Sunrise Communications Holdings S.A.

Interim Financial Report for the nine-month period ended September 30, 2012

Facts & Figures

	January 1 – September 30, 2012	January 1 - September 30, 2011	July 1 – September 30, 2012	July 1 – September 30, 2011
Results of Operations				
(in '000 CHF, except where indicated)				
Revenue				
Mobile	975,403	936,240	336,024	327,525
Landline Services	431,680	386,305	136,568	126,701
thereof voice hubbing	*97,220*	*93,794*	*29,890*	*30,942*
Landline Internet	133,106	132,070	44,500	44,609
Total Revenue	1,540,189	1,454,615	517,092	498,835
Revenue (excluding hubbing)	*1,442,969*	*1,360,821*	*487,202*	*467,893*
EBITDA[1)]	489,341	465,720	177,412	178,301
EBITDA margin (%)	31.8	32.0	34.3	35.7
EBITDA margin (excluding voice hubbing) (%)	33.9	34.2	36.4	38.1
Subscriber Base (end of period)				
(in thousands)				
Mobile subscriber base (excl. M2M)	2,140.4	2,071.1	-	-
Landline voice subscriber base	481.2	528.6	-	-
Landline internet subscriber base	371.5	370.9	-	-
thereof XDSL	368.7	365.9	-	-
thereof LLU	272.3	270.1	-	-
ARPU				
(in CHF/month)				
Mobile Services	44.9	44.3	46.1	46.1
Landline Voice Services	43.7	44.0	42.4	44.0
Landline Internet Services	35.8	36.0	35.9	36.1
Employees[2)]				
FTEs (end of period)	1,940	1,641	-	-

1) EBITDA stands for: operating income before depreciation and amortisation, net financial result and income tax expense.
2) The increase is primarily attributable to increases in customer care organization and shops as well as to the acquisition of Business Sunrise Enterprise Solutions GmbH (BSES), formerly NextiraOne Switzerland GmbH in November 2011.

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Business

Overview

Sunrise Communications Holdings S.A. (the “Group” or the “Company”) was incorporated 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 nine months ended September 30, 2012. Our integrated national mobile and landline network provides us with a strong competitive position. As a total telecommunications provider, we offer mobile voice and data, landline services (retail and wholesale voice, business services), landline internet and IPTV 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 2,140.4 thousand and 481.2 thousand subscribers, respectively, as of September 30, 2012. We are also the third-largest landline internet provider with 371.5 thousand subscribers as of September 30, 2012. 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 September 30, 2012.

Comparative figures for the three- and nine-month periods ended September 30, 2011 are based on unaudited condensed consolidated interim financial statements of the Group for the three- and nine month periods ended September 30, 2011.

Shareholders

Sunrise Communications Holdings S.A. is ultimately owned by Mobile Challenger Intermediate Group S.A., Luxembourg which itself is ultimately owned by Mobile Challenger Group S.à.r.l.

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

Revenue

The Group's total revenue increased by 5.9% or CHF 85.6 million and amounted to CHF 1,540.2 million for the nine months ended September 30, 2012 compared to the same period in 2011. Business Sunrise Enterprise Solutions GmbH (BSES) – which was acquired in November 2011 – contributed with CHF 60.2 million to the increase in revenue. The Group's organic year-on-year growth in revenue for the nine months ended September 30, 2012 amounted to 1.8% or CHF 25.4 million mainly driven by an increase in mobile revenue.

During the third quarter of the year 2012 the Group generated net revenues of CHF 517.1 million, an increase of 3.7% compared with the same period in the prior year.

Mobile

Mobile revenue grew by 4.2% to CHF 975.4 million from CHF 936.4 million for the nine months ended September 30, 2012. Mobile revenues generated in the third quarter were up 2.6% to CHF 336.0 million from CHF 327.5 million. Revenue growth in mobile communications was primarily attributable to higher postpaid revenue driven by an increase in subscriber base. The growth in mobile revenue was partially offset by slightly lower prepaid revenue and lower 'roaming in' revenues.

Landline Services

Landline services revenue was up to CHF 431.7 million for the nine months ended September 30, 2012, an increase of CHF 45.5 million, or 11.8%, from CHF 386.2 million for the nine months ended September 30, 2011. Landline services revenue increased to CHF 136.6 million for the three months ended September 30, 2012, an increase of CHF 9.9 million, or 7.8%, from CHF 126.7 million for the three months ended September 30, 2011. In the nine-month period ended September 30, 2012, BSES contributed with CHF 60.2 million to the increase in landline services revenues. The year-on-year organic growth of landline services revenue decreased by 3.8% or CHF 14.7 million for the nine months of the period ended September 30, 2012, mainly driven by declining retail and wholesale voice revenues.

Landline Internet

Landline internet revenue increased year-on-year from CHF 132.1 million to CHF 133.1 million, or 0.8% for the nine months ended September 30, 2012. Landline internet revenue was CHF 44.5 million for the three months ended September 30, 2012, an decrease of CHF 0.1 million or 0.2% from CHF 44.6 million compared to the same period in prior year. The increase in landline internet revenue for the nine months ended September 30, 2012, was primarily attributable to the increase in customer base.

IPTV Services

With the launch of IPTV services in the first quarter, the Group positioned itself as the only alternative quadruple play operator currently in Switzerland. 'Sunrise TV' continued its momentum and several ten thousand clients subscribed to the Group's IPTV services. Although the Group believes that its TV offerings will play an important role in its business going forward, they do not yet play a significant role in the interim condensed consolidated financial statements for the nine months ended September 30, 2012.

Transmission Costs and Cost of Goods Sold

Transmission costs and cost of goods sold amounted to CHF 473.8 million for the nine months ended September 30, 2012, an year-on-year increase of CHF 30.4 million, or 6.9%, from CHF 443.4 million. Transmission costs and cost of goods sold for the third quarter 2012 were CHF 153.7 million, an increase of CHF 4.2 million, or 2.8%, from CHF 149.5 million reported for the same period in 2011. The increase during the nine-month period ended September 30, 2012 is mainly driven by increased cost related to BSES and a year-on-year growth of data and voice volumes.

Other External Expenses

During the nine-month period ended September 30, 2012 other external expenses increased by CHF 12.0 million, or by 2.8%, from CHF 430.5 million to CHF 442.5 million. The Group reports an increase of CHF 7.1 million or 5.1% from CHF 139.8 to CHF 146.9 million in other external expenses for the three months ended September 30, 2012. The increase in other operating expenses is primarily attributable to BSES and to higher costs for outsourced services.

Wages, Salaries and Pension Costs

Wages, salaries and pension costs were CHF 171.6 million for the nine months ended September 30, 2012, an year-on-year increase of CHF 31.6 million, or 22.6%, from CHF 140.0 million. Wages, salaries and pension costs increased by CHF 6.7 million, or 13.4% during the three-month period ended September 30, 2012 from CHF 49.9 million to CHF 56.6 million compared to the same period in prior year. The increase in wages, salaries and pension costs was primarily attributable to an increase in FTEs, mainly in the customer care organization and Sunrise shops as well as to the acquisition of BSES.

