Sunrise Communications Holdings S.A.

Interim Financial Report for the three-month period ended March 31, 2012

Facts & Figures

	January 1 – March 31, 2012	January 1 – March 31, 2011
Results of Operations		
(in '000 CHF, except where indicated)		
Revenue		
Mobile	317,213	291,237
Landline Services	147,860	132,539
thereof voice hubbing	*31,746*	*33,053*
Landline Internet	44,210	43,510
Total Revenue	509,283	467,286
Revenue (excluding hubbing)	*477,537*	*434,233*
EBITDA[1]	152,014	141,094
EBITDA margin (%)	29.8	30.2
EBITDA margin (excluding hubbing revenues) (%)	31.8	32.5
Subscriber Base (at end of period)		
(in thousands)		
Mobile subscriber base (excl. M2M)	2,122.9	2,020.1
Landline voice subscriber base	500.5	560.2
Landline internet subscriber base	368.8	364.9
thereof XDSL	365.0	358.1
thereof LLU	279.8	245.7
ARPU		
(in CHF/month)		
Mobile Services	43.5	41.9
Landline Voice Services	45.0	43.5
Landline Internet Services	36.0	35.9
Employees[2]		
FTEs (end of period)	1,786	1,532

1) EBITDA stands for: operating income before depreciation and amortisation, net financial result and income tax expense.
2) Employees exclude FTEs acquired with NextiraOne Switzerland

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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, 2011. 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 three months ended March 31, 2012. 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), landline internet and TV services to both residential and business customers, as well as to other operators. We are the leading non-incumbent operator in both the mobile and landline retail voice markets, with 2,122.9 thousand and 500.5 thousand subscribers, respectively, as of March 31, 2012. We are also the third-largest landline internet provider with 368.8 thousand subscribers as of March 31, 2012. We provide our landline services through our national landline network and our mobile services through our 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 March 31, 2012.

Comparative figures for the three-months period ended March 31, 2011 are based on unaudited condensed consolidated interim financial statements of the Group for the 3 month period ended March 31, 2011.

Shareholders

Sunrise Communications Holdings S.A. is ultimately owned by Mobile Challenger Intermediate Group S.A. – Luxembourg.

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

Revenue
Our total revenue was CHF 509.3 million for the three months ended March 31, 2012, an increase of CHF 42.0 million (of which CHF 23.1 million relates to the acquisition of NextiraOne Switzerland), or 9.0% (4.1% organic), from CHF 467.3 million for the three months ended March 31, 2011.

Mobile revenue was CHF 317.2 million for the three months ended March 31, 2012, an increase of CHF 26.0 million, or 8.9%, from CHF 291.2 million for the three months ended March 31, 2011. The increase in mobile revenue was primarily attributable to increased postpaid customer base and higher handset sales, partly offset by slightly lower prepaid and roaming in revenues.

Landline services revenue was CHF 147.9 million for the three months ended March 31, 2012, an increase of CHF 15.4 million, or 11.6%, from CHF 132.5 million for the three months ended March 31, 2011. The increase in landline services revenue was primarily attributable to higher revenues due to the acquisition of Business Sunrise Enterprise Solutions GmbH.

Landline internet revenue was CHF 44.2 million for the three months ended March 31, 2012, an increase of CHF 0.7 million, or 1.6%, from CHF 43.5 million for the three months ended March 31, 2011. The increase in landline internet for the three months ended March 31, 2012, was primarily attributable to higher customer base and higher usage.

Sunrise launched TV services during Q1'2012.

Transmission Costs and Cost of Goods Sold
Transmission costs and cost of goods sold was CHF 159.7 million for the three months ended March 31, 2012, an increase of CHF 13.3 million, or 9.1%, from CHF 146.4 million for the three months ended March 31, 2011. The increase in transmission costs and cost of goods sold was primarily attributable to higher mobile postpaid cost due to increased customer base and higher retail voice cost due to the acquisition of Business Sunrise Enterprise Solutions GmbH.

Other External Expenses
Other external expenses were CHF 145.2 million for the three months ended March 31, 2012, an increase of CHF 8.9 million, or 6.5%, from CHF 136.3 million for the three months ended March 31, 2011. The increase in other external expenses is primarily attributable to higher cost for marketing and bad debt.

