Sunrise Communications Holdings S.A.

Financial Results for the year ended December 31, 2012

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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 twelve months ended December 31, 2012. Our integrated national mobile and landline network provides us with a strong competitive position. As an integrated service provider, we offer mobile voice and data, landline services (retail voice, business and integration services and wholesale voice) and 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 approximately 2,141.5 thousand and 474.9 thousand subscribers, respectively, as of December 31, 2012. We are also the third-largest landline internet provider with 369.6 thousand subscribers, including our Sunrise TV subscribers, as of December 31, 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 December 31, 2012. Comparative figures refer to the period from January 1 to December 31, 2011.

Shareholders

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

Please also refer to note 31 Related Parties.

Management

Sunrise Communications Holdings S.A.

Name	Function
Board of Directors	
Lorne R. Somerville	Director
Dr. Daniel Pindur	Director
Emanuela Brero	Director
Manuel Mouget	Director
Stefan Oostvogels	Director

Sunrise Communications AG (Main operating entity of the Group)

Name	Function
Board of Directors	
Dr. Dominik Koechlin	President
Lorne Somerville	Vice President
Siddharth Patel	Member
Dr. Daniel Pindur	Member
Jean-Rémy Roussel	Member
Management Board	
Oliver Steil (replaced by Libor Voncina, see note 34)	Chief Executive Officer (CEO)
André Krause	Chief Financial Officer (CFO)
Rolf Kühne	Chief Technology Officer (CTO)
Stefan Wegener	Chief Information Officer (CIO)
Hans Jörg Denzler	Chief Commercial Officer (CCO)

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

Revenue
The Group's revenue was up to CHF 2,066.5 million for the period ended December 31, 2012, an increase of 4.2% year-on-year. The growth in revenue was primarily driven by the first year full inclusion of Business Sunrise Enterprise ('BSES') solutions. On a like-for-like basis, the Group's revenue increased by 0.9% mainly driven by mobile revenue.

Transmission costs and cost of goods sold
Transmission costs and cost of goods sold was CHF 653.1 million for the period ended December 31, 2012. These costs include primarily costs for mobile and fixed network transmission costs including hubbing costs, and cost for handsets sold as part of a subscriber arrangement.

Other external expenses
Other operating expenses amounted to CHF 607.4 million for the period ended December 31, 2012. These expenses primarily include marketing expenses for service acquisitions and retentions, as well as operating expenses for IT and network maintenance.

Wages, salaries and pension costs
Wages, salaries and pension costs were CHF 218.6 million for the period ended December 31, 2012.

Although the Group reports a pension liability of CHF 81.4 million in its consolidated financial IFRS financial statement as of December 31, 2012, the pension fund of Sunrise Communications AG is overfunded according to Swiss GAAP FER 26. The different results are driven by differences in valuation methods, Swiss GAAP FER 26 prescribes a static valuation method whereas IFRS (IAS 19) requests the usage of a dynamic valuation method. Therefore, the IFRS pension liability should not be regarded as a cash liability based on current facts and circumstances.

Other Income and Expenses, net
Other income and expenses, net, were CHF 43.7 million for the year ended December 31, 2012, an increase of CHF 11.0 million, from CHF 32.6 million for the year ended December 31, 2011. The increase in other income and expense was primarily attributable to aperiodic settlements of leased lines and interconnection charging disputes related to prior years and to an increase of net collectible early termination fees. The increase in other income was partially offset but an increase in other expenses primarily attributable to higher costs related to the change of our network outsourcing partner from Alcatel-Lucent to Huawei and costs related to the restructuring announced by Sunrise in October 2012.

Depreciation and amortization
Depreciation and amortization were CHF 396.1 million for the period ended December 31, 2012, of which CHF 153.4 million relates to the amortization of intangible assets created during the purchase price allocation of Sunrise Communications AG.

EBITDA
The Group's EBITDA increased by 3.9% from CHF 607.6 million to CHF 631.1 million for the period ended December 31, 2012. The EBITDA contribution of BSES is not significant, as it operates with a margin between 5-6%.

Liquidity and capital resources
At December 31, 2012, the Group held cash and cash equivalents amounting to CHF 170.6 million, which were held in accordance with the Group's Treasury policy.

The Group's consolidated net debt position – consisting of floating rate notes, senior secured notes, senior notes and capital leases - amounted to CHF 2,305.0 of which CHF 5.6 million are expected to be paid within 12 months (refer to note 20 for further details on these borrowings).

Certain other contractual commitments
As of December 31, 2012 our other contractual commitments excluding those mentioned above amounted to CHF 247.8 million consisting mainly of operating lease agreements and outsourcing of network operations and maintenance.

Subscriber base
The Group's total subscriber base amounted to 2.99 million subscribers as of December 31, 2012. The subscriber base can be divided into 2.14 million mobile subscribers, 0.48 million landline retail voice subscribers and 0.37 million landline internet subscribers, of which 38.4k are Sunrise TV subscribers

ARPU
Mobile ARPU was at CHF 44.5 for the period ended December 31, 2012. Landline voice and landline internet ARPU were at CHF 43.6 and CHF 35.9 respectively for the period ended December 31, 2012.

Outlook
The Group's strategy is to continue to provide "best value" to both Swiss residential and business customers, across the full spectrum of products and services in mobile, fixed line, internet and TV.

Sunrise will continue to heavily invest in its network infrastructure, customer service and experience, and brand as well as push innovative, new services such as IPTV and Ethernet; as well as leverage the acquisition of the integration business in 2011.

Material affiliate transactions
Please refer to note 31 Related Parties of the Consolidated Financial Statements for further details.

Sunrise Communications AG acts as a central counterparty to external financial institutions for all derivative instrument transactions of the Group (refer to note 28). Where necessary, back-to-back agreements are in place between Sunrise Communications AG and the respective debt holding group entities mirroring the external agreements with financial institutions.

During the reporting period, the Group repaid PECs and accrued interests in the amount of CHF 86.8 million to Mobile Challenger Intermediate Group S.A. which used the proceeds to repay EUR 69.0 million of PIK plus accrued interests.

As of October 9, 2012 Sunrise Communications AG, Zurich and Business Sunrise Enterprise Solutions GmbH (formerly NextiraOne Switzerland GmbH), Kloten, legally merged. All assets and liabilities of Business Sunrise Enterprise Solutions GmbH have been assumed by Sunrise Communications AG.

Material contractual arrangements
Sunrise Communications AG extended the original termination period with Alcatel-Lucent for the construction and maintenance of its entire telecommunications network until August 30, 2012 in order to ensure a smooth hand-over of activities.

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

As part of the 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. Furthermore, 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.

Further details on the refinancing transaction can be found under 'Material debt instruments' in the next chapter.

Material debt instruments
In March and June 2012, the Company made partial repayments and early repayments on Term Loans A and B amounting to CHF 13.5 million and CHF 30.9 million respectively.

As part of 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 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%.
- a tap offering of €125.0 million including a 5½% 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.

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 ('SFA'). 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.

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 32.4 million as of December 31, 2012.

Please refer to note 20 of the IFRS financial statements for further information.

Credit Ratings

On April 20, 2012, Standard & Poor's Ratings Services ('S&P') lowered our long-term corporate credit rating from 'BB-' to 'B+'. The outlook is stable. At the same time, the ratings on Sunrise's senior secured notes were lowered from 'BB' to 'BB-' and on the group's subordinated notes from 'B' to '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'.

Material risk factors

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

All identified risks are quantified (according to their realization probability and impact) and tracked on a risk schedule. This risk schedule is subject to an annually repeated detailed discussion process in the Group's Board of Directors. The permanent observation and control of risks is a management objective. A follow-up on the long-term measures was performed for 2012.

On June 25, 2012 Swisscom announced new flat-rate postpaid mobile tariffs. Swisscom's flat-rate plans are now based on access speed, which represents a new model not yet tested in the Swiss market.

Except for the new price-plan announcement made by Swisscom, no changes to any material risk factor associated with the Group occurred during the twelve-month period ended December 31, 2012.

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. The foreign currency risk arising from loans and notes denominated in Euros have been fully and the interest rate risk arising from external loans and notes have been partially hedged by the Group.

Material recent developments

Sunrise successfully participated at the spectrum auction of all mobile frequencies that ended on February 22, 2012, and secured almost 40% of the valuable sub-GHz frequency bands. Frequency bands were awarded until 2028 to existing mobile network operators.

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 June 6, 2012, Sunrise Communications AG received the concession for the mobile license spectrum awarded from the Federal Communications Commission (ComCom). Sunrise Communications AG opted to pay the license fee in three installments which are the following:

- 60% or CHF 289.0 million were due and paid on August 6, 2012
- 20% or CHF 96.35 million are due on June 30, 2015 including 3% compounding interest
- 20% or CHF 96.35 million are due on December 31, 2016 including 3% compounding interest

On October 24, 2012 Sunrise Communications AG, announced a restructuring program in order 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 applies to the employees affected by the restructuring.

Material acquisition, disposals and recapitalizations

Except for the spectrum license acquisition and the refinancing transaction outlined above, no material acquisitions, disposals and recapitalizations occurred within the twelve months reporting period ended December 31, 2012.

Sunrise Communications Holdings S.A.

Consolidated financial statements for the year ended December 31, 2012

Consolidated Statements of Income CHFk

	Note	2012	2011
Revenue	8,9	**2,066,475**	**1,983,856**
Transmission costs and cost of goods sold		(653,128)	(618,167)
Other operating expenses		(607,387)	(594,125)
Wages, salaries and pension costs	10	(218,555)	(196,605)
Total operating expenses before other income and expenses, depreciation and amortization		**(1,479,070)**	**(1,408,897)**
Other income	11	80,486	49,198
Other expenses	11	(36,833)	(16,546)
Income before depreciation and amortization, net financial items and income taxes		**631,058**	**607,611**
Amortization	14	(194,386)	(191,057)
Depreciation	15	(201,749)	(182,404)
Operating income		**234,923**	**234,150**
Foreign currency gains/(losses), net		9,310	32,437
Financial income		151,633	155,606
Financial expenses		(360,503)	(379,025)
Net financial items	12	**(199,560)**	**(190,982)**
Income before income taxes		**35,363**	**43,168**
Income taxes	13	(16,144)	(32,516)
Net income		**19,219**	**10,652**
Net income attributable to equity holders of the company		**19,219**	**10,652**

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

Consolidated Statements of Comprehensive Income CHFk

	Note	2012	2011
Net income		**19,219**	**10,652**
Actuarial losses related to defined benefit pension plans	25	(11,587)	(30,933)
Income tax on actuarial losses	13	2,476	6,558
Cash flow hedge gains		39,471	2,373
Income tax on cash flow hedges		(622)	585
Other comprehensive income/(loss)		**29,738**	**(21,417)**
Total comprehensive income/(loss)		**48,957**	**(10,765)**
Comprehensive gain/loss attributable to equity holders of the company		**48,957**	**(10,765)**