Other Income and Expenses
Other income and expenses were a net income of CHF 37.1 million for the nine months ended September 30, 2012, an year-on-year increase of CHF 12.1 million, from a net income of CHF 25.0 million. Other Income and Expenses were a net income of CHF 17.5 million for the three months ended September 30, 2012, a decrease of CHF 1.2 million, from a net income of CHF 18.7 million for the three months ended September 30, 2011. The increase in other income and expenses was primarily attributable to a higher amount of collectible early termination fees and higher aperiodic settlements of interconnection charging disputes relating to prior years.

EBITDA
During the first nine months of 2012, the Group generated an EBITDA of CHF 489.3 million, an increase of CHF 23.6 million, or 5.1%, from CHF 465.7 million for the nine months ended September 30, 2011. The reported EBITDA was CHF 177.4 million for the third quarter ending September 30, 2012, a decrease of CHF 0.9 million, or 0.5%, from CHF 178.3 compared to the same period in prior year.

Depreciation and Amortization
Depreciation and amortization recorded in the first nine months 2012 were up to CHF 275.3 million from CHF 273.0 million, an increase of CHF 2.3 million, or 0.8% compared with the same period in the prior year. Depreciation and amortization amounted to CHF 95.2 million for the three months ended September 30, 2012, an year-on-year increase of CHF 3.3 million, or 3.6%, from CHF 91.9 million. The increase in depreciation and amortization was primarily attributable to an increase of depreciations of radio equipment.

Liquidity and Capital Resources
The Group reported cash and cash equivalents amounting to CHF 159.3 million as of September 30, 2012, a decrease of CHF 326.1 million compared to the cash position held by the Group as of December 31, 2011. The decrease is primarily attributable to the redemption of term loans in July 2012 and to the payment of the first installment of the spectrum license.

As of September 30, 2012, the Group's total indebtedness, consisting of Senior Secured and Unsecured Notes, Floating Rate Notes and capital leases amounted to CHF 2,305.8 million. Capital lease payments amounting to CHF 5.5 million are expected to be paid within 12 months (refer also to Note 10 – Borrowings).

Certain Other Contractual Commitments
As of September 30, 2012 the Group's other contractual commitments excluding those mentioned above amounted to CHF 547.9 million relating to operating lease agreements, maintenance contracts as well as open purchase commitments.

Purchase Price Allocation (PPA) & Embedded derivatives
The acquisition of Sunrise Communications AG, which gave rise to a change of control, was accounted for using the acquisition 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. The Group's valuation studies to allocate the purchase price to identifiable net assets were done in Q4'2010 and finalized in Q1'2011.

Following the refinancing transaction in July 2012, the Group recognized embedded derivatives in its financial statements. These embedded derivatives represent early redemption options related to financial instruments issued by the Group. The fair value of the embedded derivatives amounted to CHF 24.9 million as of September 30, 2012.

For clarity of the underlying operational performance, the following table shows the condensed consolidated interim statements of income excluding the fair value adjustments made in relation with the acquisition of Sunrise Communications AG and the embedded derivatives.

Effect of FV adjustments resulting from acquisition of Sunrise Communications AG & embedded derivatives on the Condensed Consolidated Interim Statements of Income
This table has been added for clarity reasons on the operational income of the Group

CHFk

	January 1 - September 30, 2012 Before FV adjustments & Embedded derivatives	January 1 - September 30, 2012 Impact of FV adjustments & Embedded derivatives	January 1 - September 30, 2012 Including FV adjustments & Embedded derivatives
Revenue	**1,541,074**	**(885)**	**1,540,189**
Transmission costs and cost of goods sold	(473,819)	-	(473,819)
Other operating expenses	(442,499)	-	(442,499)
Wages, salaries and pension costs	(171,642)	-	(171,642)
Total operating expenses before other income and expenses, depreciation and amortization	**(1,087.960)**	**-**	**(1,087.960)**
Other income and (expenses), net	35,713	1,400	37,113
Income before depreciation and amortization, net financial items and income taxes	**488,827**	**515**	**489,341**
Depreciation and amortization	(160,771)	(114,507)	(275,278)
Operating income	**328,056**	**(113,992)**	**214,064**
Net financial items [1]	**(186,875)**	**24,646**	**(162,229)**
Income/(loss) before income taxes	**141,180**	**(89,346)**	**51,834**
Income taxes	(33,767)	20,235	(13,532)
Net income/(loss)	**107,414**	**(69,111)**	**38,302**

[1] Thereof CHFm 24.9 related to embedded derivatives which represent early redemption options related to financial instruments issued by the Group.

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	September 30, 2012	September 30, 2011
		'000
Subscribers at end of period[1]	2,140.4	2,071.1
Subscriber growth over prior period	*3.3%*	-
Of which:		
Postpaid[1][2]	1,166.7	1,070.2
Prepaid[1][3]	973.7	1,000.8

(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 last 91 days.

Mobile ARPU	January 1 - September 30, 2012	January 1 - September 30, 2011	July 1 – September 30, 2012	July 1 – September 30, 2011
				CHF/month
Mobile ARPU[1]	44.9	44.3	46.1	46.1
Growth over prior period	*1.4%*	-	*0.0%*	-

(1) The Group defines mobile ARPU as the total mobile revenue in the period divided by the average number of mobile subscribers in the period, which is subsequently divided by the number of months 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 grew by 69.3 thousand or 3.3%, to 2.14 million as of September 30, 2012 from 2.07 million as of September 30, 2011. The Group believes that new subscriber activations during this period were primarily attributed to its competitive flat rate and mobile data plans as well as attractive hardware offers.

Mobile ARPU rose by CHF 0.6, or 1.4%, to CHF 44.9 for the nine months ended September 30, 2012, from CHF 44.3 for the nine months ended September 30, 2011. Mobile ARPU for the three months ended September 30, 2012 remained stable compared to the same period in prior year. The increase is primarily attributable to a change in our customer mix towards customers subscribing to higher value rate plans such as flat rate subscriptions and a migration from prepaid to postpaid subscribers generating higher average revenue per user.

Mobile Churn

Our prepaid and postpaid blended mobile churn rate for the nine months ended September 30, 2012 increased to 18.2% from 17.8% for the nine months ended September 30, 2011, which we attribute primarily to an increased churn in our prepaid segment.

Mobile Termination Rates

The applicable mobile termination rates for 2011 and 2012 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
	September 30, 2012	September 30, 2011
Retail Voice	481.2	528.6
Decrease over prior period	*(9.0%)*	-
Of which:		
LLU	272.3	270.1
Growth over prior period	*0.8%*	

(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 47.4 thousand, or 9.0%, as of September 30, 2012 to 481.2 from 528.6 as of September 30, 2011. We attribute the decrease to the departure of retail voice-only CPS customers, including customers acquired as part of the acquisition of Tele2 Switzerland in 2008 as well as clients churning from our retail voice network off the Sunrise network or are substituting their service with mobile services.

