “Presentation of items of Other Comprehensive Income“, July 1, 2012: The amendment requires entities to separate items presented in OCI into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled such as revaluation gains on PP&E or re-measurements of net pension assets or liabilities will be presented separately from items that may be recycled in the future, such as deferred gains and losses on cash flow hedges. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The Group is currently assessing the impact of such standard.

IFRIC 20 and Amendments to IAS 12 “Income Taxes: Deferred Income Taxes on the Recovery of Underlying Assets” (effective as from 1 January 2012) are not relevant for the Group and were not further analyzed.

Note 5 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 and amortization (EBITDA) represents the profit earned by each segment without allocation of depreciation and amortization, 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, Business and Wholesale.

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 single office and home office businesses, SME and large businesses. 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

Wholesale includes MVNO's, carrier and roaming services for national and international telecom service providers. The product portfolio covers voice, data, internet and infrastructure services.

The small office and home office businesses were previously reported as a part of the Residential segment. These businesses are now internally monitored as part of the Business segment.

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.

Activities CHFk

	Residential		Business		Wholesale		Head Office activities[1)]		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
External revenue	1,441,336	265,427	260,149	28,316	270,195	53,097	12,266	271	1,983,856	347,111
Intra-segment revenue	-	-	-	-	21,088	4,843	-	-	21,088	4,843
Revenue	1,441,336	265,427	260,149	28,316	291,193	57,940	12,266	271	2,004,944	351,954
Transmission costs and cost of goods sold	(382,564)	(84,275)	(76,773)	(8,114)	(179,918)	(42,483)	-	1	(639,255)	(134,871)
Other external charges	(308,464)	(60,445)	(42,681)	(3,910)	(4,230)	76	(236,654)	(35,123)	(592,029)	(99,402)
Wages, salaries and pension costs	(47,735)	(7,364)	(32,057)	(4,126)	(7,885)	(1,174)	(108,927)	(19,079)	(196,605)	(31,743)
Other income and expenses	13,558	1,234	2,489	237	-	-	14,509	(18,113)	30,556	(16,642)
EBITDA	716,130	114,577	111,127	12,403	99,160	14,359	(318,806)	(72,043)	607,611	69,296

[1)] Including Headquarters

Reconciliation of revenue CHFk

	2011	2010
Reportable segments	2,004,944	351,954
Elimination of intra-segment items	(21,088)	(4,843)
Revenue	**1,983,856**	**347,111**

Reconciliation of transmission costs and cost of goods sold CHFk

	2011	2010
Reportable segments	(639,255)	(134,871)
Elimination of intra-segment items	21,088	4,843
Transmission costs and cost of goods sold	**(618,167)**	**(130,028)**

Reconciliation of net income/(loss) before depreciation and amortisation (EBITDA) CHFk

	2011	2010
EBITDA from reportable segments	607,611	69,296
Unallocated:		
Depreciation and amortization	(373,461)	(66,018)
Net financial items (note 9)	(190,982)	(28,143)
Consolidated net income/(loss) before income taxes	**43,168**	**(24,865)**

Note 6 Revenue CHFk

	2011	2010
Landline telephony	515,039	102,637
Mobile services	1,292,540	215,665
Internet services	176,277	28,809
Total	**1,983,856**	**347,111**

	2011	2010
Sales of goods	95,842	27,007
Sales of services	1,888,014	320,104
Total	**1,983,856**	**347,111**

Note 7 Wages, salaries and pension costs

CHFk

	2011	2010
Wages and salaries	(182,150)	(29,162)
Pension expense	(12,111)	(1,713)
Other social security cost	(14,346)	(3,238)
Total	**(208,607)**	**(34,113)**
Of which capitalized as non-current assets	12,002	2,370
Total	**(196,605)**	**(31,743)**

The Group employed an average of 1,707 full-time equivalent persons during the financial year 2011 (2010: 1,529).

The Board of Directors of Sunrise Communications Holdings S.A. was nominated by CVC Capital Partners.

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	Extended Management Board	Board of Directors
	2011	2011	2010	2010
Wages and salaries	(2,720)	(210)	(2,676)	-
Pensions	(414)	(15)	(239)	-
Total	**(3,134)**	**(225)**	**(2,915)**	**-**

Certain previous executives of Sunrise Communications AG participated in a bonus program based on financial targets for Sunrise set up by the former shareholder TDC A/S. The bonus agreement contained one-time incentive payments. In addition to the amounts mentioned above, CHF 767k (2010: CHF 2,486k) (note 8) related to management one-time incentive payments and retention programs were recorded as other income and expenses.

Note 8 Other income and expenses

CHFk

	2011	2010
Gain/Loss on sale of assets	109	426
Fees raised from early termination of the contract	16,045	1,471
Acquisition costs	(430)	(15,797)
Aperiodic settlements of charges for access services calculated using the prices of the Swiss regulator	28,505	2,368
Management one-time incentive payments and retention programs	(767)	(2,486)
Alcatel-Lucent contract termination charge	(12,606)	-
Other	(300)	(2,624)
Total	**30,556**	**(16,642)**