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

Consolidated Statements of Financial Position

Assets			CHFk
	Note	2012	2011
Non-current assets			
Intangible assets	14	2,849,595	2,527,227
Property, plant and equipment	15	935,957	944,859
Derivative financial assets	28	32,403	60
Other non-current assets		153	13,305
Total non-current assets		**3,818,108**	**3,485,451**
Current assets			
Inventories	18	35,792	28,849
Trade and other receivables	16	336,058	323,057
Prepaid expenses	17	24,665	26,848
Other financial assets		-	100,102
Cash and cash equivalents		170,601	485,387
Total current assets		**567,116**	**964,243**
Total assets		**4,385,224**	**4,449,694**

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

Consolidated Statements of Financial Position

Equity and liabilities — CHFk

	Note	2012	2011
Equity			
Common shares, share premium and PECs	19	848,519	932,574
Valuation reserve		(26,144)	(64,993)
Accumulated deficit		(34,204)	(41,520)
Total equity		**788,171**	**826,061**
Non-current liabilities			
Non-current portion of loans and notes	20	2,264,608	2,364,521
Non-current portion of financial leases	20	34,744	41,167
Non-current portion of trade and other payables	23	195,000	-
Deferred tax liabilities	13	240,470	236,956
Provisions	22	113,916	105,011
Employee benefit obligations	25	81,430	76,357
Derivative liabilities	28	175,513	202,991
Deferred income	21	17,483	24,139
Total non-current liabilities		**3,123,164**	**3,051,142**
Current liabilities			
Current portion of loans and notes	20	-	62,500
Current portion of financial leases	20	5,634	5,289
Trade and other payables	23	369,904	395,020
Income tax payable		17,285	23,357
Deferred income	21	46,676	56,180
Provisions	22	31,668	27,845
Other current liabilities		2,722	2,300
Total current liabilities		**473,889**	**572,491**
Total liabilities		**3,597,053**	**3,623,633**
Total equity and liabilities		**4,385,224**	**4,449,694**

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

Consolidated Statement of Cash Flow CHFk

	Note	2012	2011
Income before income taxes		**35,363**	**43,168**
Amortization	14	194,386	191,057
Depreciation	15	201,749	182,404
Net gain on disposal of property, plant and equipment		(352)	(111)
Movement in pension		(6,107)	(2,049)
Movement in provisions		3,056	(195)
Change in net working capital	26	(35,866)	20,278
Cash flow from operating activities before net financial items and tax		**392,229**	**434,552**
Financial income	12	(151,633)	(155,606)
Financial expense	12	360,503	379,025
Foreign currency gains/(losses), net		(6,458)	(32,262)
Interest received		204,385	120,719
Interest paid		(379,718)	(311,752)
Corporate income and withholding tax paid		(35,646)	(67,498)
Total cash flow from operating activities		**383,662**	**367,178**
Acquisition of a subsidiary, net of cash acquired	27	-	(38,019)
Purchase of property, plant and equipment		(189,850)	(121,935)
Purchase of intangible assets		(324,043)	(30,390)
Sale of property, plant and equipment		11,208	111
Investments in other financial assets		-	(100,102)
Short-term deposit reclassified to/from cash and cash equivalents during the period		100,052	-
Total cash flow from / (used in) investing activities		**(402,633)**	**(290,335)**
Redemption of PECs	19	(86,847)	-
Proceeds from long-term loans and notes	20	891,415	320,754
Repayments of long-term loans and notes	20	(1,093,656)	(37,500)
Repayments of capital leases	20	(5,439)	(4,689)
Total cash flow from / (used in) financing activities		**(294,527)**	**278,565**
Total cash flow		**(313,498)**	**355,408**
Cash and cash equivalents at January 1		485,387	126,754
Foreign currency impact on cash	12	(1,288)	3,225
Cash and cash equivalents at December 31		**170,601**	**485,387**

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

Consolidated Statements 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	-	-	-	-	19,219	19,219
Other comprehensive income	-	-	-	38,849	(9,111)	29,738
Total comprehensive income	-	-	-	**38,849**	**10,108**	**48,957**
Repayment of PEC's	-	-	(84'055)	-	(2,792)	(86,847)
Equity at December 31, 2012	**1,000**	**125,876**	**721,643**	**(26,144)**	**(34,204)**	**788,171**

Consolidated Statement of Changes in Equity CHFk

	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	-	-	-	-	10,652	10,652
Other comprehensive income / (loss)	-	-	-	2,958	(24,375)	(21,417)
Total comprehensive income	-	-	-	**2,958**	**(13,723)**	**(10,765)**
Equity at December 31, 2011	**1,000**	**125,876**	**805,698**	**(64,993)**	**(41,520)**	**826,061**

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

Notes to Consolidated 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 and is the parent of the Group. 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 financial statements were approved for issue by the Company's Board of Directors on March 6, 2013.

Note 2 Basis of Preparation

The Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Due to rounding, numbers presented throughout this report may not add up precisely to the totals provided. All ratios and variances are calculated using the underlying amount rather than the presented rounded amount.

These statements are based on the historical cost convention, except for the following assets and liabilities which are measured at fair value:

- Derivative assets and liabilities
- Financial instruments held for trading
- Financial instruments classified as available for sale

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and the related disclosures at the reporting date. The accounting estimates and judgments considered material to the preparation of the consolidated financial statements are summarized in note 5 below.

These financial statements were approved for issue by the Company's Board of Directors on March 6, 2013.

Note 3 Auditor

The Group's consolidated financial statements for the fiscal year ended December 31, 2012 have been audited by Ernst & Young S.A., Luxembourg. In 2011, the Group has been audited by PricewaterhouseCoopers S.à r.l., Luxembourg. The total fees for fiscal years 2012 and 2011 are shown below:

CHFk	**2012**	**2011**
Audit	611	654
Audit-related	214	-
Tax	127	20
Other	402	124
Total	**1,354**	**797**

Note 4 Significant accounting policies

Principles of consolidation

The consolidated financial statements include the Financial Statements of the Company and its subsidiaries in which it has a direct or indirect controlling interest. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

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

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

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

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

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

Foreign currency translation

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

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

Cash, loans and other amounts receivable or payable in foreign currencies (monetary assets and liabilities), if any, are translated into the functional currency at the official rates of exchange quoted at the reporting date.

Net foreign currency gains/(losses) are recognized as net financial items in the Statement of Income.

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

Currency:	Balance Sheet Year-End exchange rates		Income Statement and Cash Flow Average exchange rates	
	December 31, 2012	December 31, 2011	2012	2011
Euro	1.2077	1.2168	1.2196	1.2524
USD Dollar	0.9154	0.9381	0.9481	0.9010

Revenue recognition

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

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

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

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

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

In 2011, the Group changed its presentation of early termination fees. Please refer to note 6 for further disclosures with respect to this change in presentation.

Other income and other expenses

Other income and other expenses primarily include significant amounts that cannot be attributed to the normal course of operations such as costs directly related to the acquisition of businesses, net collectible fees raised from early termination of contracts, gain or loss on sale of assets, provisions for restructuring, incentive payments to retain executive management in the months following the acquisition as well as aperiodic settlements of charges for access services calculated using the prices for interconnection services determined by the Swiss regulator, including any reversals of such items.

Intangible assets

Goodwill is recognized at cost less accumulated impairment losses. Goodwill is allocated from the acquisition date to cash-generating units for the purpose of impairment testing. The carrying value of goodwill is tested for impairment annually in the fourth quarter. If there is any indication during the year that goodwill may be impaired, the cash-generating unit is tested for impairment at that time. Goodwill is subsequently written down to the recoverable amount through the Statement of Income if the recoverable amount is exceeded by the carrying value. Impairment losses on goodwill are not reversed.

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

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

The main amortization periods are as follows:

UMTS & Spectrum licenses	6-15 years
Subscriber base	5-11 years
Brands	10 years
Other rights.	2-10 years
Development projects / Software	3 years

Development projects in process are tested for impairment at least annually and written down to their recoverable amount in the Statement of Income if their recoverable amount is exceeded by their carrying value.

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated write-down for impairment.

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

Property, plant and equipment

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

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

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

The depreciation base is measured at cost less residual value and any write-downs. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, on the following bases:

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

* or shorter if the contract period is shorter.

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

Software that is an integral part of a tangible asset (e.g. telephone exchange installations) is presented together with the related tangible assets.

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

If indications exist that the value of an asset may be impaired, the recoverable amount of the asset is determined. If the recoverable amount of the asset, which is the greater of the fair value less cost to sell and the value in use, is less than its carrying amount, the carrying amount is reduced to the recoverable amount.

Financial assets

Loans and receivables

Included in loans and receivables are interest bearing term deposits held with financial institutions for periods of more than 3 months. They are included in current assets, except for deposits with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. After their initial recognition at amortised costs, loans and receivables are measured using the effective interest rate method. Foreign exchange gains and losses are taken into the consolidated Statement of Income.

Embedded Derivatives

Embedded derivatives represent the early redemption options related to financial instruments issued by the Group. Embedded derivatives are classified as current assets if they are expected to be settled within 12 months; otherwise, they are classified as non-current assets. Embedded derivatives are measured at their fair value. Any gains or losses resulting from subsequent re-measurement are recognized in net financial items.

Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of merchandise covers purchase price and delivery costs. The cost of work in progress comprises direct costs of merchandise, direct labor, other direct costs and related production overheads. The costs of inventories are determined by using the standard costing method. The difference of standard cost and the sale price of handsets sold as part of a subscriber arrangement is recognized as subscriber acquisition or retention costs and shown in 'other operating expenses' upon completion of the sale.

Trade receivables and other receivables

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

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

When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against 'other operating expenses' in the Statement of Income.

Current and deferred corporate income taxes

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

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements at the reporting date, except for temporary differences arising from the initial recognition of goodwill and other items in a transaction which is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit. Deferred tax expenses are measured on the basis of tax rates enacted or substantially enacted at the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which temporary differences or unused tax losses can be utilized.

Deferred tax is charged or credited in the Statement of Income, except when it relates to items recognized in Other Comprehensive Income, in which case the deferred tax is treated accordingly.

Provisions

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

Restructuring provisions are recognized when a detailed formal plan identifies the business or part of the business concerned, the location and the number of employees affected, and a detailed estimate of the associated costs, and an appropriate timeline has been established. Furthermore, the affected employees must have been notified of the plan's main features.

An asset retirement obligation is recognized when the Group has a legal or constructive obligation to remove the asset and to re-establish the site where the asset was used. The Group has estimated and capitalized the net present value of the obligations and increased the carrying amount of the asset by the respective amount. The estimated cash flows are discounted using a risk-adjusted interest rate and recognized as a provision. Subsequently, the unwinding of the discount is expensed in 'financial expenses' and the capitalized amount is amortized as ordinary depreciation of the related asset.

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

Pensions

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

The obligations are determined annually as of December 31 by independent actuaries using the 'Projected Unit Credit Method' assuming that each year of service gives rise to an additional unit of benefit entitlement, and each unit is measured separately to build up the final obligations.