ARPU

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

Landline Services ARPU				CHF / month
	January 1 - September 30, 2012	January 1 - September 30, 2011	July 1 – September 30, 2012	July 1 – September 30, 2011
Retail Voice ARPU (1)	43.7	44.0	42.4	44.0
Growth / (Decrease) over prior period	*-0.7%*	-	*-3.6%*	-

(1) We define landline retail voice ARPU as the total retail voice revenue in the period divided by the average number of retail voice subscribers in the period, which is subsequently divided by the number of months 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 decreased by CHF 0.3, or 0.7%, to CHF 43.7 for the nine months ended September 30, 2012, from CHF 44.0 for the previous period ended September 30, 2011. Retail voice ARPU fell from 44.0 to 42.4 or by 3.6% during the three months ended September 30, 2012 compared to the same period in prior year. We attribute the year-on-year decrease for the nine month period primarily to bundle accounting method used for the allocation of revenues earned from IPTV subscribers.

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

	September 30, 2012	September 30, 2011
Landline internet	371.5	370.9
Growth over period	*0.2%*	
Of which:		
Broadband BBCS	96.4	95.8
Decrease over period	*0.6%*	
Broadband LLU	272.3	270.1
Increase over period	*0.8%*	

(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 15.80 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 0.6 thousand or 0.2%, from 370.9 to 371.5 as of September 30, 2012 year-on-year. The total number of broadband subscribers, including both LLU and BBCS services likewise was up to 368.7 from 365.9, or 0.8% for the period ending September 30, 2012 compared to the same period in prior year. We attribute the increase in the total number of broadband subscribers to our attractive bundled mobile, landline internet and TV offerings.

ARPU

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

Landline Internet ARPU CHF / month

	January 1 - September 30, 2012	January 1 - September 30, 2011	July 1 - September 30, 2012	July 1 - September 30, 2011
Landline Internet ARPU (1)	35.8	36.0	35.9	36.1
Decrease over period	*-0.6%*	-	*-0.6%*	-

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

Landline internet ARPU decreased by CHF 0.2, or 0.6%, to CHF 35.8 for the nine months ended September 30, 2012, from CHF 36.0 for the nine months ended September 30, 2011. Landline internet ARPU decreased by CHF 0.2, or 0.6%, to CHF 35.9 for the three months ended September 30, 2012, from CHF 36.1 for the three months ended September 30, 2011. We attribute the slight decrease to promotional activities related to IPTV customers our bundle accounting method used for the allocation of revenues earned from IPTV subscribers.

Material Affiliate Transactions

Sunrise Communications AG acts as a central counterparty to external financial institutions for all derivative instrument transactions of the Group (refer to note 11). Where necessary, back-to-back agreements between reporting entities are in place between Sunrise Communications AG and the respective debt holding group entities mirroring the external agreements with financial institutions.

Material Contractual Arrangements

As part of a refinancing transaction, Sunrise Communications International S.A. terminated the existing Senior Facilities Agreement on July 19, 2012 and entered into a new Revolving Credit Facility on July 9, 2012. Further details on the refinancing transaction can be found in the next chapter.

As part of the refinancing transaction, Sunrise restructured existing cross-currency swaps and entered into new cross-currency swaps to hedge its foreign currency exposure related to senior secured and floating rate notes issued in July 2012.

Material Debt Instruments

As part of a the refinancing transaction, Sunrise Communications International S.A. successfully issued on July 19, 2012 new senior secured notes and floating rate notes as well as a tap offering.
This refinancing transaction consisted of:

- a tap offering of €125.0 million including a 5.5% premium (equivalent to approximately CHF 158.4 million) aggregate principal amount of its existing 7% fixed rate senior secured notes due 2017,
- a new offering of CHF 370.0 million aggregate principal amount of its 5⅝% fixed rate senior secured notes due 2017,
- a new offering of CHF 175.0 million aggregate principal amount of its floating rate senior secured notes due 2017, bearing interest at a per annum rate equal to CHF LIBOR plus 5½%,
- a new offering of €167.0 million (equivalent to approximately CHF 201.1 million) aggregate principal amount of its floating rate senior secured notes due 2017, bearing interest at a per annum rate equal to EURIBOR plus 4¾%.

With the proceeds from these new bonds and cash and cash equivalents on balance sheet, the Group redeemed, on the same date, all outstanding term loans which triggered a termination of the existing Senior Facilities Agreement. In addition, Sunrise Communications International S.A. and Skylight S.à r.l entered into a CHF 250 million Revolving Credit Facility (RCF) on July 9, 2012, to replace the existing revolving credit and acquisition facilities under the SFA.

Please refer to note 10 of the IFRS financial statements for further information.

Credit Ratings

There were no changes to the Group's credit ratings in the 3rd quarter of the year 2012.

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.

No changes to any material risk factor associated to the Group occurred during the three-month period ended September 30, 2012.

Material Recent Developments

On July 6, 2012 the Federal Communications Commission (Comcom) announced that the frequency award procedures has been definitiely concluded. Sunrise acquired 40% of the frequency bands for CHF 481.7 million. The Group opted for a payment in three installments which are the following:

- 60% or CHF 289 million of the license fee is due for payment on August 6, 2012
- 20% or CHF 96.35 million as of June 30, 2015 including 3% compounding interest
- 20% as CHF 96.35 million of December 31, 2016 including 3% compounding interest

On August 6, 2012, Sunrise executed the first down payment for the spectrum license amounting to CHF 289 million.

Material Acquisition, Dispositions and Recapitalizations

Except the spectrum license acquisition and the refinancing transaction outlined above, no material acquisitions, dispositions and recapitalizations occurred within the three month reporting period ended September 30, 2012.

Sunrise Communications Holdings S.A.

Condensed consolidated interim financial statements for the nine-month period ended September 30, 2012 (unaudited)

Condensed Consolidated Interim Statements of Income CHFk

	Note	January 1– September 30, 2012 Unaudited	January 1 - September 30, 2011 Unaudited	July 1– September 30, 2012 Unaudited	July 1 – September 30, 2011 Unaudited
Revenue	**5,6**	**1,540,189**	**1,454,615**	**517,092**	**498,835**
Transmission costs and cost of goods sold		(473,819)	(443,391)	(153,722)	(149,531)
Other operating expenses		(442,499)	(430,466)	(146,871)	(139,840)
Wages, salaries and pension costs		(171,642)	(140,021)	(56,605)	(49,857)
Total operating expenses before other income and expenses, depreciation and amortization		**(1,087,960)**	**(1,013,878)**	**(357,198)**	**(339,228)**
Other income and (expenses), net		37,113	24,983	17,519	18,693
Income before depreciation and amortization, net financial items and income taxes		**489,341**	**465,720**	**177,412**	**178,301**
Amortization		(144,385)	(138,328)	(48,232)	(47,319)
Depreciation		(130,893)	(134,717)	(46,938)	(44,532)
Operating income		**214,063**	**192,675**	**82,244**	**86,450**
Foreign currency gains / (losses), net		7,123	33,868	(8,823)	5,482
Financial income		113,829	125,987	58,325	22,707
Financial expenses		(283,181)	(301,228)	(115,999)	(72,779)
Net financial items	**8**	**(162,229)**	**(141,373)**	**(66,497)**	**(44,590)**
Income/(loss) before income taxes		**51,834**	**51,302**	**15,747**	**41,860**
Income taxes		(13,532)	(27,931)	2,146	(14,335)
Net income/(loss)		**38,302**	**23,371**	**17,893**	**27,525**
Net income/(loss) attributable to equity holders of the Company		**38,302**	**23,371**	**17,893**	**27,525**