Wages, Salaries and Pension Costs
Wages, salaries and pension costs were CHF 56.4 million for the three months ended March 31, 2012, an increase of CHF 12.5 million, or 28.5%, from CHF 43.9 million for the three months ended March 31, 2011. The increase in wages, salaries and pension costs was primarily attributable to an increase in FTEs, largely FTEs from the acquisition of Business Sunrise Enterprise Solutions GmbH.

Other Income and Expenses
Other Income and Expenses were a net income of CHF 4.0 million for the three months ended March 31, 2012, an increase of CHF 3.7 million, from a net income of CHF 0.3 million for the three months ended March 31, 2011. The increase in other income was primarily attributable to higher collection of early termination fees and lower costs for the three months period ended March 31, 2012.

Depreciation, Amortization and Impairment Losses
Depreciation, amortization and impairment losses were CHF 89.9 million for the three months ended March 31, 2012, a decrease of CHF 3.0 million, or 3.3%, from CHF 92.9 million for the three months ended March 31, 2011. The decrease in depreciation, amortization and impairment losses was primarily attributable to lower asset base on office facilities and GSM equipment and lower depreciation on data platform equipment.

EBITDA
Our EBITDA was CHF 152.0 million for the three months ended March 31, 2012, an increase of CHF 10.9 million (of which CHF 1.2 million relates to the acquisition of NextiraOne Switzerland), or 7.7% (6.9% organic), from CHF 141.1 million for the three months ended March 31, 2011.

Liquidity and Capital resources
As of March 31, 2012, the cash and financial asset balance for the Group was CHF 546.1 million.

As of March 31, 2012, the Group's total indebtedness, consisting of Senior Secured and Unsecured Notes, Term Loans and capital leases amounted to CHF 2,447.4 million out of which CHF 67.9 million are expected to be paid within 12 months.

Certain other contractual commitments
As of March 31, 2012 our other contractual commitments excluding those mentioned above amounted to CHF 265.4 million consisting mainly of operating lease

agreements and outsourcing of network operation as well as open purchase commitments.

Purchase Price Allocation (PPA)

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

For clarity of the underlying operational performance, the following table shows the condensed consolidated interim statements of income excluding FV adjustments.

Effect of FV adjustments resulting from acquisition of Sunrise Communications AG on the Condensed Consolidated Interim Statements of Income CHFk

This table has been added for clarity reasons on the operational income of the Group

	January 1 – March 31, 2012 Before FV adjustments	January 1 – March 31, 2012 Impact of FV adjustments	January 1 – March 31, 2012 Including FVadjustments
Revenue	**509,578**	**(295)**	**509,283**
Transmission costs and cost of goods sold	(159,711)	-	(159,711)
Other operating expenses	(145,178)	-	(145,178)
Wages, salaries and pension costs	(56,383)	-	(56,383)
Total operating expenses before other income and expenses, depreciation and amortization	**(361,272)**	**-**	**(361,272)**
Other income and (expenses), net	4,003	-	4,003
Income before depreciation and amortization, net financial items and income taxes	**152,309**	**(295)**	**152,014**
Amortization	(10,755)	(37,031)	(47,786)
Depreciation	(42,109)		(42,109)
Operating income	**99,445**	**(37,326)**	**62,119**
Net financial items	**(48,001)**	**(109)**	**(48,110)**
Income/(loss) before income taxes	**51,444**	**(37,435)**	**14,009**
Income taxes	(12,330)	7,952	(4,378)
Net income/(loss)	**39,114**	**(29,483)**	**9,631**

Principal Factors Affecting Mobile Services Revenues

Mobile Subscriber Base and ARPU Development

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

Mobile Subscriber Base		'000
	March 31, 2012	March 31, 2011
Subscribers at end of period[1]	2,122.9	2,020.1
Subscriber growth from prior equivalent period	*5.1%*	-
Of which:		
Postpaid[1][2]	1,131.7	1,015.2
Prepaid[1][3]	991.2	1,005.0

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

Mobile ARPU		CHF/month
	January 1 – March 31, 2012	January 1 – March 31, 2011
Mobile ARPU[1]	43.5	41.9
Increase/(decrease) from prior equivalent period	*3.9%*	-

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

The total number of our mobile subscribers increased by approximately 102.8 thousand or 5.1%, to 2.12 million as of March 31, 2012 from 2.02 million as of March 31, 2011. We estimate our total mobile market share, including MVNOs and resellers on our network, increased to 24.1% as of December 31, 2011, from 23.8% as of March 31, 2011. We believe new subscriber activations during this period were primarily attributed to our competitive flat rate and mobile data plans as well as the continued demand for smartphones.