Note 9 Net financial items

CHFk

2011	Interest	Swiss capital tax	Fair value adjustments	Total financial income and expenses before foreign currency	Net foreign currency gains/(losses)	Total
Income						
Cash	1,480	-	-	1,480	3,225	4,705
Financial liabilities measured at amortized cost		-	-		30,978	30,978
Derivatives – used for hedging	100,335	-	52,201	152,536	-	152,536
Derivatives – held for trading	138	-	875	1,013	-	1,013
Other	577	-	-	577	2,838	3,415
Total	**102,530**	**-**	**53,076**	**155,606**	**37,041**	**192,647**
Expenses						
Financial liabilities measured at amortized cost	(179,307)	-	-	(179,307)	(4,316)	(183,623)
Derivatives – used for hedging	(99,675)	-	(88,124)	(187,799)	-	(187,799)
Derivatives – held for trading	(789)	-	(4,066)	(4,855)	-	(4,855)
Other	(6,462)	(602)	-	(7,064)	(288)	(7,352)
Total	**(286,233)**	**(602)**	**(92,190)**	**(379,025)**	**(4,604)**	**(383,629)**
Net financial items	**(183,703)**	**(602)**	**(39,114)**	**(223,419)**	**32,437**	**(190,982)**

2010	Interest	Swiss capital tax	Fair value adjustments	Total financial income and expenses before foreign currency	Net foreign currency gains/(losses)	Total
Income						
Cash	971	-	-	971	7,166	8,137
Financial liabilities measured at amortized cost	-	-	-	-	95,319	95,319
Derivatives – used for hedging	22,821	-	-	22,821	-	22,821
Other	748	-	-	748	1,116	1,864
Total	**24,540**	**-**	**-**	**24,540**	**103,601**	**128,141**
Expenses						
Financial liabilities measured at amortized cost	(35,640)	-	-	(35,640)	-	(35,640)
Derivatives – used for hedging	(20,456)	-	(99,093)	(119,549)	-	(119,549)
Derivatives – held for trading	-	-	(343)	(343)	-	(343)
Other	(684)	(68)	-	(752)	-	(752)
Total	**(56,780)**	**(68)**	**(99,436)**	**(156,284)**	**-**	**(156'284)**
Net financial items	**(32'240)**	**(68)**	**(99'436)**	**(131,744)**	**103'601**	**(28'143)**

Note 10 Income taxes

CHFk

2011

	Income taxes cf. the Statements of Income	Income tax (payable)/ receivable	Deferred tax (liabilities) /assets
At January 1, 2011	-	(41,373)	(246,046)
Additions relating to acquisition of subsidiaries	-	(447)	(1,422)
Income taxes	(32,516)	(35,885)	3,369
Tax paid	-	54,348	-
Tax recognized in Other Comprehensive Income	-	-	7,143 [1)]
Total	**(32,516)**	**(23,357)**	**(236,956)**

2010

	Income taxes cf. the Statements of Income	Income tax (payable)/ receivable	Deferred tax (liabilities) /assets
At September 9, 2010	-	-	-
Additions relating to acquisition of subsidiaries	-	(29,138)	(251,648)
Income taxes	(4,498)	(10,701)	6,203
Tax liability recharged to third party	-	(15,219)	-
Tax paid	-	13,685	-
Tax recognized in Other Comprehensive Income	-	-	(601) [1)]
Total	**(4,498)**	**(41,373)**	**(246,046)**

[1)] Income tax relating to components of Other Comprehensive Income consists of CHF 6,558k on actuarial losses (2010: CHF -601k) and CHF 585k on hedges (2010: nil).

Reconciliation of income before tax CHFk

	2011	2010
Tax calculated at the weighted average applicable tax rate of 21.2%	(9,152)	5,271
Non-tax deductible items	(23,364)	(9,769)
Other non-taxable income	-	-
Effective tax expense	**(32,516)**	**(4,498)**

Specification of deferred tax CHFk

2011	Deferred tax assets	Deferred tax liabilities	Total
Non-current			
Intangible assets	-	(286,630)	(286,630)
Customer acquisition costs	46,561	-	46,561
Pension liabilities	16,214	-	16,214
Property, plant and equipment	-	(5,089)	(5,089)
Potential claim	834	-	834
Deferred income	2,855	-	2,855
Transaction cost	-	(10,813)	(10,813)
Other	-	(888)	(888)
Deferred tax assets (liabilities) at December 31	66,464	(303,420)	(236,956)
Netting within same company	(66,464)	66,464	-
Deferred tax liabilities at December 31	-	(236,956)	(236,956)

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	6,163	-	6,163
Receivables	10,393	-	10,393
Deferred tax assets (liabilities) at December 31	**73,020**	**(319,066)**	**(246,046)**
Netting within same company	(73,020)	73,020	-
Deferred tax liabilities at December 31	**-**	**(246,046)**	**(246,046)**

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

Note 11 Intangible assets

CHFk

2011	Goodwill	Subscriber bases	Other rights, software, licenses and brands	Intangibles under constructions	Total
At January 1, 2011	1,021,102	1,301,000	310,279	34,376	2,666,757
Additions relating to the acquisition of subsidiaries	43,881	8,383	148	-	52,412
Additions during the period from third parties	-	-	4,164	16,901	21,065
Additions from internal development	-	-	-	9,325	9,325
Transferred (to)/from other items	-	-	35,222	(35,222)	-
Assets disposed of or fully amortized during the period[1]	-	-	(397)	-	(397)
Accumulated cost at December 31, 2011	**1,064,983**	**1,309,383**	**349,416**	**25,380**	**2,749,162**
At January 1, 2011	-	(21,503)	(9,772)	-	(31,275)
Amortization for the period	-	(131,245)	(59,812)	-	(191,057)
Assets disposed of or fully amortized during the period[1]	-	-	397	-	397
Accumulated amortization and write-downs at December 31, 2011	**-**	**(152,748)**	**(69,187)**	**-**	**(221,935)**
Carrying value at December 31, 2011	**1,064,983**	**1,156,635**	**280,229**	**25,380**	**2,527,227**

[1]Comprises primarily fully amortized software.