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

Condensed Consolidated Interim Statement of Comprehensive Income CHFk

	Note	January 1– September 30, 2012 Unaudited	January 1 - September 30, 2011 Unaudited	July 1– September 30, 2012 Unaudited	July 1 – September 30, 2011 Unaudited
Net Income		**38,302**	**23,371**	**17,893**	**27,525**
Actuarial losses related to defined benefit pension plans		(10,106)	(11,287)	-	(14,135)
Income taxes on actuarial losses		2,165	2,393	-	2,996
Net movements on cash flow hedges	11	35,274	(3,924)	17,209	14,161
Income taxes on cash flow hedges		(581)	647	(471)	(38)
Other comprehensiveincome/(loss)		**26.752**	**(12,171)**	**16,738**	**2,984**
Total comprehensive income/(loss)		**65,054**	**11,200**	**34,631**	**30,509**
Comprehensive loss attributable to equity holders of the Company		**65,054**	**11,200**	**34,631**	**30,509**

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

Condensed Consolidated Interim Statements of Financial Position

Assets			CHFk
	Note	September 30, 2012 Unaudited	December 31, 2011
Non-current assets			
Intangible assets	13	2,888,174	2,527,227
Property, plant and equipment		917,117	944,859
Derivative assets	11	24,937	60
Other non-current assets	13	153	13,305
Total non-current assets		**3,830,381**	**3,485,451**
Current assets			
Inventories	13	38,230	28,849
Trade and other receivables	13	380,823	323,057
Prepaid expenses		29,276	26,848
Other financial assets		-	100,102
Cash and cash equivalents		159,299	485,387
Total current assets		**607,628**	**964,243**
Total assets		**4'438'009**	**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	September 30, 2012 Unaudited	December 31, 2011
Equity			
Common shares, share premium and PECs	9	932,574	932,574
Valuation reserve		(30,300)	(64,993)
Accumulated deficit		(11,159)	(41,520)
Total equity		**891,115**	**826,061**
Non-current liabilities			
Non-current portion of borrowings	10	2,263,144	2,364,520
Non-current portion of financial leases	10	37,073	41,166
Non-current trade and other payables	13	193,555	-
Deferred tax liabilities		214,125	236,956
Provisions		110,242	105,011
Employee benefit obligations	3	86,384	76,357
Derivative liabilities	11	179,739	202,991
Deferred income		22,867	24,140
Total non-current liabilities		**3,107,129**	**3,051,143**
Current liabilities			
Current portion of borrowings	10	-	62,500
Current portion of financial leases	10	5,548	5,289
Trade and other payables	13	360,222	395,020
Income tax payable		17,476	23,357
Deferred income		36,550	56,180
Provisions		17'920	27,845
Other current liabilities		2,049	2,300
Total current liabilities		**439,765**	**572,491**
Total liabilities		**3,546,894**	**3,623,633**
Total equity and liabilities		**4,438,009**	**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– September 30, 2012 Unaudited	January 1 – September 30, 2011 Unaudited	July 1 – September 30, 2012 Unaudited	July 1 – September 30, 2011 Unaudited
Income before depreciation and amortization, net financial items and income taxes		489,341	465,720	177,412	178,301
Reversal of items without cash flow effect		19,917	15,548	10,349	6,747
Pension contributions		(11,547)	(9,030)	(3,872)	(2,136)
Payments related to provisions		(2,334)	(33)	(2,334)	-
Change in net working capital	12	(155,977)	(53,972)	(34,549)	20,671
Cash flow from operating activities before net financials and tax		339,400	418,233	147,006	203,583
Interest received		107,613	69,595	52,335	2,849
Interest paid		(203,463)	(187,302)	(62,519)	(16,355)
Foreign currency gains/(losses), net		324	31	(1,209)	2,662
Cash flow from/(used in) operating activities before tax		243,874	300,557	135,613	192,739
Corporate income and withholding taxes paid		(51,023)	(66,806)	(19,439)	(26,271)
Total cash flow from operating activities		**192,851**	**233,751**	**116,174**	**166,468**
Investment in property, plant and equipment		(109,951)	(58,575)	(56,316)	(23,021)
Investment in intangible assets		(312,304)	(18,484)	(296,372)	(7,111)
Sale of property, plant and equipment		11,464	111	11,465	39
Short-term deposit reclassified to/from cash and cash equivalents during the period		100,052	(323,507)	-	(323,507)
Total cash flow used in investing activities		**(310,739)**	**(400,455)**	**(341,223)**	**(353,600)**
Proceeds of long-term loans		891,415	318,922	891,415	318,922
Repayments of capital leases		(3,835)	(3,588)	(1,010)	(1,337)
Repayments of long-term borrowings		(1,093,656)	(18,750)	(1,049,300)	-
Total cash flow used in financing activities		**(206,076)**	**296,584**	**(158,895)**	**317,585**
Total cash flow		**(323,964)**	**129,880**	**(383,944)**	**130,453**
Cash and cash equivalents at January 1		485,387	126,754	-	-
Cash and cash equivalents at July 1		-	-	543,032	126,058
Foreign currency impact on cash		(2,124)	3,178	211	3,301
Cash and cash equivalents at September 30		**159,299**	**259,812**	**159,299**	**259,812**

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	-	-	-	-	38,302	38,302
Other comprehensive income	-	-	-	34'693	(7,941)	26,752
Total comprehensive income	-	-	-	**34,693**	**30,361**	**65,054**
Equity at September 30, 2012	**1,000**	**125,876**	**805,698**	**(30,300)**	**(11,159)**	**891,115**

	Common shares	Share premium	PECs	Valuation reserve	Accumulated deficit	Total
Equity at January 1, 2011	**1,000**	**125,876**	**805,698**	**(65,643)**	**(32,137)**	**834,794**
Net income for the period	-	-	-	-	23,371	23,371
Other comprehensive income	-	-	-	(3,277)	(8,894)	(12,171)
Total comprehensive income	**-**	**-**	**-**	**(3,277)**	**14,477**	**11,200**
Equity at September 30, 2011	**1,000**	**125,876**	**805,698**	**(68,920)**	**(17,660)**	**845,994**

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. holds indirectly 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 voice and data, landline services (retail and wholesale voice, business and integration services), landline internet including IPTV services to both residential and business customers, as well as to other operators. 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 November 19, 2012.

Note 2 Basis of preparation

These financial statements are the condensed consolidated interim financial statements of Sunrise Communication Holdings S.A. as of and for the nine months ended September 30, 2012.

They have been prepared in accordance with IAS 34, "Interim financial reporting" – as adopted by the European Union – and should be read in conjunction with the Consolidated Financial Statements for the year ended December 31, 2011.

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

Foreign currency translation
The consolidated financial statements are presented in CHF which is the functional currency of the Parent Company and each of its subsidiaries.