Mobile ARPU increased by CHF 1.6, or 3.9%, to CHF 43.5 for the three months ended March 31, 2012, from CHF 41.9 for the three months ended March 31, 2011. The increase for the three months ended March 31, 2012 is primarily attributable to the change in customer mix towards customers subscribing to higher value rate plans.

Mobile Churn

Our prepaid and postpaid blended mobile churn rate for the three months ended March 31, 2012 decreased to 9.2% from 9.7% for the three months ended March 31, 2011, which we attribute primarily to decreased churn in our prepaid subscriber base.

Mobile Termination Rates

The rates in effect for 2009 were CHF 0.15 per minute for mobile calls terminating on the Swisscom's mobile network and CHF 0.18 per minute for mobile calls terminating on either our or Orange's networksAs of January 1, 2011 rates in effect are CHF 0.07 per minute for mobile calls terminating on Swisscom's mobile network and CHF 0.0875 per minute for mobile calls terminating on either Orange's network or our network.

Principal Factors Affecting Landline Services Revenues

Subscriber Base

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

Retail Voice Subscriber Base [(1)]		'000
	March 31, 2012	March 31, 2011
Retail Voice	500.5	560.2
Subscriber growth/(decrease) from prior equivalent period	*(10.7%)*	-
Of which:		
LLU	279.8	245.7

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

The total number of our retail voice subscribers decreased by about 62,932, or 11.2%, as of March 31, 2012 to 0.50 million from 0.56 million as of March 31, 2011. We attribute the decreases primarily to the departure of retail voice-only CPS customers, including customers acquired as part of the acquisition of Tele2 Switzerland in 2008.

ARPU

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

Landline Services ARPU		CHF / month
	January 1 – March 31, 2012	January 1 – March 31, 2011
Retail Voice ARPU [(1)]	45.0	43.5
Increase/(decrease) from prior equivalent period	3.4%	-

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

Retail voice ARPU increased by CHF 1.5, or 3.4%, to CHF 45.0 for the three months ended March 31, 2012, from CHF 43.5 for the three months ended March 31, 2011. We attribute the increase primarily to increased fees resulting from the migration of subscribers from carrier preselect based services to access rebilling and LLU based services.

Principal Factors Affecting Landline Internet Revenues

Subscriber Base

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

Landline Internet Subscriber Base[1]		'000
	March 31, 2012	March 31, 2011
Landline internet	368.8	364.9
Increase/(decrease) from prior equivalent period	*1.1%*	
Of which:		
Broadband BBCS	85.2	112.4
Broadband LLU	279.8	245.7

(1) In our landline internet business, we report broadband connectivity services (BBCS) subscribers without ARB based on technical installations, while we report BBCS subscribers with ARB and LLU subscribers based on the number of active contracts. We currently pay fees to Swisscom of CHF 18.40 per month for each LLU line and CHF 28.00 per month for each BBCS line.

The total number of our landline internet subscribers increased by 3,878, or 1.1%, as of March 31, 2012 to 368,797 from 364,919 as of March 31, 2011. The total number of broadband subscribers, including both LLU and BBCS services, likewise increased by 6,954, or 1.9%, as of March 31, 2012 to 365,009 from 358,055 as of March 31, 2011. We attribute these increases primarily to our attractive LLU and bundled mobile and landline offerings.

ARPU

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

Landline Internet ARPU		CHF / month
	January 1 – March 31, 2012	January 1 – March 31, 2011
Landline Internet ARPU [1]	36.0	35.9
Increase/(decrease) from prior equivalent period	0.1%	-

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

Landline internet ARPU increased by CHF 0.1, or 0.1%, to CHF 36.0 for the three months ended March 31, 2012, from CHF 35.9 for the three months ended March 31, 2011. We attribute the increase primarily to the increase in bundled customer base.

Material Affiliate Transactions

Sunrise Communications AG is the counterparty to external financial institutes for all derivative instrument contracts. Please refer to note 11 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

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.

Material Debt Instruments

In March 2012 the Group made partial repayments of the term loans in total amount of CHF 13.5 million. Please refer to note 10 for further details.

Material Risk Factors

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

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

During the period ended March 31, 2012, no change has occurred to any material risk factor associated to the Group.