2010	Goodwill	Subscriber bases	Other rights, software, licenses and brands	Intangibles under constructions	Total
At September 9, 2010	-	-	-	-	-
Additions relating to the acquisition of subsidiaries	1,021,102	1,301,000	301,477	35,261	2,658,840
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, 2010	**1,021,102**	**1,301,000**	**310,279**	**34,376**	**2,666,757**
At September 9, 2010	-	-	-	-	-
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 at December 31, 2010	**-**	**(21,503)**	**(9,772)**	**-**	**(31,275)**
Carrying value at December 31, 2010	**1,021,102**	**1,279,497**	**300,507**	**34,376**	**2,635,482**

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 40,579k (2010: CHF 69,951k).

In the period ended December 31, 2011 internal cost capitalized amounted to CHF 9,325k (2010: CHF 1,827k).

No interest capitalized during the period ended December 31, 2011 and during the period ended December 31, 2010.

The carrying value of pledged intangible assets amounted to CHF 155.8 million (2010: CHF 173.0 million).

Impairment tests for goodwill

Goodwill is allocated to the Company's cash-generating units. For the Company, the cash-generating units consist of the operating segments "Residential", "Business" and "Wholesale", and the impairment test is carried out on these cash-generating units (CGUs) in the fourth quarter 2011. An operating segment-level summary of the goodwill allocation is presented below:

Segment	**CHFk**
Residential	806,481
Business	190,029
Wholesale	68,472
Total goodwill	**1,064,982**

Goodwill has an indefinite useful live, and is therefore analyzed for impairment on an annual basis. There are no other recorded intangible assets with indefinite useful lives. The recoverable amount of all CGUs has been determined based on its value-in-use, using the discounted cash flow method (DCF). The basis for the calculation of DCF is the Company's business plan approved by the Board of Directors. The detailed planning horizon of the plan covers three years. The extrapolation of free cash flows beyond the three year planning period was calculated assuming a long-term growth rate of 1%. The discount rate is determined as the weighted average cost of capital before tax (WACC) of the Company, and amounts to 7.8%. Management determined budgeted gross margin and the growth rates based on past performance and its expectations of market development. As of this date, the recoverable amount at all cash-generating units was higher than the carrying amount. The sensitivity analysis shows that a reasonably possible change in the key assumptions would not result in the carrying amount exceeding its recoverable amount.

Note 12 Property, plant and equipment

CHFk

	Telecommunications installations	Other installations	Property, plant and equipment under construction	2011 Total
Accumulated cost at January 1, 2011	885,332	35,800	104,925	1,026,057
Additions relating to the acquisition of subsidiaries	594	571	110	1,275
Acquisitions from third parties	18,262	26	113,645	131,933
Additions from internal development	-	-	2,677	2,677
Transfers (to)/from other items	92,818	9,351	(102,169)	-
Assets disposed of during the period	(484)	(33)	-	(517)
Accumulated cost at December 31, 2011	**996,522**	**45,715**	**119,188**	**1,161,425**
Accumulated depreciation and write-downs at January 1, 2011	(31,279)	(3,398)	-	(34,677)
Depreciation for the period	(167,985)	(14,419)	-	(182,404)
Assets disposed of during the period	484	33	-	517
Accumulated depreciation and write-downs at December 31, 2011	**(198,782)**	**(17,784)**	**-**	**(216,566)**
Carrying value at December 31, 2011	**797,740**	**27,931**	**119,188**	**944,859**
Carrying value of finance leases[1] at December 31, 2011	**31,774**			**31,774**
Carrying value of capitalized interest at December 31, 2011	**1’708**	**-**	**-**	**1’708**

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

	Telecommunications installations	Other installations	Property, plant and equipment under construction	2010 Total
Accumulated cost at September 9, 2010	-	-	-	-
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, 2010	**885,332**	**35,800**	**104,925**	**1,026,057**
Accumulated depreciation and write-downs at September 9, 2010	-	-	-	-
Depreciation for the period	(31,279)	(3,398)	-	(34,677)
Accumulated depreciation and write-downs at December 31, 2010	**(31,279)**	**(3,398)**	**-**	**(34,677)**
Carrying value at December 31, 2010	**854,053**	**32,402**	**104,925**	**991,380**
Carrying value of finance leases[1] at December 31, 2010	**35,553**	**-**	**-**	**35,553**
Carrying value of capitalized interest at December 31, 2010	**355**	**-**	**-**	**355**

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

In the period, there were CHF 397k (2010: nil) write-downs for impairment recorded.

In the period ended December 31, 2011 internal cost capitalized amounted to CHF 2,677k (2010: CHF 543k).

Interest capitalized during the period amounted to CHF 1,502k (2010: CHF 359k). Acquisitions from 3rd parties include CHF 11,178k (2010: 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 2.47% in 2011.

The Group has recourse guarantee obligations for payment and performance in connection with lease contracts. Reference is made to note 31 Contingencies.

In the period, no compensation for damages received relating to property, plant and equipment (2010: CHF 40k) was recognized as income.