The following summarizes the principal exchange rates used by the Group:

Currency:	Balance Sheet		Income Statement and Cash Flow	
	September 30, 2012	December 31, 2011	September 30, 2012	September 30, 2011
Euro	1.2085	1.2168	1.2195	1.2609
Dollar	0.9398	0.9381	0.9476	0.9038

Note 3 Accounting estimates and judgments, changes in accounting estimates and presentation

Accounting estimates and judgments
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 expenses. Actual results may differ from these estimates. Those estimates affect mainly provisions, goodwill impairment tests, employee benefit obligations, allowance for doubtful receivables and taxes. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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 except for the discount rates used for the determination of the Group's employee benefit obligations. The change of the discount rate was the main reason for the increase of the employee benefit obligation amounting to CHF 10.0 million reported by the Group for the nine-month period ending September 30, 2012.

Changes in accounting estimates and presentation
The refinancing transaction in July 2012 resulted in a shift from a mixed financing model to an all-bonds financing structure. As a consequence, the Group changed its estimate with respect to the valuation of embedded derivatives. The fair value of the embedded derivatives amounted to CHF 24.9 million as of September 30, 2012. These embedded derivatives

represent early redemption options related to financial instruments issued by the Group.

As stated in the annual report for the year ended December 31, 2011, the Group decided to change the presentation of early termination fees (ETF). 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 they do 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 gross in 'revenue' and the uncollectible part was recognized in 'other operating expenses' as a bad debt expense. Following the change in presentation, the Group recognizes the collectible amount of early termination fees in 'other and expenses, net' and the non-collectible part in 'other operating expenses'.

This *change in presentation* required a reclassification of the collectible amount of the early termination fees from 'revenue' to 'other income and expenses, net' and a reclassification of the uncollectible part from 'revenue' to 'other operating expenses'. As a result the net collectible early termination fees are shown in 'other income and expenses'.

The Group incorrectly computed the reclassification in connection with the change in presentation reported in 2011. This incorrect reclassification identified by the management resulted in an incorrect presentation of prior year figures in 'other income and expenses, net' and in 'other operating expenses' but did not impact the reported EBITDA. The impact on various line items is set out in the table below. Prior year consolidated income statement and prior year figures reported in notes 5, 6, and 7 have been aligned accordingly.

Change in presentation with respect to Early termination fees (ETF)

	January 1 – March 31, 2011 Reported	January 1 – March 31, 2011 Restated	April 1 - June 30, 2011 Reported	April 1 - June 30, 2011 Restated	July 1 - September 30, 2011 Reported	July 1 - September 30, 2011 Restated	September 1 - Dec 31, 2011 Reported	September 1 - Dec 31, 2011 Restated	January 1 - December 31, 2011 Reported	January 1 - December 31, 2011 Restated
Revenue										
Before ETF reclass	No changes		No changes		504,806	509,966	536,006	540,337	2,016,230	2,025,811
ETF reclass					(5,969)	(11,129)	(6,762)	(11,093)	(32,464)	(41,955)
Including ETF reclass					**498,837**	**498,837**	**529,244**	**529,244**	**1,983,856**	**1,983,856**
Other operating expenses										
Before ETF reclass	(143,674)	(143,674)	(157,746)	(157,746)	(141,057)	(146,216)	(165,969)	(170,299)	(608,446)	(617,935)
ETF reclass	7,402	5,146	8,076	5,651	(1,235)	6,376	2,173	6,640	16,416	23,811
Including ETF reclass	(136,272)	(138,528)	(149,670)	(152,095)	(142,292)	(139,840)	(163,796)	(163,660)	(592,030)	(594,125)
Other income and (expenses), net										
Before ETF reclass	(1,940)	(1,940)	(705)	(705)	13,941	13,941	3,214	3,214	14,510	14,510
ETF reclass	2,280	4,536	1,974	4,400	7,204	4,753	4,589	4,453	16,047	18,142
Including ETF reclass	340	2,596	1,269	3,695	21,145	18,694	7,803	7,667	30,557	32,652
Income before depreciation and amortization, net financial items and income taxes										
Before ETF reclass	141,094	141,094	146,326	146,326	178,301	178,301	141,891	141,891	607,611	607,611
ETF reclass	-	-	-	-	-	-	-	-	-	-
Including ETF reclass	**141,094**	**141,094**	**146,326**	**146,326**	**178,301**	**178,301**	**141,891**	**141,891**	**607,611**	**607,611**

Note 4 New accounting standards

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

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 did not impact the Group’s result and financial position.

Note 5 Segment Reporting

The operating segments have been determined based on the Management reports reviewed by the Board of Directors. The Group’s organizational structure reflects the different customer groups to which the Group provides its telecommunications products and services: Residential, Business, Wholesale and Head Office.

Residential provides fixed line and mobile services to residential end customers. Through its investments in LLU, Sunrise focuses on selling the ‘best value’ in the Swiss telecommunications market by marketing bundled offers in Fixnet/Internet, Mobile and IPTV.

Business provides a full range of products and services, from fixed-line and mobile communications to internet and data services as well as integration services to different business areas: Single office and home office (Soho), small and medium enterprises (SME), and large corporate clients.

The Wholesale product portfolio covers voice, data, internet and infrastructure services such as carrier and roaming services which are marketed to national and international telecom service providers as well as MVNO’s.

Head Office activities comprises 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 and payments of reminder fees are allocated to this operating segment.

The accounting policies applicable to the reportable segments are the same as the Group’s accounting policies that applied to the consolidated financial statements for the period ended December 31, 2011 and those disclosed in Note 3 above.

Performance is measured based on ‘Income before depreciation and amortization (EBITDA)’ as included in the internal financial reports reviewed by the Board of Directors. EBITDA is defined as operating income before depreciation and amortisation, net financial result and income tax expenses. The EBITDA earned by each segment is considered to be an adequate measure of the operating performance of the segments reported to the Board of Directors for the purposes of resource allocation and performance assessment.

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 on Group level.

Activities CHFk

	Residential		Business		Wholesale[2]		Head Office activities[1]		Total	
	January 1 - September 30, 2012 Unaudited	January 1 - September 30, 2011 Unaudited	January 1 - September 30, 2012 Unaudited	January 1 - September 30, 2011 Unaudited	January 1 - September 30, 2012 Unaudited	January 1 - September 30, 2011 Unaudited	January 1 - September 30, 2012 Unaudited	January 1 - September 30, 2011 Unaudited	January 1 - September 30, 2012 Unaudited	January 1 - September 30, 2011 Unaudited
External revenue	1,075,167	1,066,783	255,698	176,815	199,667	203,128	9,657	7,889	1,540,189	1,454,615
Intra-segment revenue	-	-	-	-	10,799	16,648	-	-	10,799	16,648
Revenue	1,075,167	1,066,783	255,698	176,815	210,466	219,776	9,657	7,889	1,550,988	1,471,263
Transmission costs and cost of goods sold	(264,876)	(276,857)	(86,597)	(48,767)	(133,189)	(134,415)	43	-	(484,619)	(460,039)
Other external charges	(232,772)	(229,874)	(34,189)	(27,338)	(5,038)	(3,884)	(170,499)	(169,370)	(442,499)	(430,466)
Wages, salaries and pension costs	(40,054)	(34,873)	(43,192)	(20,131)	(7,401)	(5,947)	(80,995)	(79,070)	(171,642)	(140,021)
Other income and expenses	13,553	12,376	2,373	1,310	-	-	21,186	11,297	37,113	24,983
EBITDA	551,018	537,555	94,093	81,889	64,838	75,530	(220,608)	(229,254)	489,341	465,720

1) Including Headquarters
2) Including hubbing revenue of CHFk 97,220 for the nine months ended September 30, 2012 and CHFk 93,794 for the nine months ended September 30, 2011.