Material Recent Developments

At the spectrum auction of all mobile frequencies that ended on Wednesday, February 22, 2012, Sunrise successfully participated and secured almost 40% of the valuable sub-GHz frequency bands. Sunrise acquired a total

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

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

On March 2, 2012, ComCom offered optionally 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):

- 60% or CHF 289.0 million 30 days after award of the mobile license
- 20% as of June 30, 2015
- 20% as of December 31, 2016

Material acquisition, dispositions and recapitalizations

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

Sunrise Communications Holdings S.A.

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

Condensed Consolidated Interim Statement of Income CHFk

	Note	January 1– March 31, 2012 Unaudited	January 1 – March 31, 2011 Unaudited
Revenue	**5,6**	**509,283**	**467,286**
Transmission costs and cost of goods sold		(159,711)	(146,388)
Other operating expenses		(145,178)	(136,270)
Wages, salaries and pension costs		(56,383)	(43,874)
Total operating expenses before other income and expenses, depreciation and amortization		(361,272)	(326,532)
Other income and (expenses), net	7	4,003	340
Income before depreciation and amortization, net financial items and income taxes		**152,014**	**141,094**
Amortization		(47,786)	(46,197)
Depreciation		(42,109)	(46,726)
Operating income		**62,119**	**48,171**
Foreign currency gains/(losses), net		12,992	(47,949)
Financial income		28,271	78,264
Financial expenses		(89,373)	(71,782)
Net financial items	**8**	**(48,110)**	**(41,467)**
Income before income taxes		**14,009**	**6,704**
Income taxes		(4,378)	(6,487)
Net income		**9,631**	**217**
Net income attributable to equity holders of the Parent		**9,631**	**217**

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

Condensed Consolidated Interim Statement of Comprehensive Income CHFk

	January 1– March 31, 2012 Unaudited	January 1 – March 31, 2011 Unaudited
Net income	**9,631**	**217**
Actuarial gains related to defined benefit pension plans	-	2,848
Income tax relating to actuarial gains	-	(604)
Cash flow hedge gains	12,736	1,824
Income tax relating to cash flow hedges	(68)	418
Other comprehensive income	12,668	4,486
Total comprehensive income	22,299	4,703
Comprehensive loss attributable to equity holders of the Parent	22,299	4,703

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

Condensed Consolidated Interim Statements of Financial Position

Assets			CHFk
	Note	March 31, 2012 Unaudited	December 31, 2011
Non-current assets			
Intangible assets		2,487,124	2,527,227
Property, plant and equipment		922,573	944,859
Derivative assets	11	29	60
Other non-current assets		153	13,305
Total non-current assets		**3,409,879**	**3,485,451**
Current assets			
Inventories		33,885	28,849
Receivables	13	359,643	323,057
Prepaid expenses		38,129	26,848
Other financial assets	15	100,038	100,102
Cash		446,098	485,387
Total current assets		**977,793**	**964,243**
Total assets		**4,387,672**	**4,449,694**

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

Condensed Consolidated Interim Statements of Financial Position

Equity and liabilities — CHFk

	Note	March 31, 2012 Unaudited	December 31, 2011
Equity			
Common shares, share premium and PECs	9	932,574	932,574
Valuation reserve		(52,325)	(64,993)
Accumulated deficit		(31,889)	(41,520)
Total equity		**848,360**	**826,061**
Non-current liabilities			
Borrowings	10	2,380,301	2,405,688
Deferred tax liabilities		228,960	236,956
Provisions		106,123	105,011
Pension liabilities		76,357	76,357
Derivative liabilities	11	203,701	202,991
Deferred income		31,707	24,139
Total non-current liabilities		**3,027,150**	**3,051,142**
Current liabilities			
Current portion of borrowings	10	67,107	67,789
Trade and other payables	13	374,017	395,020
Income tax payable		17,166	23,357
Deferred income		41,464	56,180
Provisions		9,867	27,845
Other current liabilities		2,541	2,300
Total current liabilities		**512,161**	**572,491**
Total liabilities		**3,539,312**	**3,623,633**
Total equity and liabilities		**4,387,672**	**4,449,694**