Note 13 Receivables

CHFk

	2011	2010
Trade receivables	333,102	314,313
Allowances for uncollectible amounts	(13,936)	(2,934)
Trade receivables, net	319,166	311,439
Interest receivables	781	19,909
Other receivables	16,415	9,093
Total	**336,362**	**340,441**
Recognized as current assets	323,057	340,441
Total	**323,057**	**340,441**
Allowances for uncollectible amounts at January 1, 2011/ September 9, 2010	(2,934)	-
Charges for realized and unrealized losses	(11,002)	(2,934)
Allowances for uncollectible amounts at December 31	**(13,936)**	**(2,934)**
Receivables past due and impaired (before impairment allowance)	**66,417**	**12,168**
Receivables past due but not impaired	**21,076**	**17,226**
Receivables past due but not impaired can be specified as follows:		
Receivables past due less than 6 months	21,027	15,289
Receivables past due less between 6 and 12 months	20	1,937
Receivables past due more than 12 months	29	-
Total	**21,076**	**17,226**

Trade receivables past due at December 31, 2011 amounted to CHF 87,493k (2010: CHF 29,394k). Other classes within receivables do not contain impaired assets.

The carrying value of pledged receivables amounted to CHF 335.4 million (2010: CHF 369.5 million) at December 31, 2011.

As of December 31, 2011 receivables of CHF 21,076k (2010: 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

	2011	2010
Prepaid lease payments	20,476	23,988
Other prepaid expenses	6,372	3,473
Total	**26,848**	**27,461**
Recognized as current assets	26,848	27,461
Total	**26,848**	**27,461**

Note 15 Inventories

CHFk

	2011	2010
Finished goods (merchandise)	23,738	20,048
Work in Progress	5,111	-
Total	**28,849**	**20,048**

Inventories expensed in the period amounted to CHF 204,918k (2010: 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 761k (2010: CHF 216k).

Note 16 Equity

CHFk

	Shares (number)	Nominal value	Equity 2011	Equity 2010
Class A Shares	90,000,000	900	900	900
Class B Shares	10,000,000	100	100	100
Share premium			125,876	125,876
Series A Preferred Equity Certificates	71,896,603,100		718,966	718,966
Series B Preferred Equity Certificates	8,673,191,900		86,732	86,732
At December 31		**1,000**	**932,574**	**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.

Accumulated deficit

Accumulated deficit 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

					2011	2010
	Nominal value at inception	Foreign exchange movement	Capitalized debt issuance cost	Loan and finance lease repayments	Carrying value	Carrying value
Borrowings						
Floating rate						
Term Loan A – CHF denominated	500,000	-	(28,551)	(37,500)	433,949	468,878
Term Loan B1 – EUR denominated	100,000	(10,662)	(5,982)	-	83,356	85,534
Term Loan B2 – CHF denominated	220,000	-	(12,846)	-	207,154	206,246
Term Loan B3 - CHF denominated	101,930	-	(289)	-	101,641	
Term Loan B4 - EUR denominated	220,579	3,310	(623)	-	223,266	
Fixed rate						
Senior Secured Notes - CHF denominated	300,000	-	(11,334)	-	288,666	285,395
Senior Secured Notes - EUR denominated	500,256	(47,173)	(18,894)	-	434,189	445,691
Senior Notes - EUR denominated	755,942	(70,620)	(30,522)	-	654,800	669,482
Total loans and notes	**2,698,707**	**(125,145)**	**(109,041)**	**(37,500)**	**2,427,021**	**2,161,226**
Other						
Debt relating to finance leases				(4,689)	46,456	51,145
Total borrowings				**(42,189)**	**2,473,477**	**2,212,371**
Of which loans expected to be paid within 12 months					(67,789)	(45,916)
Total long-term borrowings					**2,405,688**	**2,166,455**

The Term Loan A Facility has a maturity of December 31, 2016 and bears a coupon of CHF LIBOR + 4.00% per annum. The Term Loan B Facilities have a maturity date of December 31, 2017. Term Loan B1 EUR bears a coupon of EURIBOR +5.00% and Term Loan B2 CHF bears a coupon of CHF LIBOR + 5.00% per annum. Term Loan B3 CHF bears a coupon of LIBOR +4.75% and Term Loan B4 EUR bears a coupon of EURIBOR +4.75% per annum. The Group has entered into a cross currency interest rate swap related to the Euro tranches of Term Loan B (note 26). The Term Loan A, B1 and B2 Facilities were fully drawn at the date of acquisition of Sunrise Communications AG and were used to fund the acquisition. The Term Loan B3 and B4 were fully drawn on August 30, 2011.

Term Loan A has mandatory principle repayment of CHF 62,500k in 2012. This amount has been classified as current at December 31, 2011. 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. The Group received further CHF denominated and EUR denominated borrowings on August 30, 2011. Therefore, the total notional value of the Group's borrowings in Swiss Francs is CHF 2,698,707k at December 31, 2011. The Group has entered into a cross currency interest rate swap related to Term Loan B4 to economically convert its EURIBOR based Euro denominated interest payments on these borrowings into LIBOR based Swiss Franc denominated interest payments. 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. The Group was in compliance with all covenants as at December 31, 2011.