The Group recognizes in the Statement of Income a gain or loss on curtailment when a commitment is made to significantly reduce the number of employees, generally as a result of a disposal or discontinuation of part of the business or the outsourcing of business activities. Gains or losses on curtailment or settlement of pension benefits are recognized in the Statement of Income when the curtailment or settlement occurs.
Differences between the projected and realized developments in pension assets and pension obligations are referred to as actuarial gains and losses and are recognized in Other Comprehensive Income when such gains and losses occur.

In case of changes in benefits relating to employees' previous service period, a change in the estimated present value of the pension obligations will occur, which will be recognized immediately if the employees have acquired a final right to the changed benefits. If not, the change is recognized over the period in which the employees become entitled to the changed benefit.

The pension obligation is measured at the present value of estimated future cash flows using a discount rate determined based on the interest rate on high quality corporate bonds where the currency and terms of the corporate bonds are consistent with the currency and estimated terms of the defined benefit obligation.

Financial liabilities

Interest-bearing loans issued by Sunrise are recognized initially at the proceeds received net of debt issuance expenses incurred. In subsequent periods, loans are measured at amortized cost using the effective interest method.

Other financial liabilities are measured at amortized cost.

Deferred income

Deferred income comprises payments for services to be rendered in subsequent periods. Deferred income comprises e.g. deferred sales related to prepaid services and leased lines. See also 'Revenue recognition'.

Statements of Cash Flow and cash and cash equivalents

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

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

Cash flow from financing activities comprises changes in interest-bearing debt, capital leases and redemption of PEC's

Cash and cash equivalents are readily convertible into a known amount of cash within original maturities of three months or less. For the purpose of the Statement of Cash Flow, cash and cash equivalents comprise cash at banks and in hand, deposits held on call with banks and other short-term highly liquid investments, net of bank overdrafts. At the reporting date, cash and cash equivalents and financial assets in the amount of CHF 171 million (2011: CHF 572 million) are pledged.

Derivatives

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company has derivatives designated as cash flow hedges and fair value hedges.

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items or the change in the present value of the expected future cash flows in the case of a cash flow hedge, and whether the actual results of each hedge are within a range of 80-125%.

Derivatives which are not designated as hedges are categorized as held for trading and accounted for at fair value through profit or loss.

Derivatives – Cash Flow Hedge

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

The effective portion of the gain or loss on the hedging instrument is recognized in Other Comprehensive Income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the Statement of Income in ‘net financial items’.

Amounts recognized in equity are reclassified to the Statement of Income in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognized in Other Comprehensive Income is transferred to the Statement of Income within ‘net financial items’.

Derivatives – Fair Value Hedge

Fair value hedges are used by the Company to protect it against changes in the fair value of the financial liabilities due to movements in exchange rates and interest rates. Cross-currency interest rate swaps are used to hedge specifically identified currency risks.

The change in the fair value of a hedging derivative is recognized in the Statement of Income in ‘net financial items’. Meanwhile, the change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognized in the Statement of Income in ‘net financial items’.

The hedge relationship is terminated if the hedging instrument expires or is sold, or if the hedge no longer meets the criteria for hedge accounting. For hedged items recorded at amortized cost, the difference between the carrying value or the hedged item on termination and the face value is amortized over the remaining term of the original hedge using the effective interest rate method. If the hedged item is derecognized, the unamortized fair value adjustment is recognized immediately in the Statement of Income.

Share Capital

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

The Series A and Series B Preferred Equity Certificates (‘PECs’) have no maturity date but are redeemable solely at the option of the Company, subject to terms of an intercreditor agreement, or on the liquidation of the Company. They are interest bearing, but interest is not payable until their redemption. The PECs are structurally and contractually subordinated to all debt, including the Senior Secured Notes and the Senior Notes. They have no covenants, events of default, no right to security / guarantees or other features that could trigger an early repayment.

Note 5 Critical accounting estimates and judgments

The preparation of the Group's consolidated financial statements requires Management to make assumptions that affect the reported amount of assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the fiscal period. These estimates are based on management's best knowledge of current events and actions that the Group may undertake in the future. However, actual result could differ from those estimates and judgments.

The Group's Significant Accounting Policies are set out in note 4. The following estimates and judgments are considered important when portraying our financial position:

- Useful lives for intangible assets and property, plant and equipment as shown in note 4 are assigned based on periodic studies of actual useful lives and the intended use for those assets. Such studies are completed or updated when new events occur that have the potential to impact the determination of the useful life of the asset, such as when events or circumstances have occurred which indicate that the carrying value of the asset may not be recoverable and should therefore be tested for impairment. Any change in the estimated useful lives of these assets is recognized in the financial statements as soon as any such change is determined. For details, refer to notes 14 and 15.

- Intangible assets comprise a significant portion of our total assets. Impairment tests on goodwill are performed at least annually and, if necessary, when events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable. The measurement of intangibles is a complex process that requires significant Management judgment in determining various assumptions, such as cash flow projections, discount rate and terminal growth rates. The sensitivity of the estimated measurement to these assumptions combined or individually, can be significant. Furthermore, the use of different estimates or assumptions when determining the fair value of such assets may result in different values and could result in impairment charges. For details, refer to note 14.

- Net periodic pension cost for defined benefit plans is estimated based on certain actuarial assumptions, the most significant of which relate to returns on plan assets, discount rate, wage inflation and demography (mortality, disability, etc.). As shown in note 25, the assumed discount rate reflects changes in market conditions, whereas the expected return on plan assets reflects the mix of assets held by our pension fund. We believe these assumptions illustrate current market conditions and expectations for market returns in the long term.

- Estimates of deferred taxes and significant items giving rise to the deferred assets and liabilities are shown in note 13. These reflect the assessment of future taxes to be paid on items in the financial statements, giving consideration to both the timing and probability of these estimates. In addition, such estimates reflect expectations about the amount of future taxable income and, where applicable, tax planning strategies. Actual income taxes and income for the period could vary from these estimates as a result of changes in expectations about future taxable income, future changes in income tax law or result from the final review of our tax returns by tax authorities.

- The determination of the treatment of contingent assets and liabilities in the financial statements, as shown in note 33, is based on the expected outcome of the applicable probability. Legal counsel and other experts are consulted both within and outside the Company. An asset is recognized if the likelihood of a positive outcome is virtually certain. A liability is recognized if the likelihood of an adverse outcome is more likely than not and the amount is determinable. If not, we disclose the matter. Resolution of such matters in future periods may result in realized gains or losses deviating from the amounts recognized.

- Provisions for asset retirement obligations are made for costs incurred in connection with the future dismantling of mobile stations and restoration of property owned by third parties. These provisions are primarily based on estimates of future costs for dismantling and restoration and the timing of the dismantling. See note 22.

- Revenues, as shown in note 9, are recognized when realized or realizable and earned. Revenues from non-refundable up-front connection fees are deferred and recognized as income over the expected term of the related customer relationship. The term is estimated using historical customer churn rates. A change of Management estimates may have a significant impact on the amount and timing of our revenues for any period.

Note 6 Changes in accounting estimates, changes in accounting policies and changes in presentation

Changes in accounting estimates - Embedded Derivatives

Embedded derivatives represent early redemption options related to financial instruments issued by the Group. The refinancing transaction in July 2012 resulted in a shift from a mixed term loan and bonds to an all-bonds financing structure. As a consequence, the Group changed its estimate with respect to the valuation of embedded derivatives. The change in fair value of the embedded derivatives amounted to CHF 32.4 million as of December 31, 2012 and is shown as Derivative asset in the Statement of Financial Position. Changes in fair value are recognized in the Statement of Income in 'net financial items'.

Change in presentation – Early Termination Fees ('ETFs')

As stated in the annual report for the year ended December 31, 2011, the Group decided to change the presentation of ETFs. This change in presentation required a reclassification of the collectible amount of the ETFs 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 ETFs 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 comparative figures. Therefore, a reclassification amounting to CHF 2.1 million from 'other operating expenses' to 'other income' has been performed. The reclassification did not impact the reported EBITDA. The 2011 comparative consolidated Statement of Income and comparative figures reported in notes 8 and 11 have been aligned accordingly.

Note 7 New accounting standards

The accounting policies are consistent with those of the annual financial statements for the period ended December 31, 2011, except those identified in note 6 and as detailed below.

The following amendments to accounting standards and interpretations of standards relevant to the Group have been implemented 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.

Standards, amendments and interpretations issued that are not yet effective nor yet adopted by the Group:
The following standards, amendments and interpretations of existing published standards are not yet effective. The expected impact of these standards, amendments, and interpretations on the Group's consolidated financial statements is disclosed in the table underneath.

Standard / Interpretation	Impact	Effective date	Date planned for adoption by Sunrise
New Standards and Interpretations			
IFRS 9 – Financial Instruments	**	1 January 2015	Financial Year 2015
IFRS 10 – Consolidated Financial Statements	*	1 January 2013	Financial Year 2013
IFRS 11 – Joint Arrangements	*	1 January 2013	Financial Year 2013
IFRS 12 – Disclosure of Interests in Other Entities	*	1 January 2013	Financial Year 2013
IFRS 13 – Fair Value Measurement	*	1 January 2013	Financial Year 2013
Revised Standards and Interpretations			
Presentation of Items of Other Comprehensive Income (Amendment to IAS 1)	***	1 July 2012	Financial Year 2013
IAS 19 – Employee Benefits (revised 2011)	****	1 January 2013	Financial Year 2013
IAS 27 – Separate Financial Statements (revised 2011)	*	1 January 2013	Financial Year 2013
IAS 28 – Investments in Associates and Joint Ventures (revised 2011)	*	1 January 2013	Financial Year 2013
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)	*	1 January 2013	Financial Year 2013
Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendment to IFRS 7)	*	1 January 2013	Financial Year 2013
Annual Improvements to IFRSs - 2009 - 2011 Cycle	*	1 January 2013	Financial Year 2013
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	*	1 January 2014	Financial Year 2014
Offsetting Financial Assets and Financial Liabilities (Amendment to IAS 32)	*	1 January 2014	Financial Year 2014

* The new accounting standard is not expected to impact the Group's results and financial position. The Group will amend its disclosures as required by new standards and implementations.

** The Group is currently assessing the impact of such standard and will determine the date at which it will be adopted.

*** The Group will amend the presentation of the items in other comprehensive income accordingly. However, the revised Standard is not expected to impact the Group's results and financial position.

**** The principal impact for the Group consists of the fact that the previous practice of expected return on plan assets and interest expense on the defined benefit obligation as separate components of defined benefit cost will be replaced by a concept that interest will be calculated on the net surplus/deficit of the defined benefit obligation and the assets which fund the post-employment obligation. If IAS 19 revised had been applied in 2012 by the Group, pension costs recognized in the statement of income would have been CHF 4.0 million higher (whereof CHF 1.8 million would have been recognized in 'wages, salaries, and pension costs' above EBITDA and CHF 2.2 million would have been recognized as 'financial expenses' below EBITDA). Furthermore, the application of IAS 19 would have triggered a decrease of the employee benefit obligations reported by the Group from CHF 81.4 million to CHF 75.1 million.