Activities CHFk

	Residential		Business		Wholesale[2]		Head Office activities[1]		Total	
	July 1 – September 30, 2012 Unaudited	July 1 – September 30, 2011 Unaudited	July 1 – September 30, 2012 Unaudited	July 1 – September 30, 2011 Unaudited	July 1 – September 30, 2012 Unaudited	July 1 – September 30, 2011 Unaudited	July 1 – September 30, 2012 Unaudited	July 1 – September 30, 2011 Unaudited	July 1 – September 30, 2012 Unaudited	July 1 – September 30, 2011 Unaudited
External revenue	362,732	367,311	84’941	60,837	65,479	67,321	3,940	3,366	517,092	498,835
Intra-segment revenue	-	-	-	-	3,225	4,785	-	-	3,225	4,785
Revenue	362,732	367,311	84’941	60,837	68,704	72,106	3,940	3,366	520,317	503,620
Transmission costs and cost of goods sold	(87,833)	(93,597)	(27,568)	(16,361)	(41,544)	(44,358)	(3)		(156,948)	(154,316)
Other external charges	(76,707)	(74,807)	(11,725)	(8,414)	(1,745)	(1,015)	(56,693)	(55,604)	(146,871)	(139,840)
Wages, salaries and pension costs	(12,658)	(12,228)	(14,989)	(6,909)	(2,558)	(2,076)	(26,400)	(28,644)	(56,605)	(49,857)
Other income and expenses	4,514	4,306	1,130	447	-	-	11,874	13,941	17,519	18,694
EBITDA	190,048	190,985	31,789	29,600	22,857	24,657	(67,282)	(66,941)	177,412	178,301

1) Including Headquarters
2) Including hubbing revenue of CHFk 29,890 for the three months ended September 30, 2012 and CHFk 30,942 for the three months ended September 30, 2011.

Reconciliation of revenue CHFk

	January 1– September 30, 2012 Unaudited	January 1 - September 30, 2011 Unaudited	July 1 – September 30, 2012 Unaudited	July 1 – September 30, 2011 Unaudited
Reportable segments	1,550,988	1,471,263	520,317	503,620
Elimination of intra-segment items	(10,799)	(16,648)	(3,225)	(4,785)
Revenue	**1,540,189**	**1,454,615**	**517,092**	**498,835**

Reconciliation of transmission costs and cost of goods sold CHFk

	January 1– September 30, 2012 Unaudited	January 1 - September 30, 2011 Unaudited	July 1 – September 30, 2012 Unaudited	July 1 – September 30, 2011 Unaudited
Reportable segments	(484,618)	(460,039)	(156,947)	(154,316)
Elimination of intra-segment items	10,799	16,648	3,225	4,785
Transmission costs and cost of goods sold	**(473,819)**	**(443,391)**	**(153,722)**	**(149,531)**

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

	January 1– September 30, 2012 Unaudited	January 1 - September 30, 2011 Unaudited	July 1 – September 30, 2012 Unaudited	July 1 – September 30, 2011 Unaudited
EBITDA from reportable segments	489,341	465,720	177,412	178,301
Unallocated:				
Depreciation and amortization	(275,277)	(273,045)	(95,168)	(91,851)
Net financial items	(162,229)	(141,373)	(66,497)	(44,590)
Consolidated net income before income taxes	**51,835**	**51,302**	**15,747**	**41,860**

Note 6 Revenue

CHFk

	January 1– September 30, 2012 Unaudited	January 1 - September 30, 2011 Unaudited	July 1 – September 30, 2012 Unaudited	July 1 – September 30, 2011 Unaudited
Mobile services	975,403	936,240	336,024	327,525
Landline services	431,680	386,305	136,568	126,701
thereof hubbing	*97,220*	*93,794*	*29,890*	*30,942*
Landline internet	133,106	132,070	44,500	44,609
Total	**1,540,189**	**1,454,615**	**517,092**	**498,835**

	January 1 - September 30, 2012 Unaudited	January 1 - September 30, 2011 Unaudited	July 1 – September 30, 2012 Unaudited	July 1 – September 30, 2011 Unaudited
Sales of goods	60,079	61,597	20,598	21,081
Sales of services	1,480,110	1,393,018	496,494	477,754
Total	**1,540,189**	**1,454,615**	**517,092**	**498,835**

Note 7 Other income and (expenses), net

Other income recognized during the nine month period ended September 30, 2012 amounts to CHF 37.1 million – an increase of CHF 12.1 million, from a net income of CHF 25.0 million in prior year. The increase in other income and expenses is related to a higher amount of collectible early termination which increased by CHF 2.2 million and an increase of aperiodic settlements of charges for access services amounting to CHF 11.4 million compared with the same period in prior year. The increase is offset by miscellaneous expenses which increased from CHF 1.7 million to CHF 3.2 million year-on-year.

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)	July 1 - September 30, 2012 Unaudited Total
Income						
Cash and cash equivalents	3,869	-	-	3,869	161	4,030
Financial liabilities measured at amortized cost	-	-	-	-	-	-
Derivatives – used for hedging	24,995	-	4,322	29,317	-	29,317
Derivatives – held for trading	23	-	186	209	-	209
Embedded derivatives [1)]	-	-	24,929	24,929	-	24,929
Other	-	-	-	-	2,840	2,840
Total Income	**28,887**	**-**	**29,437**	**58,324**	**3,001**	**61,325**
Expenses						
Cash and cash equivalents	-	-	-	-	-	-
Financial liabilities measured at amortized cost	(87,110)	-	-	(87,110)	(11,823)	(98,933)
Derivatives – used for hedging	(25,434)	-	-	(25,434)	-	(25,434)
Derivatives – held for trading	(197)	-	-	(197)	-	(197)
Other	(2,767)	(491)	-	(3,258)	-	(3,258)
Total Expenses	**(115,508)**	**(491)**	**-**	**(115,999)**	**(11,823)**	**(127,822)**
Net financial items	**(86,621)**	**(491)**	**29,437**	**(57,675)**	**(8,822)**	**(66,497)**

	Interest	Swiss capital tax	Fair value adjustments	Total financial income and (expenses)before foreign currency	Net foreign currency gains/(losses)	January 1 - September 30, 2012 Unaudited Total
Income						
Cash and cash equivalents	4,958	-	-	4,958	-	4,958
Financial liabilities measured at amortized cost	-	-	-	-	6,468	6,468
Derivatives – used for hedging	79,147	-	4,322	83,469	-	83,469
Derivatives – held for trading	63	-	186	249	-	249
Embedded derivatives [1)]	-	-	24,929	24,929	-	24,929
Other	-	224	-	224	2,830	3,054
Total Income	**84,168**	**224**	**29,437**	**113,829**	**9,298**	**123,127**
Expenses						
Cash and cash equivalents	-	-	-	-	(2,175)	(2,175)
Financial liabilities measured at amortized cost	(178,568)	-	-	(178,568)	-	(178,568)
Derivatives – used for hedging	(80,458)	-	(16,959)	(97,417)	-	(97,417)
Derivatives – held for trading	(592)	-	389	(203)	-	(203)
Other	(6,034)	(961)	-	(6,993)	-	(6,993)
Total Expenses	**(265,652)**	**(961)**	**(16,570)**	**(283,183)**	**(2,175)**	**(285,356)**
Net financial items	**(181,484)**	**(737)**	**12,867**	**(169,354)**	**7,123**	**(162,229)**

[1)] Embedded derivatives represent early redemption options related to financial instruments issued by the Group.