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

Note 18 Deferred income

CHFk

	2011	2010
Deferred income from dark fibers[1)]	21,810	17,269
Deferred income from other telecommunication services	58,509	51,895
Total	**80,319**	**69,164**
Recognized as follows:		
Non-current liabilities	24,139	23,717
Current liabilities	56,180	45,447
Total	**80,319**	**69,164**

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

Note 19 Provisions

CHFk

	Asset retirement obligations	Restructuring obligations	Other provisions	2011 Total
Provisions at January 1, 2011	87,941	330	24,835	113,106
Additions relating to the acquisition of subsidiaries	-	-	373	373
Provisions made during the period	11,174	-	36,925	48,099
Change in present value	2,632	-	479	3,111
Provisions used during the period	(138)	(57)	(28,388)[1]	(28,583)
Unused provisions reversed during the period	(208)	-	(3,042)	(3,250)
Provisions at December 31, 2011	**101,401**	**273**	**31,182**	**132,856**
Recognized as follows:				
Non-current liabilities	101,082	-	3,929	105,011
Current Liabilities	319	273	27,253	27,845
Total	**101,401**	**273**	**31,182**	**132,856**

	Asset retirement obligations	Restructuring obligations	Other provisions	2010 Total
Provisions at September 9, 2010	-	-	-	-
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, 2010	**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 2012. 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

	2011	2010
Trade payables	371,648	346'129
Interest payable [1)]	734	44'001
Other payables and accruals	22,638	21'515
Total	**395,020**	**411,645**

[1)] 2010 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, 2011 fall due after more than one year.

Note 21 Financial instruments CHFk

Reconciliation of financial assets and financial liabilities by categories:

2011

	Loans and receivables	Financial liabilities measured at amortized cost	Other financial liabilities	Derivatives used for hedging	Derivatives held for trading	Total
Cash	485,387	-	-	-	-	485,387
Other financial assets	100,102	-	-	-	-	100,102
Trade receivables	323,057	-	-	-		323,057
Other non-current assets	13,305					13,305
Derivative assets		-	-	-	60	60
Total financial assets	**921,851**	**-**	**-**	**-**	**60**	**921,911**
Trade and other payables	-	-	(395,020)	-	-	(395,020)
Derivative liabilities	-	-	-	(200,595)	(2,396)	(202,991)
Borrowings	-	(2,427,021)	-	-	-	(2,427,021)
Financial leases	-	-	(46,456)	-	-	(46,456)
Total financial liabilities	**-**	**(2,427,021)**	**(441,476)**	**(200,595)**	**(2,396)**	**(3,071,488)**
Total	**921,851**	**(2,427,021)**	**(441,476)**	**(200,595)**	**(2,336)**	**(2,149,577)**

2010

	Loans and receivables	Financial liabilities measured at amortized cost	Other financial liabilities	Derivatives used for hedging	Derivatives held for trading	Total
Cash	126,754	-	-	-	-	126,754
Trade receivables	340,441	-	-	-	-	340,441
Other non-current assets	151					151
Derivative assets	-	-	-	-	1,087	1,087
Total financial assets	**467,346**	**-**	**-**	**-**	**1,087**	**468,433**
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	**467346**	**(2,161,226)**	**(462,790)**	**(167,045)**	**843**	**(2,322,872)**

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 which the Group did not hold in cash; and
- otherwise having borrowings denominated in the functional currencies of the Group companies concerned.

Financial assets and liabilities by currency at December 31, 2011 are specified below:

					2011
	CHF	EUR	USD	Other	Total
Cash	196,092	287,497	1,798	-	485,387
Other financial assets	100,102	-	-	-	100,102
Trade receivables	293,414	12,639	4,087	12,917	323,057
Other non-current assets	13,305				13,305
Derivative assets	60	-	-	-	60
Total financial assets	**602,973**	**300,136**	**5,885**	**12,917**	**921,911**
Trade and other payables	(344,778)	(27,344)	(12,704)	(10,194)	(395,020)
Derivative liabilities	(202,991)	-	-	-	(202,991)
Borrowings	(1,031,411)	(1,395,610)	-	-	(2,427,021)
Financial leases	(46,456)	-	-	-	(46,456)
Total financial liabilities	**(1,625,636)**	**(1,422,954)**	**(12,704)**	**(10,194)**	**(3,071,488)**
Total	**(1,022,663)**	**(1,122,818)**	**(6,819)**	**2,723**	**(2,149,577)**

					2010
	CHF	EUR	USD	Other	Total
Cash	112,123	12,944	1,687	-	126,754
Trade receivables	290,448	32,814	6,907	10,272	340,441
Other non-current assets	151				151
Derivative assets	1,087	-	-	-	1,087
Total financial assets	**403,809**	**45,758**	**8,594**	**10,272**	**468,433**
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	**(1,133,961)**	**(1,197,158)**	**3,951**	**4,296**	**(2,322,872)**

At December 31, 2011, 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 27,279k (2010: CHF 4,203k) lower/higher mainly as a result of the net effect of foreign exchange gains/losses on translation of Euro denominated cash, trade receivables and trade and other payables. Other Comprehensive Income for the period would have been CHF 15,531k (2010: 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 66.67% 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, 2011, 74.3% (2010: 85.3%) of the 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, 2011 69.8% of the total nominal debt value at inception is either at fixed interest rate or is secured with interest rate derivatives.

At December 31, 2011, 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 210k (2010: 319k) lower and CHF 276k (2010: 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, 2011	
	< 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Fair value	Carrying value
Cash	485,387	-	-	-	485,387	485,387	485,387
Other financial assets	100,102	-	-	-	100,102	100,102	100,102
Trade receivables	323,057	-	-	-	323,057	323,057	323,057
Other non-current assets	13,305				13,305	13,305	13,305
Total financial assets excluding derivatives	**921,851**	**-**	**-**	**-**	**921,851**	**921,851**	**921,851**
Trade payables and other payables	(395,020)	-	-	-	(395,020)	(395,020)	(395,020)
Borrowings	(62,500)	(92,000)	(308,000)	(2,069,227)	(2,531,727)	(2,247,037)	(2,427,021)
Financial leases	(8,416)	(8,405)	(25,047)	(19,120)	(60,988)	(46,259)	(46,456)
Total financial liabilities excluding derivatives	**(465,936)**	**(100,405)**	**(333,047)**	**(2,088,347)**	**(2,987,736)**	**(2,688,316)**	**(2,868,497)**
Total	**455,915**	**(100,405)**	**(333,047)**	**(2,088,347)**	**(2,065,884)**	**(1,766,465)**	**(1,946,646)**

[1] All cash flows are undiscounted.