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

Condensed Consolidated Interim Statements of Cash Flow

CHFk

	Note	January 1– March 31, 2012 Unaudited	January 1 – March 31, 2011 Unaudited
Income before depreciation and amortization, net financial items and income taxes		152,014	141,094
Reversal of items without cash flow effect		3,187	2,949
Pension contributions		(3,780)	(3,352)
Change in working capital	12	(113,802)	(78,464)
Cash flow from operating activities before net financials and tax		37,619	62,227
Interest received		6,227	129
Interest paid		(20,797)	(13,619)
Foreign currency gains/(losses), net		(82)	713
Cash flow from/(used in) operating activities before tax		22,967	49,450
Corporate income and withholding taxes paid		(18,644)	(26,894)
Total cash flow from operating activities		4,323	22,556
Investment in property, plant and equipment		(18,398)	(9,413)
Investment in intangible assets		(7,683)	(4,855)
Sale of property, plant and equipment			11
Total cash flow used in investing activities		(26,081)	(14,257)
Repayments of long-term borrowings	10	(15,158)	(1,114)
Total cash flow used in financing activities		(15,158)	(1,114)
Total cash flow		(36,916)	7,185
Cash and cash equivalents at January 1		485,387	126,754
Foreign currency impact on cash		(2,373)	462
Cash and cash equivalents at March 31		446,098	134,401

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

Condensed Consolidated Interim Statement of Changes in Equity CHFk

	Common shares	Share premium	PECs	Valuation reserve	Accumulated deficit	Total
Equity at January 1, 2012	1,000	125,876	805,698	(64,993)	(41,520)	826,061
Net income for the period					9,631	9,631
Other comprehensive income				12,668		12,668
Equity at March 31, 2012	**1,000**	**125,876**	**805,698**	**(52,325)**	**(31,889)**	**848,360**

	Common shares	Share premium	PECs	Valuation reserve	Accumulated deficit	Total
Equity at January 1, 2011	1,000	125,876	805,698	(67,951)	(27,797)	836,826
Net income for the period	-	-	-	-	217	217
Other comprehensive income				2,242	2,244	4,486
Equity at March 31, 2011	**1,000**	**125,876**	**805,698**	**(65,709)**	**(25,336)**	**841,529**

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

Notes to Condensed Consolidated Interim Financial Statements

Overview

Note 1 General information

Sunrise Communications Holdings S.A. (the "Company" or the "Group") has its registered office at Avenue Monterey 20, L-2163 Luxembourg. Sunrise Communications Holdings S.A. 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, landline, integration, internet and TV 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.

These consolidated interim financial statements were approved for issue by the Company's Board of Directors on May 21, 2012.

Note 2 Basis of preparation

The condensed consolidated interim financial statements include the unaudited condensed consolidated interim financial statements of Sunrise Communication Holdings S.A. as of and for the three-month period ended March 31, 2012.

The unaudited condensed consolidated interim financial statements for the three-month period ended March 31, 2012 have been prepared in accordance with IAS 34, "Interim financial reporting" and should be read in conjunction with the Consolidated Financial Statements for the year ended December 31, 2011.

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.

At March 31, 2012 the Euro to Swiss Francs exchange rate used was 1.20409 and the US Dollar to Swiss Francs exchange rate used was 0.90250. During the three-months period ended March 31, 2012, for all transactions, the average Euro to Swiss Francs exchange rate used was 1.2349 and the US Dollar to Swiss Francs exchange rate used was 0.9345.

At March 31, 2011 the Euro to Swiss Francs exchange rate used was 1.30118 and the US Dollar to Swiss Francs exchange rate used was 0.9190. During the three-months period ended March 31, 2011, for all transactions, the average Euro to Swiss Francs exchange rate used was 1.2998 and the US Dollar to Swiss Francs exchange rate used was 0.9725.

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

Note 3 Critical accounting estimates and judgments and IAS 8 – Accounting policies, changes in accounting estimates and errors

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the period ended December 31, 2011.
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 9.7 million of revenue and CHF (7.4) million of bad debt to other income resulting in CHF 2.3 million of other income for the three month period ended March 31, 2011, representing the net collectible amount of early termination fees.

Note 4 New accounting standards

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

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, 2012.

Amendments to IAS 12 “Income taxes: deferred income taxes on the recovery of underlying assets”. The Amendment offers a partial clarification of the treatment of timing differences arising in connection with the application of the fair-value model of IAS 40. In the case of real estate held for investment purposes, it is often difficult to assess whether existing differences will reverse through continued use or as a result of a sale. The amendment to IAS 12 provides that reversal in principle occurs as a result of a sale. As a consequence of the amendment, SIC 21 “Income taxes – recovery of revalued depreciable assets” shall no longer be effective for real estate held for investment purposes measured at fair value. The amendment did not impact the Group’s result and financial position.