Note 8 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 telecommunication products and services: 'Residential', 'Business', 'Wholesale' and a reportable segment 'Head Office' which includes finance, IT and technology functions of the Group.

Residential provides fixed line and mobile services to residential end customers. Through its investments in local-loop unbundling (LLU) and IPTV, Sunrise focuses on selling its products 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 Mobile virtual network operators (MVNO's).

Head Office activities comprise 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 are applied to the consolidated financial statements for the period ended December 31, 2012 as disclosed in Note 6 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 amortization, 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[1]		Head Office activities		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Revenue										
External customers	1,440,707	1,441,336	347,284	260,149	264,948	270,105	13,536	12,266	2,066,475	1,983,856
Intra-segment revenue	-	-	-	-	13,878	21,088	-	-	13,878	21,088
Total	**1,440,707**	**1,441,336**	**347,284**	**260,149**	**278,826**	**291,193**	**13,536**	**12,266**	**2,080,353**	**2,004,944**
Transmission costs and costs of goods sold										
External customers	(371,465)	(382,564)	(119,892)	(76,773)	(161,811)	(158,830)	41	-	(653,128)	(618,167)
Inter-segment costs	-	-	-	-	(13,878)	(21,088)	-	-	(13,878)	(21,088)
Total	**(371,465)**	**(382,564)**	**(119,892)**	**(76,773)**	**(175,689)**	**(179,918)**	**41**	**-**	**(667,006)**	**(639,255)**
Other operating expenses	(298,675)	(311,339)	(46,212)	(41,899)	(6,426)	(4,230)	(256,075)	(236,656)	(607,387)	(594,125)
Wages, salaries and pension costs	(51,271)	(47,735)	(58,153)	(32,057)	(8,832)	(7,885)	(100,299)	(108,927)	(218,555)	(196,605)
Other income	17,965	16,433	3,140	1,707	-	-	59,381	31,507	80,486	49,198
Other expenses	-	-	-	-	-	-	(36,833)	(16,546)	(36,833)	(16,546)
EBITDA	**737,261**	**716,130**	**126,167**	**111,127**	**87'879**	**99,160**	**(320,249)**	**(318,806)**	**631,058**	**607,611**

[1] Including hubbing revenue of CHFk 129,498 generated in 2012 and CHFk 127,109 generated in 2011

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

	2012	2011
EBITDA from reportable segments	631,058	607,611
Unallocated:		
Amortization	(194,386)	(191,057)
Depreciation	(201,749)	(182,404)
Net financial items	(199,560)	(190,982)
Consolidated net income before income taxes	**35,363**	**43,168**

Note 9 Revenue CHFk

	2012	2011[1)]
Landline telephony	579,727	535,324
Mobile services	1,308,556	1,272,255
Internet services	178,192	176,277
Total services	**2,066,475**	**1,983,856**

[1)] In 2011 the Group incorrectly allocated revenues earned by Business Sunrise Enterprise Solutions amounting to CHF 20.3 million to mobile services instead of landline telephony. The comparative prior year figures have been corrected in 2012.

	2012	2011
Sales of goods	124,272	95,842
Sales of services	1'942'203	1,888,014
Total products	**2,066,475**	**1,983,856**

Landline telephony includes revenues from traffic, subscription and connection for PSTN/ISDN and Voice over Internet Protocol (VoIP) and other revenues from services, which primarily relates to business services.

Mobile services includes revenues from voice and data traffic, subscription and connection fees for mobile devices and interconnection traffic as well as roaming revenues from our subscribers travelling abroad.

Internet services comprise revenues from subscription fees for xDSL, related traffic charges for internet traffic and IPTV services.

Sales of goods includes sales of mobile devices and distribution and sales of ICT and telecommunication products in the e-business sector, as well as installation, operation and maintenance services for these products.

Note 10 Wages, salaries and pension costs

CHFk

	2012	2011
Wages and salaries	(196,079)	(182,150)
Pension expense	(17,327)	(12,111)
Other social security cost	(16,970)	(14,346)
Total	**(230,376)**	**(208,607)**
Of which capitalized as non-current assets	11,821	12,002
Total	**(218,555)**	**(196,605)**

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

Remuneration for the Management Board and the Board of Directors

CHFk

	Management Board	Board of Directors	Management Board	Board of Directors
	2012	2012	2011 [1)]	2011
Wages and salaries	(4,655)	(200)	(7,167)	(210)
Pensions expense	(522)	-	(960)	-
Other social security cost	(398)	(15)	(409)	(15)
Total	**(6,366)**	**(215)**	**(8,536)**	**(225)**

[1)] In prior years, the Group included in the table above solely the remuneration paid to the management board members being part of the management board at the reporting date. In 2012, the Group decided to disclose the remuneration paid to the management board members being part of the management board during the reporting period. The comparative prior year figures have been corrected in 2012.

Note 11 Other income and other expenses

CHFk

Other Income	2012	2011
Early termination fees	20,957	18,140
Aperiodic settlements of charges for access services calculated using the prices of the Swiss regulator	49,896	28,505
Income related to change of the MSP	3,400	-
Reversal of provisions [1)]	4,290	-
Other	1,943	2,553
Total	**80,486**	**49,198**

Other expenses	2012	2011
Acquisition costs	-	(430)
Management one-time incentive payments and retention programs	-	(767)
Cost related to change of the MSP	(19,280)	(12,606)
Restructuring costs	(17,145)	-
Other	(408)	(2,743)
Total	**(36,833)**	**(16,546)**

[1)] Refer to note 22 Provisions for further information

Note 12 Net financial items

CHFk

2012	Interest	Fair value adjustments	Total financial income and expenses before foreign currency	Net foreign currency gains/(losses)	Total
Income					
Cash and cash equivalents	5,602	-	5,602	-	5,602
Financial liabilities measured at amortized cost	-	-	-	7,546	7,546
Derivatives- used for hedging	108,960	4,322	113,282	-	113,282
Derivatives- held for trading	69	206	275	-	275
Embedded derivatives	-	32,403	32,403	-	32,403
Other	-	71	71	3,052	3,123
Total	**114,631**	**37,002**	**151,633**	**10,598**	**162,231**
Expenses					
Cash and cash equivalents	-	-	-	(1,288)	(1,288)
Financial liabilities measured at amortized cost	(222,976)	-	(222,976)	-	(222,976)
Derivatives- used for hedging	(111,301)	(16,959)	(128,260)	-	(128,260)
Derivatives- held for trading	(790)	390	(400)	-	(400)
Other	(8,867)	-	(8,867)	-	(8,867)
Total	**(343,934)**	**(16,569)**	**(360,503)**	**(1,288)**	**(361,791)**
Net financial items	**(229,303)**	**20,433**	**(208,870)**	**9,310**	**(199,560)**

2011	Interest	Fair value adjustments	Total financial income and expenses before foreign currency	Net foreign currency gains/(losses)	Total
Income					
Cash	1,480	-	1,480	3,225	4,705
Financial liabilities measured at amortized cost		-		30,978	30,978
Derivatives – used for hedging	100,335	52,201	152,536	-	152,536
Derivatives – held for trading	138	875	1,013	-	1,013
Other	577	-	577	2,838	3,415
Total	**102,530**	**53,076**	**155,606**	**37,041**	**192,647**
Expenses					
Financial liabilities measured at amortized cost	(179,307)	-	(179,307)	(4,316)	(183,623)
Derivatives – used for hedging	(99,675)	(88,124)	(187,799)	-	(187,799)
Derivatives – held for trading	(789)	(4,066)	(4,855)	-	(4,855)
Other	(7,064)	-	(7,064)	(288)	(7,352)
Total	**(286,835)**	**(92,190)**	**(379,025)**	**(4,604)**	**(383,629)**
Net financial items	**(184,305)**	**(39,114)**	**(223,419)**	**32,437**	**(190,982)**

Note 13 Income taxes CHFk

	2012	2011
Current income tax expense	6,167	35,566
Adjustments recognized for current tax of prior periods	4,609	319
Deferred tax expense / (income)	5,368	(3,369)
Total tax expense recognized in Statement of Income	**16,144**	**32,516**

	2012	2011
Expected tax expense at weighted average applicable tax rate of 21.0% (2011: 21.2%)	7,426	9,152
Effect of differing tax rates in effect in different jurisdictions	(2,629)	-
Non-deductible items	23,311	22,814
Non-taxable income	(2,878)	-
Change in valuation allowance/not recognized deferred taxes	(13,653)	-
Changes in tax rates	(42)	-
Adjustments recognized for current tax of prior periods	4,609	319
Other effects	-	231
Income tax expenses recognized	**16,144**	**32,516**

The generally applicable tax rate for a Luxembourg entity, the Company's place of incorporation, would be 29.22% (2011: 28.80%). If the Company would reconcile taxes at this rate to the reported income tax expense for 2012 (2011), as presented above, the amounts related to tax expense at weighted average applicable tax rate would be approximately CHF 2.9 million higher (2011: CHF 3.5 million) and the change in valuation allowance would be adjusted by a similar amount to approximately CHF 16.5 million (2011: CHF 3.5 million).

Specification of deferred taxes CHFk

	Deferred tax assets / (liabilities) at January 1, 2012	Deferred tax (expense) / income	Deferred tax through OCI	Modification of scope of consolidation	Deferred tax assets / (liabilities) at December 31, 2012*
Intangible Assets[1)]	(286,630)	(5,380)	-	-	(292,010)
Customer acquisition costs	46,561	(10,332)	-	-	36,229
Property, plant and equipment	(5,089)	507	-	-	(4,582)
Deferred income	2,855	(10)	-	-	2,845
Transaction costs	(10,813)	10,813	-	-	-
Potential Claim	834	(834)	-	-	-
Hedging Instruments, Debts	341,803	15,730	-	-	357,533
Hedging Instruments, Swap	(341,803)	(15,730)	-	-	(357,533)
Employee benefit obligations	16,214	(1,591)	2,476	-	17,099
Other	(888)	1,459	(622)	-	(51)
Total	**(236,956)**	**(5,368)**	**1,854**	**-**	**(240,470)**

* netting with same legal entity.

[1)] This deferred tax liability arises primarily from the intangible assets recognized during PPA of Sunrise Communications AG, such as customer base and brands and will not trigger any cash outflow in the future.