Note 8 Net financial items (continued) CHFk

	Interest	Swiss capital tax	Fair value adjustments	Total financial income and (expenses)before foreign currency	Net foreign currency gains/(losses)	July 1 – September 30, 2011 Unaudited Total
Income						
Cash and cash equivalents	299	-	-	299	3,301	3,600
Financial liabilities measured at amortized cost	-	-	-	-	(5)	(5)
Derivatives – used for hedging	22,184	-	-	22,184	-	22,184
Derivatives – held for trading	45	-	-	45	-	45
Other	-	179	-	179	2,186	2,365
Total Income	**22,528**	**179**	**-**	**22,707**	**5,482**	**28,189**
Expenses						
Cash and cash equivalents	-	-	-	-	-	-
Financial liabilities measured at amortized cost	(42,029)	-	-	(42,029)	-	(42,029)
Derivatives – used for hedging	(24,167)	-	(3,127)	(27,294)	-	(27,294)
Derivatives – held for trading	(199)	-	(1,578)	(1,777)	-	(1,777)
Other	(1,679)	-	-	(1,679)	-	(1,679)
Total Expenses	**(68,074)**	**-**	**(4,705)**	**(72'779)**	**-**	**(72,779)**
Net financial items	**(45,546)**	**179**	**(4,705)**	**(50,072)**	**5,482**	**(44,590)**

	Interest	Swiss capital tax	Fair value adjustments	Total financial income and (expenses)before foreign currency	Net foreign currency gains/(losses)	January 1 – September 30, 2011 Unaudited Total
Income						
Cash and cash equivalents	462	-	-	462	3,177	3,639
Financial liabilities measured at amortized cost	-	-	-	-	30,978	30,978
Derivatives – used for hedging	72,312	-	51,055	123,367	-	123,367
Derivatives – held for trading	133	-	1,488	1,621	-	1,621
Other	-	537	-	537	-	537
Total Income	**72,907**	**537**	**52,543**	**125,987**	**34,155**	**160,142**
Expenses						
Cash and cash equivalents	-	-	-	-	-	-
Financial liabilities measured at amortized cost	(130,649)	-	-	(130,649)	-	(130,649)
Derivatives – used for hedging	(72,206)	-	(88,124)	(160,330)	-	(160,330)
Derivatives – held for trading	(592)	-	(4,066)	(4,658)	-	(4,658)
Other	(4,989)	(602)	-	(5,591)	(287)	(5,878)
Total Expenses	**(208,436)**	**(602)**	**(92,190)**	**(301,228)**	**(287)**	**(301,515)**
Net financial items	**(135,529)**	**(65)**	**(39,647)**	**(175,241)**	**33,868**	**(141,373)**

Note 9 Equity

CHFk

	Shares (number) September 30, 2012 Unaudited	Nominal value September 30, 2012 Unaudited	Equity September 30, 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
Total Equity		**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 EUR 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.

Accumulated deficit
Actuarial gains and losses, net of taxes, and the result for the current period and earnings or losses carried forward are recognized 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	September 30, 2012 Carrying value Unaudited	December 31, 2011 Carrying value
Borrowings						
Floating rate						
Term Loan A – CHF denominated	500,000	-	-	(500,000)	-	433,949
Term Loan B1 – EUR denominated	100,000	(12,902)	-	(87,098)	-	83,356
Term Loan B2 – CHF denominated	220,000	-	-	(220,000)	-	207,154
Term Loan B3 – CHF denominated	101,930	-	-	(101,930)	-	101,641
Term Loan B4 – EUR denominated	220,579	(2,305)	-	(218,274)	-	223,265
Floating Rate Notes – CHF denominated	175,000	-	(3,492)	-	171,508	-
Floating Rate Notes – EUR denominated	200,570	1,230	(3,999)	-	197,801	-
Fixed rate						
Senior Secured Notes - CHF denominated [1)]	300,000	-	(10,205)	-	289,795	288,666
Senior Secured Notes - CHF denominated [2)]	370,000	-	(7,359)	-	362,641	-
Senior Secured Notes - EUR denominated [3)]	658,641	(49,343)	(20,314)	-	588,984	434,189
Senior Notes - EUR denominated	755,942	(75,309)	(28,218)	-	652,415	654,800
Total loans and notes	**3,602,662**	**(138,629)**	**(73,587)**	**(1,127,302)**	**2,263,144**	**2,427,020**
Other						
Debt relating to finance leases				(3,835)	42,621	46,456
Total borrowings				**(1,131,137)**	**2,305,765**	**2,473,476**
Of which expected to be paid within 12 months					(5,548)	(67,789)
Total non-current portion of borrowings					**2,300,217**	**2,405,687**

[1)] issued October 14, 2010
[2)] issued July 19, 2012
[3)] including a tap offering of EUR 125.0 million aggregate principal amount of its existing 7% fixed rate senior secured notes

On July 19, 2012 Sunrise Communications International S.A. issued new senior secured notes and floating rate notes as well as a tap offering. This refinancing transaction consisted of:

- a new offering of CHF 175.0 million aggregate principal amount of its floating rate senior secured notes due 2017, bearing interest at a per annum rate equal to CHF LIBOR plus 5½%,
- a new offering of EUR 167.0 million (equivalent to approximately CHF 201.1 million) aggregate principal amount of its floating rate senior secured notes due 2017, bearing interest at a per annum rate equal to EURIBOR plus 4¾%,
- a tap offering of EUR 125.0 million including a 5.5% premium (equivalent to approximately CHF 158.4 million) aggregate principal amount of its existing 7% fixed rate senior secured notes due 2017,
- a new offering of CHF 370.0 million aggregate principal amount of its 5⅝% fixed rate senior secured notes due 2017.

On the same date, the Group redeemed all outstanding term loans, which triggered the termination of the existing Senior Facilities Agreement.

Within the same transaction, the Group merged the acquisition (CHF 100 million) and revolving credit (CHF 150 million) facilities from the Senior Facilities Agreement into a new CHF 250.0 million Revolving Credit Facility, which is undrawn as of September 30, 2012. The Group has CHF 11.1 million in guarantees outstanding under the Revolving Credit Facility. The Revolving Credit Facility contains operational and financial covenants which have been tested as of November 19, 2012.