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. 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, large businesses and integration services. 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 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[2]		Head Office activities[1]		Total	
	January 1 – March 31, 2012 Unaudited	January 1 – March 31, 2011 Unaudited	January 1 – March 31, 2012 Unaudited	January 1 – March 31, 2011 Unaudited	January 1 – March 31, 2012 Unaudited	January 1 – March 31, 2011 Unaudited	January 1 – March 31, 2012 Unaudited	January 1 – March 31, 2011 Unaudited	January 1 – March 31, 2012 Unaudited	January 1 – March 31, 2011 Unaudited
External revenue	356,349	341,808	86,003	55,974	64,627	67,971	2,304	1,533	509,283	467,286
Intra-segment revenue	-	-	-	-	3,989	6,323	-	-	3,989	6,323
Revenue	356,349	341,808	86,003	55,974	68,616	74,294	2,304	1,533	513,272	473,609
Transmission costs and cost of goods sold	(89,466)	(88,694)	(30,423)	(16,483)	(43,860)	(47,533)	49	(1)	(163,700)	(152,711)
Other operating charges	(76,318)	(66,812)	(11,613)	(9,928)	(1,647)	(1,653)	(55,600)	(57,877)	(145,178)	(136,270)
Wages, salaries and pension costs	(13,596)	(10,978)	(14,015)	(6,641)	(2,145)	(1,890)	(26,627)	(24,365)	(56,383)	(43,874)
Other income and expenses	3,651	1,794	352	486	-	-	-	(1,940)	4,003	340
EBITDA	180,620	177,118	30,304	23,408	20,964	23,218	(79,874)	(82,650)	152,014	141,094

[1] Including Headquarters
[2] Including hubbing revenue of CHFk 31,746 for the three months ended March 31, 2012 and CHFk 33,053 for the three months ended March 31, 2011.

Reconciliation of revenue CHFk

	January 1– March 31, 2012 Unaudited	January 1 – March 31, 2011 Unaudited
Reportable segments	513,272	473,609
Elimination of intra-segment items	(3,989)	(6,323)
Revenue	**509,283**	**467,286**

Reconciliation of transmission costs and cost of goods sold CHFk

	January 1– March 31, 2012 Unaudited	January 1 – March 31, 2011 Unaudited
Reportable segments	(163,700)	(152,711)
Elimination of intra-segment items	3,989	6,323
Transmission costs and cost of goods sold	**(159,711)**	**(146,388)**

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

	January 1– March 31, 2012 Unaudited	January 1 – March 31, 2011 Unaudited
EBITDA from reportable segments	152,014	141,094
Unallocated:		
Depreciation and amortization	(89,895)	(92,923)
Net financial items	(48,110)	(41,467)
Consolidated net income before income taxes	14,009	6,704

Note 6 Revenue

CHFk

	January 1– March 31, 2012 Unaudited	January 1 – March 31, 2011 Unaudited
Mobile services	317,213	291,237
Landline services	147,860	132,539
thereof hubbing	*31,746*	*33,053*
Landline Internet	44,210	43,510
Total	**509,283**	**467,286**

	January 1– March 31, 2012 Unaudited	January 1 – March 31, 2011 Unaudited
Sales of goods	20,879	18,878
Sales of services	488,404	448,408
Total	**509,283**	**467,286**

Note 7 Other income and (expenses)

Other Income and Expenses were a net income of CHF 4.0 million for the three months ended March 31, 2012, an increase of CHF 3.7 million, from a net income of CHF 0.3 million for the three months ended March 31, 2011. The increase in other income was primarily attributable to higher collection of early termination fees and lower costs for the three months period ended March 31, 2012

Note 8 Net financial items

CHFk

	Interest	Swiss capital tax	Fair value adjustments	Total financial income and (expenses) before foreign currency	Net foreign currency gains/(losses)	January 1 – March 31, 2012 Unaudited Total
Income						
Cash and cash equivalents	797	-	-	797	-	797
Financial liabilities measured at amortized cost	-	-	-	-	14,762	14,762
Derivatives – used for hedging	27,380	-	-	27,380	-	27,380
Derivatives – held for trading	13	-	-	13	-	13
Other	-	81	-	81	603	684
Total Income	**28,190**	**81**	**-**	**28,271**	**15,365**	**43,636**
Expenses						
Cash and cash equivalents	-	-	-	-	(2,373)	(2,373)
Financial liabilities measured at amortized cost	(46,053)	-	-	(46,053)	-	(46,053)
Derivatives – used for hedging	(27,497)	-	(13,917)	(41,414)	-	(41,414)
Derivatives – held for trading	(197)	-	451	254	-	254
Other	(1,690)	(470)	-	(2,160)	-	(2,160)
Total Expenses	**(75,437)**	**(470)**	**(13,466)**	**(89,373)**	**(2,373)**	**(91,746)**
Net financial items	**(47,247)**	**(389)**	**(13,466)**	**(61,102)**	**12,992**	**(48,110)**