Specification of deferred taxes CHFk

	Deferred tax assets / (liabilities) at January 1, 2011	Deferred tax (expense) / income	Deferred tax through OCI	Modification of scope of consolidation	Deferred tax assets / (liabilities) at December 31, 2011*
Receivables	10,393	(10,393)	-	-	-
Intangible Assets[1)]	(313,511)	26,881	-	-	(286,630)
Customer acquisition costs	46,493	68	-	-	46,561
Property, plant and equipment	(5,555)	466	-	-	(5,089)
Deferred income	6,163	(3,308)	-	-	2,855
Transaction costs	-	(10,813)	-	-	(10,813)
Potential Claim	751	83	-	-	834
Hedging Instruments, Debts	338,358	3,445	-	-	341,803
Hedging Instruments, Swap	(338,358)	(3,445)	-	-	(341,803)
Employee benefit obligations	9,220	436	6,558	-	16,214
Other	-	(51)	585	(1,422)	(888)
Total	**(246,046)**	**3,369**	**7,143**	**(1,422)**	**(236,956)**

* netting with same legal entity

[1)] This deferred tax liability arises primarily from the intangible assets recognized during PPA of Sunrise Communications AG, such as customer base and brands and will not trigger any cash outflow in the future.

The deferred tax liabilities are recognized in the statement of financial position in non-current deferred tax liabilities.

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to offset current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

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

Note 14 Intangible assets

CHFk

2012	Goodwill	Subscriber bases	Other rights, software, licenses and brands	Intangibles under constructions	Total
At January 1, 2012	1,064,983	1,309,383	349,416	25,380	2,749,162
Additions during the period from third parties	-	-	492,520	14,360	506,880
Additions from internal development	-	-	-	9,874	9,874
Transferred (to)/from other items	-	-	30,885	(30,885)	-
Assets disposed of or fully amortized during the period	-	-	(6,471)	-	(6,471)
Accumulated cost at December 31, 2012	**1,064,983**	**1,309,383**	**866,350**	**18,729**	**3,259,445**
At January 1, 2012	-	(152,748)	(69,187)	-	(221,935)
Amortization for the period	-	(133,373)	(61,013)	-	(194,386)
Assets disposed of or fully amortized during the period	-	-	6,471	-	6,471
Accumulated amortization and write-downs at December 31, 2012	**-**	**(286,121)**	**(123,729)**	**-**	**(409,850)**
Carrying value at December 31, 2012	**1,064,983**	**1,023,262**	**742,621**	**18,729**	**2,849,595**

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

On July 6, 2012 the Federal Communications Commission (ComCom) announced that the award procedures following the spectrum auction of all mobile frequencies have been definitely concluded. Sunrise successfully acquired 40% of the mobile frequency bands with a uniform term ending 2028. The total acquisition price of CHF 481.7 million has been recognized as an intangible asset. On August 6, 2012, Sunrise executed the first down payment for the spectrum license amounting to CHF 289 million. The remaining payable amount of CHF 195.0 million (including compounding interest for the period ended December 31, 2012) has been recognized in 'non-current trade and other payables'. The payment of the 2nd and 3rd installment will be shown as financing activity in the consolidated statement of cash flow.

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

In the period ended December 31, 2012 internal cost capitalized amounted to CHF 9,874k (2011: CHF 9,325k).

No interest was capitalized during the periods ended December 31, 2012 and December 31, 2011.

The carrying value of pledged intangible assets amounted to CHF 596.1 million (2011: CHF 155.8 million).

The carrying value of intangible assets not yet amortized is CHF 500.4 million (2011: CHF 25.4 million) and mainly comprises spectrum mobile licenses and assets under construction.

Impairment tests for goodwill

Goodwill is allocated from the acquisition date to the Company's cash-generating units ('CGU'). For the Company, the cash-generating units consist of the operating segments 'Residential', 'Business' and 'Wholesale', and the impairment test is carried out on these CGUs in the fourth quarter 2012. An operating segment-level summary of the goodwill allocation is presented below:

	2012	**2011**
Residential	806,481	806,481
Business	190,029	190,029
Wholesale	68,472	68,472
Total goodwill	**1,064,982**	**1,064,982**

Goodwill has an indefinite useful live, and is therefore analyzed for impairment on an annual basis. In 2012, there are no other recorded intangible assets with indefinite useful lives (2011: nil). The recoverable amount of all CGUs has been determined based on its value-in-use, using a discounted cash flow ('DCF') method. The basis for the calculation of the DCF model is the Company's business plan approved by the Board of Directors. The detailed planning horizon of the plan covers four years. The extrapolation of free cash flows beyond the four year planning period was calculated assuming a long-term growth rate of 1% (2011: 1%). The discount rate is determined as the weighted average cost of capital before tax (WACC) of the Company, and amounts to 5.3% (2011: 7.8%). Management determined budgeted gross margin and the growth rates based on past performance and its expectations of market development. As of the impairment test date, the recoverable amount at all cash-generating units was higher than their carrying amounts. The sensitivity analysis shows that a reasonably possible change in the key assumptions would not result in the carrying amount exceeding the recoverable amount for any of the three CGUs.

Note 15 Property, plant and equipment CHFk

				2012
	Telecommunications installations	Other installations	Property, plant and equipment under construction	Total
Cost at January 1, 2012	996,522	45,715	119,188	1,161,425
Acquisitions from third parties	18,698	25,298	156,318	200,314
Additions from internal development	-	-	3,614	3,614
Transfers (to)/from other items	181,743	-	(181,743)	-
Assets disposed of during the period	(44,270)	(5,677)	-	(49,947)
Cost at December 31, 2012	**1,152,693**	**65,336**	**97,377**	**1,315,406**
Accumulated depreciation and write-downs at January 1, 2012	(198,782)	(17,784)	-	(216,566)
Depreciations for the period	(160,542)	(17,302)	-	(177,844)
Impairment losses	(23,425)	(480)		(23,905)
Assets disposed of during the period	33,189	5,677	-	38,866
Accumulated depreciation and write-downs at December 31, 2012	**(349,560)**	**(29,889)**	**-**	**(379,449)**
Net carrying value at December 31, 2012	**803,133**	**35,447**	**97,377**	**935,957**
Carrying value of finance leases[1] at December 31, 2012	**26,614**			**26,614**

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

Note 15 Property, plant and equipment CHFk

	Telecommunications installations	Other installations	Property, plant and equipment under construction	2011 Total
Cost at January 1, 2011	885,332	35,800	104,925	1,026,057
Additions from acquisition of subsidiaries	594	571	110	1,275
Acquisitions from third parties	18,262	26	113,645	131,933
Additions from internal development	-	-	2,677	2,677
Transfers (to)/from other items	92,818	9,351	(102,169)	-
Assets disposed of during the period	(484)	(33)	-	(517)
Cost at December 31, 2011	**996,522**	**45,715**	**119,188**	**1,161,425**
Accumulated depreciation and write-downs at January 1, 2011	(31,281)	(3,398)	-	(34,679)
Depreciation for the period	(167,985)	(14,419)	-	(182,404)
Assets disposed of during the period	484	33	-	517
Accumulated depreciation and write-downs at December 31, 2011	**(198,782)**	**(17,784)**	**-**	**(216,566)**
Net carrying value at December 31, 2011	**797,740**	**27,931**	**119,188**	**944,859**
Carrying value of finance leases[1)] at December 31, 2011	**31,774**			**31,774**

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

In 2012, the Company recognized CHF 23,905k (2011: CHF 397k) write-downs for impairment. These impairment losses were primarily attributable to the replacements of our mobile radio network with multi standard radio equipment.

In the period ended December 31, 2012 internal cost capitalized amounted to CHF 3,614k (2011: CHF 2,677k).

Acquisitions from 3rd parties include CHF 14,102k (2011: CHF 11,178k) increase in asset retirement obligation without cash effect.

Interests capitalized during the period ended December 31, 2012 were nil (2011: CHF 1,502k). The capitalization rate used to determine the amount of borrowing costs eligible for capitalization in 2011 amounted to 2.47%.

The Group has recourse guarantee obligations for payment and performance in connection with lease contracts. Reference is made to note 33 Contingencies.

In the period, no compensation for damages received relating to property, plant and equipment (2011: nil) was recognized as income.

Note 16 Trade and other receivables

CHFk

	2012	2011
Trade receivables	329,231	349,542
Allowances for uncollectible amounts	(33,420)	(30,376)
Trade receivables, net	295,811	319,166
Interest receivables	2,204	781
Other receivables	38,043	16,415
Total	**336,058**	**336,362**
Of which current	336,058	323,057

No allowance for uncollectible amounts has been recognized for 'interest receivables' and 'other receivables'. The allowance and the ageing analysis of trade receivables are as follows:

	2012	2011
Allowances for uncollectible amounts at January 1	(13,936)	(2,934)
Charges for realized and unrealized losses	(19,484)	(27,442)
Allowances for uncollectible amounts at December 31	**(33,420)**	**(30,376)**

Ageing analysis of trade receivables		
Neither past due nor impaired	153,896	190,436
Past due but not impaired	14,799	12,854
Current	138,356	85,382
Receivables past due 1 – 31 days	13,095	36,577
Receivables past due 32 -61 days	7,084	5,170
Receivables past due 62 -121 days	2,355	4,033
Receivables past due more 121 days	6,473	1,910
Total	**336,058**	**336,362**

Trade receivables past due at December 31, 2012 amounted to CHF 43,806k (2011: CHF 66,544k). Other classes within receivables do not contain impaired assets.

The carrying value of pledged receivables amounted to CHF 336.1 million (2011: CHF 336.4 million) at December 31, 2012.

As of December 31, 2012 receivables of CHF 14,799k (2011: CHF 12,854k) were past due but not impaired, respectively. These mainly relate to a number of independent businesses, wholesale and residential customers for whom there is no recent history of default.

Note 17 Prepaid expenses

CHFk

	2012	2011
Prepaid lease payments	14,393	20,476
Other prepaid expenses	10,272	6,372
Total prepaid expenses	**24,665**	**26,848**

Note 18 Inventories

CHFk

	2012	2011
Finished goods and merchandise	33,558	23,738
Work in progress	2,234	5,111
Total	**35,792**	**28,849**

Write-downs of inventories on the net realizable valued amounted to CHF 7.0 million in 2012 (2011: CHF 3.3 million). The carrying amount of inventories recognized as an expense in 'transmission costs and costs of goods sold' and 'other operating expenses' amounted to CHF 257.7 million (2011: CHF 214.0 million). No inventories were expected to be sold after more than one year.

Note 19 Equity

CHFk

	Shares (number)	Nominal value (CHF)	2012	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	64,395,976,353	0.01	643,960	718,966
Series B Preferred Equity Certificates	7,768,359,511	0.01	77,683	86,732
At December 31		**1,000**	**848,519**	**932,574**

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

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

PIK Repayment
Sunrise Communications Holdings S.A. repaid PECs A and PECs B plus accrued interest in the amount of CHF 86.8 million to Mobile Challenger Intermediate Group S.à r.l. in October and November 2012, which used these proceeds to early repay a nominal amount of EUR 69.0 million of its PIK (payment in kind) loan plus including accrued interest.

Valuation reserve
Valuation reserve comprise fair value changes of derivative instruments that qualify as cash flow hedges. The fair value changes are recognized net of tax.