	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	340,441	-	-	-	340,441	340,441	340,441
Other non-current assets	151				151	151	151
Total financial assets excluding derivatives	**467,346**	**-**	**-**	**-**	**467,346**	**467,346**	**467,346**
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	**(457,561)**	**(70,916)**	**(354,626)**	**(1,875,147)**	**(2,758,251)**	**(2,801,087)**	**(2,624,016)**
Total	**9,785**	**(70,916)**	**(354,626)**	**(1,875,147)**	**(2,290,905)**	**(2,333,741)**	**(2,156,670)**

[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, 2011
	< 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Notional amounts receivable			1,223,387		1,223,387
Notional amounts payable			(1,356,198)		(1,356,198)

	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 are related to payables to shareholder and to bank guarantees and are specified as follows:

		CHFk
Facilities	2011	2010
Revolving credit facility (RCF) and Acquisition facilities	235,000	235,000
Ancillary facility	15,000	15,000
Total	**250,000**	**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 + 4.5% and CHF LIBOR + 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 and its subsidiaries have, as part of the Senior Facilities Agreement, pledged their 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. 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.

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 or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

CHFk

		2011	2010
Derivatives	Level	Fair value	Fair value
Derivative financial assets – held for trading	2	60	1,087
Total derivative financial assets		**60**	**1,087**
Derivative financial liabilities – held for trading	2	(2,396)	(244)
Derivative financial liabilities – used for hedging	2	(200,595)	(167,045)
Total derivative financial liabilities		**(202,991)**	**(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

	2011	2010
Obligations	76’357	43,490
Statement of Income charge	(12,111)	(1,713)
Actuarial gain/(loss) recognized in the statement of OCI in the period	(30,933)	2,909
Cumulative actuarial gain/(loss) recognized in the statement of OCI	(28,024)	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 Swiss government. In addition the conversion factor used to convert the accumulated capital on retirement into an annual pension is also defined by the Swiss 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.

The IAS19 treatment of pension liabilities differs from the treatment under the Swiss accounting standards for pension funds. Under the Swiss standards, the coverage ratio of the pension fund is approximately 105% for the year ended 2011 (2010: 106.6%), hence, the net Pension Obligation at year end, calculated in accordance with IAS 19, does not currently imply a cash obligation for the group.

		CHFk
Specification of pension (costs)/income	2011	2010
Service cost[1]	(12,695)	(1,768)
Interest cost[2]	(5,788)	(1,007)
Expected return on plan assets	6,372	1,062
Pension (cost)/income recognized in the Statement of Income	**(12,111)**	**(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	2011	2010
Specification of pension obligations		
Fair value of plan assets	(218,405)	(165,675)
Projected benefit obligations	294,762	209,165
Pension obligations recognized in the Statement of Financial Position	**76,357**	**43,490**
Movement in the pension benefit obligations		
At January 1	209,165	0
Liabilities assumed in business combination	47,439	211,470
Service cost	12,695	1,768
Interest cost	5,788	1,007
Actuarial gain/(loss)	27,152	(3,350)
Plan participants' contributions	9,151	1,409
Benefits paid	(16,628)	(3,139)
Projected benefit obligations at December 31	**294,762**	**209,165**
Change in fair value of plan assets		
At January 1	165,675	0
Assets acquired in business combination	43,456	164,567
Expected return on plan assets	6,372	1,062
Actuarial gain/(loss)	(3,781)	(441)
Company contributions	14,160	2,217
Plan participants' contributions	9,151	1,409
Benefits paid	(16,628)	(3,139)
Fair value of plan assets at December 31	**218,405**	**165,675**

Plan assets are comprised as follows		%
	2011	2010
Equity securities	26.8	24.24
Debt securities	41.7	57.10
Real estate	11.2	10.89
Other	20.3	7.77
Total	**100.0**	**100.0**

Plan assets did not include any property used by Group companies at December 31, 2011.

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 debt securities, 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		%
	2011	2010
Discount rate	2.50	2.75
General wage inflation	2.00	2.00
General price inflation	1.00	1.00

Weighted-average assumptions used to determine net periodic pension cost		%
	2011	2010
Discount rate	2.50	2.75
Expected return on plan assets	3.75	4.00
General wage inflation	2.00	2.00
General price inflation	1.00	1.00

Experience adjustments		CHFk
	2011	2010
Asset experience	(3,781)	441
Liability experience	(11,477)	392
Liability assumptions	(15,675)	(3,742)

The basis for determining the overall expected rate of return is the pension funds' long-term strategic asset allocation of approximately 27% (2010: 25%) as equity securities, 42% (2010: 60%) as debt securities, 11% (2010: 10%) as real estate and 20% (2010: 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, 2011, the actual return on plan assets was 1.56 % (2010: 2.3%).

Mortality

The mortality table is the Swiss BVG 2010 (for the year 2010 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	21,18	23,66
65 in 15 years	22,60	25,04

For 2012, the projected contributions from the Company and plan participants amount to CHF 13,455k and CHF 8’375k, respectively. For 2012, the projected benefit payments amount to CHF 14’304k.