	Interest	Swiss capital tax	Fair value adjustments	Total financial income and (expenses)before foreign currency	Net foreign currency gains/(losses)	January 1 – March 31, 2011 Unaudited Total
Income						
Cash and cash equivalents	88	-	-	88	462	550
Financial liabilities measured at amortized cost	-	-	-	-	-	-
Derivatives – used for hedging	25,590	-	51,055	76,645	-	76,645
Derivatives – held for trading	43	-	1,488	1,531	-	1,531
Other	-	-	-	-	675	675
Total Income	**25,721**	**-**	**52,543**	**78,264**	**1,137**	**79,401**
Expenses						
Cash and cash equivalents	-	-	-	-	-	-
Financial liabilities measured at amortized cost	(44,989)	-	-	(44,989)	(49,086)	(94,075)
Derivatives – used for hedging	(24,392)	-	-	(24,392)	-	(24,392)
Derivatives – held for trading	(195)	-	-	(195)	-	(195)
Other	(1,604)	(602)	-	(2,206)	-	(2,206)
Total Expenses	**(71,180)**	**(602)**	**-**	**(71,782)**	**(49,086)**	**(120,868)**
Net financial items	**(45,459)**	**(602)**	**52,543**	**6,482**	**(47,949)**	**(41,467)**

In August 2011, the Group has drawn additional Term Loans in EUR and CHF for the equivalent of CHF 322.5 million. Term Loan B4 in the amount of EUR 184.0 million is unhedged and is held in EUR in the Groups bank account. The movement in the EUR/CHF exchange rate has led to a net foreign currency loss on cash in the three-months period ended March 31, 2012 in the amount of CHF 2.3 million.

Note 9 Equity

CHFk

	Shares (number) March 31, 2012 Unaudited	Nominal value March 31, 2012 Unaudited	Equity March 31, 2012 Unaudited	Equity Dec 31, 2011
Class A Shares	90,000,000	900	900	900
Class B Shares	10,000,000	100	100	100
Share premium			125,876	125,876
Series A Preferred Equity Certificates (PECs)	71,896,603,100	-	718,966	718,966
Series B Preferred Equity Certificates (PECs)	8,673,191,900	-	86,732	86,732
At March 31, 2012		**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 January 28, 2011). 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.

Valuation reserve
Valuation reserve records fair value changes in derivatives deferred in equity as qualifying cash flow hedges, net of taxes.

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

Note 10 Borrowings

CHFk

	Nominal value at inception	Cumulative foreign exchange movement Unaudited	Capitalized debt issuance cost Unaudited	Loan and finance lease repayments Unaudited	March 31, 2012 Carrying value Unaudited	December 31, 2011 Carrying value
Borrowings						
Floating rate						
Term Loan A – CHF denominated	500,000	-	(27,123)	(43,180)	429,697	433,949
Term Loan B1 – EUR denominated	100,000	(11,580)	(5,733)	(1,100)	81,587	83,356
Term Loan B2 – CHF denominated	220,000	-	(12,252)	(2,702)	205,046	207,154
Term Loan B3 – CHF denominated	101,930	-	(277)	(1,252)	100,401	101,641
Term Loan B4 – EUR denominated	220,579	1,008	(599)	(2,756)	218,232	223,266
Fixed rate						
Senior Secured Notes - CHF denominated	300,000	-	(10,997)	-	289,003	288,666
Senior Secured Notes - EUR denominated	500,256	(51,771)	(18,338)	-	430,147	434,189
Senior Notes - EUR denominated	755,942	(77,535)	(29,900)	-	648,507	654,800
Total loans and notes	**2,698,707**	**(139,878)**	**(105,219)**	**(50,990)**	**2,402,620**	**2,427,021**
Other						
Debt relating to finance leases				(1,669)	44,788	46,456
Total borrowings				**(52,659)**	**2,447,408**	**2,473,477**
Of which loans expected to be paid within 12 months					(67,107)	(67,789)
Total long-term borrowings					**2,380,301**	**2,405,688**

The borrowings are governed by a number of financial covenants specified in the Senior Facilities Agreement. The main covenants are leverage ratio, interest cover ratio, cash flow cover ratio and capital expenditure spending. Covenant testing has commenced as at June 30, 2011, and the Company is in compliance. Covenant testing based on the annual IFRS statements 2011 resulted in a mandatory repayment on Term Loans A and B in the amount of CHF 13.5 million during the reporting period due to generated excess cash in prior periods.