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 20 Borrowings

CHFk

	Nominal value at inception	Foreign exchange movement[1]	Capitalized debt issuance cost[1]	Loan and finance lease repayments	2012 Carrying value	2011 Carrying value
Borrowings						
Floating rate						
Term Loan A – CHF denominated	500,000	-	-	(462,500)	-	433,949
Term Loan B1 – EUR denominated	100,000	(12,902)	-	(88,197)	-	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	(2,306)	-	(221,029)	-	223,266
Floating Rate Notes – CHF denominated	175,000	-	(3,365)	-	171,635	
Floating Rate Notes – EUR denominated	200,570	1,106	(3,857)	-	197,819	
Fixed rate						
Senior Secured Notes – CHF denominated [2]	300,000	-	(9,750)	-	290,250	288,666
Senior Secured Notes – CHF denominated [3]	370,000	-	(7,127)	-	362,873	-
Senior Secured Notes – EUR denominated [4]	658,641	(49,787)	(19,774)	-	589,080	434,189
Senior Notes – EUR denominated	755,942	(75,820)	(27,171)	-	652,951	654,800
Total loans and notes		**(139,709)**	**(71,044)**	**(1,093,656)**	**2,264,608**	**2,427,021**
Other						
Debt relating to finance leases				(6,078)[5]	40,378	46,456
Total borrowings				**(1,099,734)**	**2,304,986**	**2,473,477**
Of which expected to be paid within 12 months					(5,634)	(67,789)
Total long-term borrowings					**2,299,352**	**2,405,688**

[1] since issuance of the borrowings
[2] issued October 14, 2010
[3] issued July 19, 2012
[4] including a tap offering of EUR 125.0 million aggregate principal amount of its existing 7% fixed rate senior secured notes
[5] including a non-cash adjustment of CHFk 639

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 235.0 million Revolving Credit Facility, which is undrawn as of December 31, 2012 and an Ancillary facility of CHF 15.0 million which is currently drawn (refer to note 24). The Revolving Credit Facility contains operational and financial covenants which have been tested. The respective financial covenant report has been approved by the Board of Directors on March 6, 2012.

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

The Group incurred significant EUR denominated borrowings in connection with the acquisition of Sunrise Communications AG. The Group has entered into cross currency interest rate swaps to economically convert its Euro denominated borrowings into Swiss Franc denominated borrowings. The executed swap exchange rates mirror the exchange rates realized by the Group when the borrowings were received. Further details on the Group's accounting for derivatives are set out in note 28.

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

Note 21 Deferred income

CHFk

	2012	2011
Deferred income from dark fibers	21,954	21,810
Deferred income from other telecommunication services	42,205	58,509
Total	**64,159**	**80,319**
Of which current	46,676	56,180

Note 22 Provisions

CHFk

	Asset retirement obligations	Restructuring obligations	Other provisions	Total
Provisions at January 1, 2012	101,401	273	31,182	132,856
Provisions made during the period	14,102	17,145	29,064	60,311
Change in present value	2,402	-	362	2,764
Provisions used during the period	(82)	(7,221)	(34,611) [1]	(41,914)
Unused provisions reversed during the period	(133)	-	(8,300) [2]	(8,433)
Provisions at December 31, 2012	**117,690**	**10,197**	**17,697**	**145,584**
Of which current	3,774	10,197	17,697	31,668
Provisions at January 1, 2011	87,941	330	24,835	113,106
Additions from acquisition of subsidiaries	-	-	373	373
Provisions made during the period	11,174	-	36,925	48,099
Change in present value	2,632	-	479	3,111
Provisions used during the period	(138)	(57)	(28,388) [1]	(28,583)
Unused provisions reversed during the period	(208)	-	(3,042)	(3,250)
Provisions at December 31, 2011	**101,401**	**273**	**31,182**	**132,856**
Of which current	319	273	27,253	27,845

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

[2] Of which CHF 4.29 million relate to unused provisions recognized as part of the purchase price allocation in 2010.

Provisions for asset retirement obligations relate to the future dismantling of mobile stations and restoration of property owned by third parties. Those leases generally contain provisions that require the Group to remove the asset and restore the sites to their original condition at the end of the lease term. The uncertainties relate primarily to the timing of the related cash outflows. The majority of these obligations are not expected to result in cash outflow until after 2014.

In 2012, the Group performed a periodic reassessment of the asset retirement obligations related to leasehold properties. Following this reassessment, which was conducted by an independent 3rd party, the group recognized additional asset retirement obligations amounting to CHF 6.9 million.

During 2012, the Group committed to a plan to restructure its operations. Following the announcement of the plan, the Group recognised a provision for expected restructuring costs, including contract termination costs, employee termination benefits and redundant rented offices. The majority of these obligations are expected to result in cash outflow in 2013. The uncertainties relate primarily to the estimated amounts.

Restructuring costs expensed as incurred amounted to CHF 17.1 million (2011: nil) and were recognized in other expenses.

Other provisions are related to bonuses for management and employees and legal claims. Provisions for legal claim amounts to nil at December 31, 2012 (2011: CHF 3,929k). Unused provisions reversed during the period include provisions amounting to CHF 4.3 million that have been recognized as part of the purchase price allocation (PPA) following the acquisition of Sunrise Communications AG. The income from the reversal of these provisions is shown in 'other income'.

Note 23 Trade and other payables

CHFk

	2012	2011
Trade payables	543,312	371,648
Interest payable	858	734
Other payables and accruals	20,734	22,638
Total trade and other payables	**564,904**	**395,020**
Of which current	369,904	395,020
Of which non-current	195,000	-

The increase in trade payables is primarily attributable to the acquisition of spectrum licenses and includes the 2nd and 3rd installment due in 2015 and 2016 respectively of CHF 195.0 million (refer to note 14).

Note 24 Financial instruments

CHFk

The financial assets of the Group primarily include cash and cash equivalents, other financial assets, trade and other receivables, other non-current assets and derivatives assets. The Group's financial liabilities primarily comprise trade and other payables, derivative liabilities, loans and notes, financial leases and other liabilities. Furthermore, the Group uses derivatives (mainly cross currency interest rate swaps) to manage and hedge its interest and currency risks resulting from operations and financing activities.

Reconciliation of financial assets and financial liabilities by categories

2012

	Loans and receivables	Financial liabilities measured at amortized cost	Derivatives used for hedging	Derivatives at FV through P&L	Total
Non-current financial assets					
Derivative financial assets				32,403	32,403
Other non-current assets	153				153
Total non-current financial assets	**153**	**-**	**-**	**32,403**	**32,556**
Current financial assets					
Trade receivables and other receivables	336,058				336,058
Other financial assets					
Cash and cash equivalents	170,601				170,601
Total current financial assets	**506,659**	**-**	**-**	**-**	**506,659**
Total financial assets	**506,812**	**-**	**-**	**32,403**	**539,215**
Non-current financial liabilities					
Loans and notes		(2,264,608)			(2,264,608)
Non-current portion of financial leases		(34,744)			(34,744)
Non-current portion of trade payables and other payables		(195,000)			(195,000)
Derivative financial liabilities			(172,210)	(3,303)	(175,513)
Total non-current financial liabilities	**-**	**(2,318,852)**	**(172,210)**	**(3,303)**	**(2,669,866)**
Current financial liabilities					
Current portion of financial leases		(5,634)			(5,634)
Current portion of trade and other payables		(369,904)			(369,904)
Other current liabilities		(2,722)			(2,722)
Total current financial liabilities	**-**	**(378,260)**	**-**	**-**	**(378,260)**
Total financial liabilities	**-**	**(2,697,112)**	**(172,210)**	**(3,303)**	**(3,048,126)**
Total	**506,812**	**(2,697,112)**	**(172,210)**	**29,100**	**(2,508,911)**

2011

	Loans and receivables	Financial liabilities measured at amortized cost	Derivatives used for hedging	Derivatives at FV through P&L	Total
Non-current financial assets					
Derivative financial assets				60	60
Other non-current assets	13,305				13,305
Total non-current financial assets	**13,305**	**-**	**-**	**60**	**13,365**
Current financial assets					
Trade receivables and other receivables	323,057				323,057
Other financial assets	100,102				100,102
Cash	485,387				485,387
Total current financial assets	**908,546**	**-**	**-**	**-**	**908,546**
Total financial assets	**921,851**	**-**	**-**	**60**	**921,911**
Non-current financial liabilities					
Non-current portion of loans and notes		(2,364,521)			(2,364,521)
Non-current portion of financial leases		(41,167)			(41,167)
Non-current portion of trade payables and other payables					
Derivative financial liabilities			(200,595)	(2,396)	(202,991)
Total non-current financial liabilities	**-**	**(2,405,688)**	**(200,595)**	**(2,396)**	**(2,608,679)**
Current financial liabilities					
Current portion of loans and notes		(62,500)			(62,500)
Current portion of financial leases		(5,289)			(5,289)
Current portion of trade and other payables		(395,020)			(395,020)
Other current liabilities		(2,300)			(2,300)
Total current financial liabilities	**-**	**(465,109)**	**-**	**-**	**(465,109)**
Total financial liabilities	**-**	**(2,427,021)**	**(200,595)**	**(2,396)**	**(3,073,788)**
Total	**921,851**	**(2,427,021)**	**(200,595)**	**(2,336)**	**(2,151,877)**

Financial Risk Management

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

The Group is exposed to a variety of financial risks, namely market risk (including currency and interest rate risk), credit risk and liquidity risk. The group uses derivative financial instruments such as cross currency interest rate swaps and interest rate swaps to hedge certain risk exposures. However, the Group does not enter into derivative or other financial transactions which are unrelated to its operating business risks.

The Group's Financial Risk Management is governed by policies approved by key management personnel. These polices provide principles for overall risk management as well as policies covering specific areas such as interest rate risk.

A: Foreign-currency exposures

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's financing activities (borrowings denominated in Euros) as well as to future commercial transactions denominated in foreign currencies and to the Group's operating activities (when revenue and expenses are denominated in a currency different from presentation currency of the Group).

It is the Group's policy to fully hedge its foreign currency exposure related to financial borrowings denominated in another currency than the functional currency of the respective Group entity by using cross currency interest rate swaps and interest rate swaps.

The following table shows the impact of a reasonably possible change in Euro against the Swiss Franc, with all other variables held constant. The impact on Group's profit after tax is mainly driven by foreign exchange gains/losses of Euro denominated cash and cash equivalents, trade and other receivables as well as trade and other payables. The potential impact on Group's other comprehensive income results from fair value movements of cross currency interest rate swaps designated as cash flow hedges. The Group has no other material exposure to foreign currencies.