The Group leases fiber networks from 3rd parties which are recognized as financial leases.

Note 11 Derivatives

CHFk

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

	Notional amount CHFk	September 30, 2012 Carrying Value – Asset Unaudited	Carrying Value – Liability Unaudited	December 31, 2011 Carrying Value – Asset	Carrying Value – Liability
Cash flow hedges					
Cross currency interest rate swaps – fixed rate borrowings	1,418,076		(175,831)		(187,175)
Cross currency interest rate swaps – variable rate borrowings [1]	100,000				(2,758)
Fair value hedges					
Cross currency interest rate swaps – variable rate borrowings [1]	100,000				(10,662)
Hedges held for trading					
Interest rate cap	250,000	8		60	
Interest rate swap	100,000		(1,037)		(1,650)
Cross currency interest rate swaps – variable rate borrowings [2]	224,480				(746)
Cross currency interest rate swaps – variable rate borrowings [3]	200,570		(2,871)		
Embedded derivatives [4]		24,929			
Total derivatives		**24,937**	**(179,739)**	**60**	**(202,991)**

	January 1 – September 30, 2012 Unaudited	January 1 – September 30, 2011 Unaudited	July 1 – September 30, 2012 Unaudited	July 1 – September 30, 2011 Unaudited
The change in the fair value of derivatives in the period can be summarized as:				
Cash flow hedges – movement in hedge reserve	(21,344)	(32,387)	(6,795)	(2,899)
Cash flow hedges – ineffectiveness	172	(2,131)	172	-
Fair value hedges	8,535	(2,551)	10,945	(228)
Total Statement of Income impact of hedging derivatives (note 8)	**(12,637)**	**(37,069)**	**4,322**	**(3,127)**
Statement of Income impact of interest rate derivatives – held for trading (note 8)	575	(2,578)	186	(1,577)
Statement of Income impact of embedded derivatives – (note 8)	24,929		24,929	
Total Statement of Income impact of derivatives (note 8)	**12,867**	**(39,647)**	**29,437**	**(4,704)**
Other Comprehensive Income – cash flow hedges	35,274	(3,924)	17,209	14,161

[1] Cross currency interest rate swaps related to Term Loan B1
[2] Cross currency interest rate swap related to Term Loan B4
[3] Cross currency interest rate swap related to Floating Rate Note EUR 167 million
[4] Embedded derivatives represent early redemption options related to financial instruments issued by the Group.

The redemption of the term loans (refer to Note 10) triggered the discontinuation of the hedge accounting relationship for Term Loan B1. As a consequence CHF 2.2 million were reclassified from other comprehensive income to profit and loss.

Note 12 Change in net working capital

CHFk

	January 1– September 30, 2012 Unaudited	January 1 - September 30, 2011 Unaudited	July 1 – September 30, 2012 Unaudited	July 1 – September 30, 2011 Unaudited
Change in inventories	(10,094)	(241)	13,030	(729)
Change in trade and other receivables	(35,309)	(28,777)	(27,916)	(44,863)
Change in trade and other payables	(98,992)	(20,414)	(27,145)	48,049
Change in other items, net	(11,582)	(4,540)	7,482	18,214
Total	**(155,977)**	**(53,972)**	**(34,549)**	**20,671**

The table above outlines cash relevant transactions which have been recognized in the caption ‘change in net working capital’ in the condensed consolidated interim statement of Cash Flow of the Group (see page 17).

Note 13 Other balance sheet items

Intangible assets & Non-current trade and other payables

On July 6, 2012 the Federal Communications Commission (Comcom) announced that the frequency award procedures have been definitely concluded. Sunrise successfully acquired 40% of the frequency bands with a uniform term ending 2028. The total acquisition price of CHF 481.7 million has been recognised as intangible asset.

On August 6, 2012, Sunrise executed the first down payment for the spectrum license amounting to CHF 289 million. The remaining payable amout of CHF 193 million including compounding interests has been recognised in ‘non-current trade and other payables’.

Trade and other receivables

The Group reported an increase of CHF 57.8 million in trade and other receivables from CHF 323.1 million to CHF 380.9 million for the nine-month period ended September 30, 2012. The increase is driven by an increase of interest receivables related to derivatives instruments amounting to CHF 22.8 million and a reclassification of withholding taxes amounting to CHF 13.2 million from ‘other non-current assets’ to ‘trade and other receivables’ and the recognition of new withholding taxes of CHF 9.6 million related to a dividend distribution within the group perfomed in June 2012.

Inventory

Inventory increased by CHF 9.4 million during the nine-month period ended September 30, 2012 mainly attributable to an increase in IPTV hardware.

Trade and other payables

The decrease of trade and other payables amounting to CHF 34.8 million during the nine-month period ended September 30, 2012 is mainly attributable to capital expenditures of intangible assets and property, plant and equipment which have been acquired in November and December 2011. This decrease is partially offset by an increase of interest payables related to financial derivatives used for hedging the Group’s currency exposure.

Other financial assets

The Group reported a short-term deposit having a maturity more than three month after the reporting in the annual report for the period ending December 31, 2011. This short-term deposit has been redeemed in 2012 and was therefore reclassified to cash and cash equivalents and subsequently used for the payment of first installment of the spectrum license.

Note 14 Dividend Distribution within Sunrise Group

No dividend resolutions have been taken by the Board of Directors of Sunrise Communications Holdings S.A. – the ultimate parent of the group – or any other entity of the Group during the period under review.

Note 15 Contractual commitments and Contingencies

Other than the acquisition of the spectrum license (refer to note 13) there have been no material changes to the Group's contractual commitments and contingencies during the period under review.

Note 16 Financial risk management

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 its 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 using derivative instruments.

Note 17 Related parties

In September 2012, Jon Erni, COO Business Customers and member of the Management Board of Sunrise Communications AG resigned from his positions. Following his resignation, Hans Jörg Denzler has been appointed as his successor. Hans Jörg Denzler was already a member of the Management Board of Sunrise Communications AG.

Note 18 Events after the balance sheet date

Legal Merger Sunrise Communications AG with Business Enterprise Solutions GmbH

As of October 1, 2012 Sunrise Communications AG, Zurich and Business Sunrise Enterprise Solutions GmbH (formerly NextiraOne Switzerland GmbH), Kloten merged legally. All assets and liabilities of Business Sunrise Enterprise Solutions GmbH have been taken over by Sunrise Communications AG.

PIK Repayment

Sunrise Communications Holdings S.A. repaid PECs A and PECs B plus accrued interest in the amount of CHF 48.8 million to Mobile Challenger Intermediate Group S.à.r.l. in October 2012, which used these proceeds to prepay EUR 40.1 million of its PIK loan (including accrued interest).

Restructuring

On October 24, 2012 Sunrise Communications AG, Zurich announced a restructuring program with the purpose to establish leaner and more efficient structures. Within the framework of this new set-up, Sunrise Communications AG announced a reduction of its workforce by 140 employees. A social plan will apply to the employees affected by the restructuring.