Note 23 Reversal of items without cash flow effect

CHFk

	2011	2010
Pension expense/(income)	12,111	1,713
Pension contributions	(14,160)	(2,217)
Net (loss/gain) on disposal of property, plant and equipment	111	(426)
Expensing of cost related to the incentive program initiated by the former shareholder TDC	3,473	-
Other items	(347)	(93)
Total	**1,188**	**(1,023)**

Note 24 Change in working capital

CHFk

	2011	2010
Change in inventories	(2,343)	1,701
Change in receivables	8,024	53,743
Change in trade payables	15,436	4,947
Change in other items, net	(4,187)	6,293
Total	**16,930**	**66,684**

Note 25 Business Combinations

On November 10, 2011, Sunrise Communications AG acquired 100 % of the common shares of Business Sunrise Enterprise Solutions GmbH (formerly known as NextiraOne Schweiz GmbH), a network solutions provider helping organizations run their business more effectively. With the acquisition of the leading Swiss company for integration business, Sunrise strengthens its position in the Business market. The combination of both companies under the Business Sunrise brand will create a full service provider for small, medium and large enterprises in all industries, enabling services like cloud computing. The Goodwill of CHF 43,881k 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. The goodwill is not deductible for tax purposes.

The following table summarizes the consideration paid for Business Sunrise Enterprise Solutions GmbH and the amounts of net assets acquired as at November 10, 2011:	2011 CHFk
Total Consideration	**40,850**
Cash and cash equivalents	2,831
Receivables	11,527
Inventories	6,351
Financial assets	13
Loan from former shareholder	3,029
Property, plant and equipment	1,275
Identified intangible assets	8,531
Short term debt	(30,363)
Corporate income tax payable	(447)
Provisions	(373)
Pension obligations	(3,983)
Deferred tax assets/(liabilities), net	(1,422)
Total Business Sunrise Enterprise Solutions GmbH net assets acquired	**(3,031)**
Goodwill arising on acquisition	**43,881**
Total consideration	**40,850**
Cash in acquired subsidiary	(2,831)
Net cash outflow at the acquisition	**38,019**

No ordinary shares were issued as part of the consideration paid for NextiraOne Schweiz GmbH. The fair value of trade and other receivables is CHF 11,527k. The gross contractual amount for trade receivables due is CHF 11,527k, of which none is expected to be uncollectable. These mainly relate to a number of independent businesses for which there is no recent history of default. There was no contingent consideration arrangement as part of the acquisition. In the period from the date of acquisition to December 31, 2011 the acquired subsidiary has contributed CHF 20,282k to revenue and net loss in amount of CHF 117k to Sunrise Group’s net income. Had NextiraOne Schweiz GmbH been consolidated from 1 January 2011, the consolidated Statement of Income would show revenue of CHF 2,063,696k and a net income of CHF 13,109k.

Note 26 Derivatives CHFk

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

	Notional amount CHFk	2011 Carrying Value – Asset	2011 Carrying Value – Liability	2010 Carrying Value – Asset	2010 Carrying Value – Liability
Cash flow hedges					
Cross currency interest rate swaps – fixed rate borrowings	1,256,198		(187,175)		(156,101)
Cross currency interest rate swaps – variable rate borrowings [1]	100,000		(2,758)		(2,751)
Fair value hedges					
Cross currency interest rate swaps – variable rate borrowings [1]	100,000		(10,662)		(8,193)
Hedges held for trading					
Interest rate cap	500,000	60		1,087	
Interest rate swap	100,000		(1,650)		(244)
Cross currency interest rate swaps – variable rate borrowings	224,480		(746)		
Total derivatives		**60**	**(202,991)**	**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			(31,325)		(90,826)
Cash flow hedges – ineffectiveness			(2,130)		(74)
Fair value hedges			(2,468)		(8,193)
Total impact of hedging derivatives in the Statement of Income (note 9)			**(35,923)**		**(99,093)**
Impact of interest rate derivatives – held for trading in the Statement of Income (note 9)			(3,191)		(343)
Total impact of derivatives in the Statement of Income (note 9)			**(39,114)**		**(99,436)**
Other Comprehensive Income – cash flow hedges			2,373		(67,951)

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

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, 2011.

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 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 2,131k (2010: 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 its Term Loan B1 EUR facility, bearing interest at EURIBOR +5.00%, 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 effective in the period ending December 31, 2011.

The Group has entered into a cross currency interest rate swap agreement on EUR 184,000k, the entire amount of its Term Loan B4 EUR facility, bearing interest at EURIBOR +4.75%, due December 31, 2017. The Group pays CHF LIBOR +5.9865%. The swap has a maturity date of December 31, 2015 and is considered a partial term hedge. 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, 2011..

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, 2011 was CHF 500,000k. 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, 2011.

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, 2011.

Note 27 IFRS 2 – Share-based payment

Certain managers and all employees of Sunrise Communications AG can participate in investment programs (management equity program and employee participation program) to align their interests with those of the shareholders. Mobile Challenger Group S.à r.l., through the Co-Investment Committee of New Dawn MEP HoldCo S.à r.l., sold equity instruments in New Dawn MEP Issuer Co. S.A. and New Dawn MEP EPP Issuer Co. S.A. to participating managers and employees of Sunrise Communications AG. Members of these programs have invested in those instruments at fair value, mirroring conditions of the current ultimate shareholder. Members will receive similar conditions as the current ultimate shareholder upon exit, while managers are subject to certain vesting conditions (minimum service period). The programs fall under the scope of IFRS 2 – Share-based payment, and qualify as equity settled plans at the Sunrise Communications Holdings S.A. level. No expense was recognized in the reporting period and there is no outstanding balance as of December 31, 2011 in relation to these programs. The shares sold to participants have been granted by selling existing shares and thus not diluting the investments of existing shareholders.