Foreign currency sensitivity — CHFk

	Net exposure		Change in %	Effect on profit before tax	
	2012	2011		2012	2011
EUR/CHF	60,174	272,279	+/-10%	6,017	27,279

B: Interest rate risk

The Group's interest rate risk mainly arises from 3rd party borrowings. The Group issued Floating Rate Notes and fixed rated borrowings through its Senior Secured Notes and Senior Notes. Borrowings issued at variable interest rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Under the terms of the Senior Revolving Credit Facility, the Group is required to hedge at least 66.67% of outstanding borrowings for a period of three years. As a result the Group hedged its exposure to variable interest rates using interest rate derivatives. At December 31, 2012, 88.8% (2011: 69.8%) of the Group's borrowings are either hedged using interest rate derivatives or bear interest at a fixed rate. The Group economically hedged its cash flow interest rate exposure with respect to the floating rate notes but did not apply hedge accounting. Furthermore, the Group entered into interest rate swaps to hedge its fair value interest rate risk related to its fixed rate senior secured notes and senior notes (see Note 29 for details with respect to hedge accounting)

The following table shows the impact of a reasonably possible change in interest rates on the Group's borrowings (considering the impact of hedge accounting). With all other variables held constant, the

Group's profit before tax is affected by lower/higher interest rate expenses on Floating Rate Notes offset by the change in fair value of the respective interest rate derivatives.

Interest rate sensitivity			CHFk
	Increase / decrease in basis points	Effect on profit before tax	
		2012	2011
CHF interest rates	+10	(27)	(210)
CHF interest rates	-10	10	276

C: Liquidity risk

Cash flow forecasting is performed by Group Treasury. Group Treasury performs rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs and to service its borrowings while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the group does not breach borrowing limits or covenants on any of its borrowing facilities. The cash forecasting takes into consideration the group's debt financing plans and covenant compliance.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows. All interest payments and repayments of financial liabilities are based on contractual agreements. Interest payments on floating-rate instruments are determined using zero-coupon rates.

Maturity profiles (CHFk) as of December 31, 2012

	< 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Trade payables and other payables	(369,904)		(195,000)		(564,904)
Borrowings – notional			(1,611,657)	(652,951)	(2,264,608)
Borrowings – interest	(165,402)	(165,402)	(496,232)	(59,311)	(886,346)
Financial leases	(5,634)	(5,991)	(20,089)	(8,664)	(40,378)
Derivative liabilities	(833)	(2,470)	(172,210)		(175,513)
Other current liabilities	(2,722)				(2,722)
Total financial liabilities	**(544,494)**	**(173,862)**	**(2,495,188)**	**(720,928)**	**(3,934,472)**

Maturity profiles (CHFk) as of December 31, 2011

	< 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Trade payables and other payables	(395,020)	-	-	-	(395,020)
Borrowings – notional	(62,500)	(92,000)	(308,000)	(1,964,521)	(2,427,021)
Borrowings – interest	(165,670)	(162,643)	(459,455)	(206,672)	(994,440)
Financial leases	(5,289)	(5,633)	(19,108)	(16,426)	(46,456)
Derivative liabilities	-	-	(202,991)	-	(202,991)
Other current liabilities	(2,300)				(2,300)
Total financial liabilities	**(630,779)**	**(260,276)**	**(989,554)**	**(2,187,619)**	**(4,068,228)**

The table above shows the gross undiscounted cash flows. However, the derivative liabilities shown in the table above may be settled gross or net. The table underneath shows the corresponding reconciliation of those amounts to their carrying amounts.

	Maturity profiles (CHFk)				
	< 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
2012					
Notional amounts receivable		201,691	1,276,571		1,478,262
Notional amounts payable		(200,567)	(1,418,076)		(1,618,643)
2011					
Notional amounts receivable			1,223,387		1,223,387
Notional amounts payable			(1,356,198)		(1,356,198)

D: Undrawn credit lines

As of December 31, 2012 the Group had the following uncommitted borrowing facilities (in CHFk):

	2012	2011
Senior revolving credit facility (Senior RCF) and Acquisition facility	235,000	235,000
Ancillary facility	15,000	15,000
Total	**250,000**	**250,000**

The committed and undrawn Senior RCF of CHF 235,000k bears commitment fees of 1.80% per annum. Any amount drawn under this facility bears a coupon of CHF LIBOR + 4.5% per annum.

The Ancillary facility of CHF 15,000k is currently drawn and bears a facility fee of 0.675% per annum. The Group has CHF 11,100k in guarantees outstanding under this Ancillary facility on which a fee of 2.16% per annum is charged.

E: Credit risks

Credit risks arise when a customer or a counterparty may fail to perform its contractual obligations. The maximum exposure to credit risk is represented by the carrying value of each financial asset, including derivative financial instruments, in the consolidated statement of financial position.

The credit risk arising from supplying telecommunication services is handled by assessing the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The Group periodically assesses the financial reliability of its customer and their credit limits.

Concentrations of credit risk with respect to trade receivables are limited due to the Group's wide distribution of customers (see note 16 for detailed information on receivables). On a regular basis, trade accounts receivable are sold without recourse.

The Company is exposed to credit risk in the event of non-performance by its counterparties on its interest rate and cross currency interest rate swap contracts. Credit risk arising from financial transactions is managed through diversification. The Group does not expect any counterparties to fail to meet their obligations, given their high credit rating. The market positions with each counter party are monitored to ensure an adequate diversification of risk.

Sunrise's cash and cash equivalents comprise primarily short-term bank deposits with mainly Swiss banks, having a high credit rating. Sunrise Communications AG and its subsidiaries have, as part of the Senior Revolving Credit Facilities Agreement, pledged their bank accounts.

F: Capital management

The Group's objectives when managing capital are to secure the Group's ongoing financial needs to continue as going concern as well as to cater for its growth targets in order to provide returns to shareholders and to maintain a cost-efficient and risk-optimized capital structure.

The Group's managed capital structure consists of equity (as disclosed in note 19), current and non-current borrowings (see note 20) less cash and cash equivalents.

In order to maintain this capital structure, the Group manages its liquidity to ensure it is able to service its borrowings. The group monitors its capital on an ongoing basis using the covenants defined by the Senior Revolving Credit Facilities Agreement.

G: Fair value estimation

The fair value of current financial assets and liabilities at amortized cost are assumed to approximate their carrying amounts due to the short-term nature of these financial instruments.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Fair value hierarchy

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data).

The table below shows a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the consolidated financial statements:

	Measurement Principle	December 31, 2012 Fair value	December 31, 2012 Carrying value	December 31, 2011 Fair value	December 31, 2011 Carrying value
Cash	Amortized Cost	170,601	170,601	485,387	485,387
Other financial assets	Amortized Cost			100,102	100,102
Trade and other receivables	Amortized Cost	336,058	336,058	323,057	323,057
Other non-current assets	Amortized Cost	153	153	13,305	13,305
Derivative assets – held to trading	Fair Value – Level 2	32,403	32,403	60	60
Total financial assets		**539,215**	**539,215**	**921,911**	**921,911**
Trade payables and other payables	Amortized Cost	(594,904)	(594,904)	(395,020)	(395,020)
Loans and notes	Amortized Cost	(2,492,570)	(2,264,608)	(2,247,037)	(2,427,021)
Financial leases	Amortized Cost	(40,378)	(40,378)	(46,259)	(46,456)
Derivative liabilities – held for trading	Fair Value – Level 2	(3,303)	(3,303)	(2,396)	(2,396)
Derivative liabilities – held for hedging	Fair Value – Level 2	(172,210)	(172,210)	(200,595)	(200,595)
Other current liabilities	Amortized cost	(2,722)	(2,722)	(2,300)	(2,300)
Total financial liabilities		**(3,276,087)**	**(3,048,125)**	**(2,893,607)**	**(3,073,788)**

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

There have been no transfers between the different hierarchy levels in 2012 and 2011.

Note 25 Employee benefit obligations

The Company provides retirement benefits to its employees as required by Swiss law by means of a pension fund which is a separate legal entity and a pension plan operated by an external insurance company. The pension fund operates a basic pension plan for all staff and a supplemental plan for employees having an insured annual salary of more than CHF 150,000. All plans qualify as defined benefit plans under IAS 19. Future pension benefits are based primarily on years of credited service and on contributions made by the employee and employer over the service period which vary according to age as a percentage of insured salary. The rate of annual interest credited to employees' accounts on the balance representing the minimum amount required under the pension law is defined by the Swiss government. In addition the conversion factor used to convert the accumulated capital on retirement into an annual pension is also defined by the Swiss government. In the case of overfunding it may be possible to a limited extent to reduce the level of contributions by both employer and employee. A distribution of excess funds from the pension fund to the company is not possible.

		CHFk
Pension (costs)/income resulting from defined benefit plans	2012	2011
Current service costs	(17,458)	(12,695)
Interest cost on defined benefit obligation	(7,083)	(5,788)
Expected return on plan assets	7,145	6,372
Past service costs	98	-
Curtailments and settlements	6,428	-
Pension costs recognized in the Statement of Income	**(10,870)**	**(12,111)**

		CHFk
Assets and obligations	2012	2011
Fair value of plan assets	(221,749)	(218,405)
Defined benefit obligation	303,179	294,762
Employee benefit obligations recognized in the Statement of Financial Position	**81,430**	**76,357**
Movement in defined benefit obligations		
Balance at January 1	294,762	209,165
Additions from acquisition of subsidiaries	-	47,439
Current service cost	17,458	12,695
Past service cost	(98)	-
Interest cost on defined benefit obligation	7,083	5,788
Actuarial loss	12,255	27,152
Employee contributions	11,226	9,151
Benefits paid / transferred	(33,079)	(16,628)
Curtailment	(6,428)	-
Balance at December 31	**303'179**	**294,762**
Movement in fair value of plan assets		
Balance at January 1	218,405	165,675
Additions from acquisition of subsidiaries	-	43,456
Expected return on plan assets	7,145	6,372
Actuarial gain/(loss)	668	(3,781)
Company contributions	17,391	14,160
Employee contributions	11,226	9,151
Benefits paid	(33,086)	(16,628)
Balance at December 31	**221,749**	**218,405**

Asset allocation of plan assets	%	
	2012	2011
Equity securities	26.7	26.8
Debt securities	42.9	41.7
Real estate	10.6	11.2
Other	19.8	20.3
Total	**100.0**	**100.0**

Plan assets did not include any property used by Group companies at December 31, 2012. Further the defined benefit plans do not hold any shares of Sunrise Communications Holdings S.A.

The overall expected rate of return on plan assets is determined based on the market prices prevailing at the reporting date. For the period ended December 31, 2012, the actual return on plan assets was 3.58% (2011: 1.56%).

Principal actuarial assumptions	%	
	2012	2011
Discount rate	2.00	2.50
Expected return on plan assets	3.75	3.75
Future salary increases	2.00	2.00
Mortality	BVG 2010	BVG 2010

Year-on-year comparison	CHFk		
	2012	2011	2010
Fair Value of plan assets	(221,749)	(218,405)	(165,675)
Defined benefit obligation	303,719	294,762	209,165
Liability	**81,430**	**76,357**	**43,490**
Experience adjustments on plan assets	668	(3,781)	441
Experience adjustments on defined benefit obligations	3,239	11,782)	392

For 2013, the projected Group's contributions to its pension funds amount to CHF 15,186k.