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

Note 11 Derivatives CHFk

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

	Notional amount CHFk	Carrying Value – Asset Unaudited	March 31, 2012 Carrying Value – Liability Unaudited	Carrying Value – Asset	December 31, 2011 Carrying Value – Liability
Cash flow hedges					
Cross currency interest rate swaps – fixed rate borrowings	1,256,198		(186'596)		(187'175)
Cross currency interest rate swaps – variable rate borrowings [1)]	100,000		(2'436)		(2'758)
Fair value hedges					
Cross currency interest rate swaps – variable rate borrowings [1)]	100,000		(11'583)		(10'662)
Hedges held for trading					
Interest rate cap	400,000	29		60	
Interest rate swap	100,000		(1'181)		(1'651)
Cross currency interest rate swaps – variable rate borrowings	224,480		(1'905)		(746)
Total derivatives		**29**	**(203'701)**	**60**	**(202,991)**
The change in the fair value of derivatives in the period can be summarized as:					
Cash flow hedges – movement in hedge reserve			(12,996)		(31,325)
Cash flow hedges – ineffectiveness			-		(2,130)
Fair value hedges			(921)		(2,468)
Total Statement of Income impact of hedging derivatives (note 8)			**(13,917)**		**(35,923)**
Statement of Income impact of interest rate derivatives – held for trading (note 8)			451		(3,191)
Total Statement of Income impact of derivatives (note 8)			**(13,466)**		**(39,114)**
Other Comprehensive Income – cash flow hedges			12,736*		2,373

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

* The change in carrying value of the derivative liability includes a change in estimate in the amount of CHF 2.7 million.

Note 12 Change in working capital CHFk

	March 31, 2012	March 31, 2011
Change in inventories	(4,495)	(2,613)
Change in receivables	(7,926)	10,053
Change in trade payables	(75,517)	(49,970)
Change in other items, net	(25,864)	(35,934)
Total	**(113,802)**	**(78,464)**

Note 13 Other balance sheet items

Receivables

Current receivables increased by CHF 36.6 million in the three months ended March 31, 2012, mainly related to the receivable resulting from interest receivable on swap and reclassification of withholding tax receivable from non-current receivables.

Trade and other payables

Trade and other payables decreased by CHF 21.0 million in the three months ended March 31, 2012, as a result of lower amount of outstanding invoices for CAPEX per March 31,2012.

Note 14 Contingencies

At March 31, 2012, the Group had a capital commitment in the amount of CHF 482 million in connection with the mobile license payment.

Note 15 Financial risk management

In the fourth quarter 2012, Sunrise made a term deposit in amount of CHF 100 million for a period longer than 3 months. The term deposit is classified as current financial asset, respectively loans and receivables.

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.

Note 16 Related parties

Bénédicte Moens-Colleaux has resigned from the Board of Directors of Sunrise Communications Holdings S.A. effective date of January 24, 2012. Stefan Oostvogels and Manuel Mouget have been appointed as new Directors.
Nicolas P. Gray has resigned as Member of Board of Directors of Sunrise Communications AG effective February 29, 2012.

Note 17 Events after the balance sheet date

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

On April 20, 2012, Standard & Poor's Ratings Services lowered its long-term corporate credit rating on Swiss telecoms operator Sunrise Communications Holdings AG to 'B+' from 'BB-'. The outlook is stable. At the same time, the ratings on Sunrise's senior secured notes was lowered to 'BB-' from 'BB' and on the group's subordinated notes to 'B-' from 'B'.

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

In May 2012, Sunrise announced that Kamran Ziaee, CTO and member of the Management Board of Sunrise Communications AG and Andreas Gregori COO and member of the Management Board of Sunrise Communications AG resigned from their positions. It was also announced that Stefan Wegener has been appointed as Chief Information Officer ad interim and Member of the Management Board of Sunrise Communications AG.

In May 2012, Siddharth T. Patel resigned from and Dr. Daniel Pindur was appointed to the Board of Directors of Sunrise Communications Holdings S.A.