Note 28 Overview of Group companies at December 31, 2011

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	Zurich, Switzerland	CHF	100.0
Telcommunication Services AG	Telcommunication Services	Zurich, Switzerland	CHF	100.0
Business Sunrise Enterprise Solutions GmbH (formerly known as NextiraOne Schweiz GmbH)	Network solutions provider	Kloten, 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	Zurich, Switzerland	CHF	23.0
Econophone GmbH	Dormant	Zurich, Switzerland	CHF	100.0
Sunrise Switzerland GmbH	Dormant	Zurich, Switzerland	CHF	100.0
Sunrise Internet Services AG	Dormant	Rümlang, Switzerland	CHF	100.0
diAx GmbH	Dormant	Zurich, Switzerland	CHF	100.0
Sunrise Communications Switzerland GmbH	Dormant	Zurich, Switzerland	CHF	100.0

[1)] Entities operate on a non-profit base

Note 29 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 HoldCo 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.	100% shareholder of Sunrise Communications Holding S.A.	Luxembourg
Pensionskasse Sunrise Communications AG	Pension fund (see note 22)	Zurich

[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 Intermediate Group S.A. 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	Note 32	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	Note 32	Member
Siddharth Patel		Member
Dr. Daniel Pindur		Member
Jean-Rémy Roussel		Member
Management Board		
Oliver Steil		Chief Executive Officer (CEO)
André Krause		Chief Financial Officer (CFO)
Kamran Ziaee		Chief Technology Officer (CTO)
Dr. Andreas Gregori		Chief Commercial Officer (CCO)
Jon Erni		Executive Director Business Customers
Hans Jörg Denzler		Executive Director Wholesale

As described in note 27, certain managers and employees of Sunrise Communications AG participate in a management equity program and employee participation program involving Sunrise Communications Holdings S.A.'s parent entities. The Sunrise Communications Holdings Group does not have any contractual or constructive obligation to the members with respect to these programs. The Sunrise Communications Holdings Group performs some ongoing administrative services related to the programs.
For additional details on the transactions between key management of Sunrise Communications AG and the Group refer to note 7.

Note 30 Other financial commitments

CHFk

	2011	2010
Non-cancelable lease commitments for all operating leases[1]		
Rental expense relating to properties and mobile sites in the period of interminability	259,466	233,125
Accumulated lease commitments for machinery, equipment, computers, etc.	5,946	5,453
Total	**265,412**	**238,578**
which can be specified as follows:		
Less than 6 months	36,537	32,931
Between 6 and 12 months	30,665	27,149
Between 1 and 2 years	50,044	40,396
Between 2 and 5 years	63,157	57,491
Over 5 years	85,009	80,611
Total	**265,412**	**238,578**
Total rental expense for the period for all operating leases		
Minimum lease payments	81,477	11,516
Sublease receipts	-	-
Total	**81,477**	**11,516**
Capital and purchase commitments		
Investments in property, plant and equipment	32,838	21,656
Investments in intangible assets	11,014	7,555
Commitments related to outsourcing agreements[2]	36,167	218,562
Other purchase commitments	22,208	8,180

[1] 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.
[2] 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. The main trigger for the decrease in outsourcing agreements' commitments amounting to 2011: CHF 36,167k (2010: CHF 218,562k) for the future years is to be explained as follows: During the period ended December 31, 2011, the Group has terminated the service contract with Alcatel-Lucent for the construction and maintenance of its entire telecommunications network. The Group did not enter into any new material contractual arrangements.

Note 31 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 to CHF 3,929k (2010: CHF 3,540k) at December 31 2011 (note 19).

At 31 December 2011, the Group had a capital commitment in amount of CHF 184.3 million (2010: 0k). in connection with the mobile license auction.

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 and financial assets (note 1). The guarantee amounts to CHF 1,064 million (2010: CHF 666 million).

Note 32 Events after the balance sheet date

Change in Board of Directors

Bénédicte Moens-Colleaux has resigned from the Board of Directors of Sunrise Communications Holdings S.A. effective date of 24 January 2012. Stefan Oostvogels and Manuel Mouget have been appointed as new Directors.

Nicholas P. Gray has resigned as Member of Board of Directors of Sunrise Communications AG effective February 29th, 2012.

Mobile license auction

At the spectrum auction of all mobile frequencies that ended on Wednesday, 22. February 2012, Sunrise successfully participated and secured almost 40% of the valuable low frequency bands. Sunrise acquired a total of 160 MHz (up/down), spread out over 16 blocks for a total cost of CHF 481.7 million. A breakdown of the individual frequency blocks is shown below:

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

On March 2, 2012, ComCom offered extended payment conditions in relation to the mobile license auction. For Sunrise Communications AG, the following conditions will apply (which are pending formal enactment and not yet in force):

- CHF 289.0 million 30 days after award of the mobile license
- CHF 105.3 million as of June 30, 2015
- CHF 110.1 million as of December 31, 2016

Extension of service contract with Alcatel-Lucent

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

Audit report

To the sole Shareholder of
Sunrise Communications Holdings S.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Sunrise Communications Holdings S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statements of income, comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the 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 about 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 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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Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2011, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The management's report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

PricewaterhouseCoopers S.à r.l.
Represented by

Luxembourg, 19 March 2012

Alain Maechling