Note 26 Net change in working capital	CHFk	
	2012	2011
Change in inventories	(7,397)	(2,451)
Change in receivables	7,887	7,991
Change in trade payables	(27,955)	18,925
Change in other items, net	(8,401)	(4,187)
Total	**(35,866)**	**20,278**

Note 27 Business Combinations

On November 10, 2011, Sunrise Communications AG acquired 100 % of the common shares of Business Sunrise Enterprise Solutions GmbH (formerly known as NextiraOne Schweiz GmbH), a network solutions provider helping organizations run their business more effectively. With the acquisition of the leading Swiss company for integration business, Sunrise strengthened its position in the Business market. The combination of both companies under the Business Sunrise brand created a full service provider for small, medium and large enterprises in all industries, enabling services like cloud computing. The Goodwill of CHF 43,881k arising from the acquisition is attributable to acquired customer base (which cannot be separately identified) and workforce representing assets which could not be separately recognized as part of the purchase price allocation. The goodwill is not deductible for tax purposes.

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

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

Note 28 Derivatives CHFk

At December 31, 2011 and 2012, the following derivative financial instruments were recognized in the consolidated statement of financial position:

	2012 Notional amount CHFk	2011 Notional amount CHFk	2012 Fair value assets	2012 Fair value liabilities	2011 Fair value assets	2011 Fair value liabilities
Cross currency interest rate swaps – fixed rate borrowings[1)]	1,418,076	1,256,198		(172,210)		(187,175)
Cross currency interest rate swaps – variable rate borrowings [2)]	-	100,000		-		(2,758)
Total cash flow hedges	**1,418,076**	**1,356,198**		**(172,210)**		**(189,933)**
Cross currency interest rate swaps – variable rate borrowings[2)]	-	100,000		-		(10,662)
Total fair value hedges	**-**	**100,000**		**-**		**(10,662)**
Interest rate cap	100,000	500,000	-		60	
Interest rate swap	100,000	100,000		(833)		(1,650)
Cross currency interest rate swaps – variable rate borrowings [3)]	-	224,480		-		(746)
Cross currency interest rate swaps – variable rate borrowings [4)]	200,570	-		(2,470)		-
Embedded derivatives [5)]		-	32,403		-	
Total held for trading	**400,570**	**824,480**	**32,403**	**(3,303)**	**60**	**(2,396)**
Total derivatives			**32,403**	**(175,513)**	**60**	**(202,991)**

[1)] Cross currency interest rate swaps related to Senior Secured Notes EUR 371 million, Senior Notes EUR 561 million, Senior Secured Notes EUR 125 million
[2)] Cross currency interest rate swaps related to Term Loan B1 EUR
[3)] Cross currency interest rate swap related to Term Loan B4 EUR
[4)] Cross currency interest rate swap related to Floating Rate Note EUR 167 million
[5)] Embedded derivatives represent early redemption options related to financial instruments issued by the Group

	2012	2011
Cash flow hedges – movement in hedge reserve	(22,147)	(31,325)
Cash flow hedges – ineffectiveness	399	(2,130)
Fair value hedges	8,937	(2,468)
Total impact of hedging derivatives in the Statement of Income	**(12,811)**	**(35,923)**
Impact of interest rate derivatives – held for trading in the Statement of Income	770	(3,191)
Impact of embedded derivatives in the Statement of Income	32,403	
Total impact of derivatives in the Statement of Income	**20,362**	**(39,114)**

The amount recognized in other comprehensive income relating to cash flow hedges amounted to CHFk 39,471 in 2012 (2011: CHFk 2,373)

The full fair value of a hedging derivative is classified as a non current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months. All the Group's derivatives are classified as non current at December 31, 2012.

Cross Currency Interest Rate Swaps – fixed rate borrowings

The Group has entered into cross currency principal and interest rate swap agreements on EUR 371,000k of notes payable, bearing interest at 7.0%, due December 2017, and on EUR 561,000k of notes payable, bearing interest at 8.5%, due December 2018.

As part of the refinancing transaction in July 2012 and the redemption of term loan agreements, the Group restructured existing cross currency principal and interest rate swaps agreements and entered into new cross currency principal and interest rate swaps agreements on EUR 125,000k of notes payable, bearing interest at 7% due December 2017. The swaps are designated as partial term cash flow hedges and have a maturity of December 31, 2015.

The ineffective portion recognized in the profit or loss that arises from cash flow hedges amounts to a gain of CHF 399k (2011: loss of CHF 2,130k). Hedge ineffectiveness is recognized in 'net financial items'.

Cross Currency Interest Rate Swaps – variable rate borrowings

As part of the refinancing transaction in July 2012, the Group restructured existing cross currency principal and interest rate swaps agreements and entered into new cross currency principal and interest rate swaps agreements on EUR 167,000k of notes payable, bearing interest at EURIBOR +4.75%, due December 2017. The group pays CHF LIBOR +5.8025%. The swap has a maturity date of September 30, 2014 and is considered a partial term hedge. The Group did not apply hedge accounting to this instrument and classified the cross currency interest rate swap as held for trading. The fair value movements are recognized in the statement of income (refer to note 12 'net financial items').

Interest Rate Cap

The Group entered into an option contract to hedge the interest rate on its term loan facilities. For a fixed premium it has purchased the right to receive interest based on CHF LIBOR when CHF LIBOR exceeds a strike price of 0.75%. The instrument effectively caps the Group's variable interest rate exposure on its variable interest rate facilities. The notional amount of this derivative at December 31, 2012 was CHF 100,000k and its fair value equaled CHF 0 at the reporting date. The Group did not apply hedge accounting to this instrument and classified as the cross currency interest rate swap as held for trading. The fair value movements are recognized in the statement of income (refer to note 12 'net financial items').

Interest Rate Swaps

Interest rate swaps are recognized in the statement of financial position at their fair value, reflecting the estimated amount the Group would receive or pay if forced to settle these contracts at the year end using market interest rates. At the reporting date, the Group did not have any intention to settle these contracts before maturity.

The Company has entered into an interest rate swap agreement to receive interest based on CHF LIBOR and to pay interest at the rate of 0.78%. The Group did not apply hedge accounting to this instrument and classified as the cross currency interest rate swap as held for trading. The fair value movements are recognized in the statement of income (refer to note 12 'net financial items').

Note 29 IFRS 2 – Share-based paymen
t

Certain managers and all employees of Sunrise Communications AG can participate in investment programs (management equity program and employee participation program) to align their interests with those of the shareholders. Mobile Challenger Group S.à r.l., through the Co-Investment Committee of New Dawn MEP HoldCo S.à r.l., sold equity instruments in New Dawn MEP Issuer Co. S.A. and New Dawn MEP EPP Issuer Co. S.A. to participating managers and employees of Sunrise Communications AG. Members of these programs have invested in those instruments at fair value, mirroring conditions of the current ultimate shareholder. Members will receive similar conditions as the current ultimate shareholder upon exit, while managers are subject to certain vesting conditions (minimum service period). The programs fall under the scope of IFRS 2 – Share-based payment, and qualify as equity settled plans at the Sunrise Communications Holdings S.A. level. No expense was recognized in the reporting period and there is no outstanding balance as of December 31, 2012 in relation to these programs. The shares sold to participants have been granted at fair value by selling existing shares and thus not diluting the investments of existing shareholders.

Note 30 Overview of Group companies at December 31, 2012

Company name	Operating purpose	Domicile	Currency	Voting rights	Consolidation method
Sunrise Communications Holdings S. A.	Holding	Luxembourg	CHF		
Sunrise Communications International S. A.	Subholding	Luxembourg	CHF	100.0	Full
Skylight S.à r.l.	Subholding	Luxembourg	CHF	100.0	Full
Sunrise Communications AG	Telcommunication Services	Zurich, Switzerland	CHF	100.0	Full
Telcommunication Services AG	Telcommunication Services	Zurich, Switzerland	CHF	100.0	Full

Note 31 Related parties

Name of related party	Nature of relationship	Domicile
Mobile Challenger Group S.à r.l.[1)]	Ultimate holding company	Luxembourg
New Dawn MEP HoldCo S.à r.l.	Subsidiary of ultimate holding company	Luxembourg
New Dawn MEP Issuer Co. S.A.	Subsidiary of New Dawn MEP Holder S.à r.l.	Luxembourg
New Dawn MEP EPP Issuer Co. S.A.	Subsidiary of New Dawn MEP Holder S.à r.l.	Luxembourg
Mobile Challenger Intermediate Group S.A.	100% shareholder of Sunrise Communications Holding S.A.	Luxembourg
Pensionskasse Sunrise Communications AG	Pension fund	Zurich

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

During the reporting period, the Group repaid PECs and accrued interests in the amount of CHF 86.8 million to Mobile Challenger Intermediate Group S.A. which used the proceeds to repay EUR 69.0 million of PIK plus accrued interests. Other than this, no further significant related party transactions between the Group and the above listed related parties took place during the reporting period.

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

Name	Function
Board of Directors	
Lorne R. Somerville	Director
Dr. Daniel Pindur	Director
Emanuela Brero	Director
Manuel Mouget	Director
Stefan Oostvogels	Director

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

Name	Function
Board of Directors	
Dr. Dominik Koechlin	President
Lorne Somerville	Vice President
Siddharth Patel	Member
Dr. Daniel Pindur	Member
Jean-Rémy Roussel	Member

Management Board	
Oliver Steil (replaced by Libor Voncina, see note 34)	Chief Executive Officer (CEO)
André Krause	Chief Financial Officer (CFO)
Rolf Kühne	Chief Technology Officer (CTO)
Stefan Wegener	Chief Information Officer (CIO)
Hans Jörg Denzler	Chief Commercial Officer (CCO)

As described in note 29, certain managers and employees of Sunrise Communications AG participate in a management equity program and employee participation program involving Sunrise Communications Holdings S.A.'s parent entities. The Sunrise Communications Holdings Group does not have any contractual or constructive obligation to the members with respect to these programs. The Sunrise Communications Holdings Group performs some ongoing administrative services related to the programs.

Note 32 Other financial commitments

CHFk

	2012	2011
Non-cancelable lease commitments for operating leases[1]		
Rental expense relating to properties and mobile sites in the period of interminability	243,713	259,466
Lease commitments for machinery, equipment, computers and other equipment	4,136	5,946
Total	**247,849**	**265,412**
which can be specified as follows:		
Less than 6 months	35,196	36,537
Between 6 and 12 months	30,438	30,665
Between 1 and 2 years	49,316	50,044
Between 2 and 5 years	58,639	63,157
Over 5 years	74,260	85,009
Total	**247,849**	**265,412**
Total rental expense recognized for all operating leases		
Minimum lease payments	78,608	81,477
Sublease receipts	(3,606)	(3,322)
Total	**75,002**	**78,155**
Capital and purchase commitments[2]	273,196	102,227

[1] Operating leases, for which Sunrise is the lessee, are related primarily to agreements on fiber networks and sea cables, and agreements on property leases and mobile sites.
[2] Capital and purchase commitments relate mainly to investments in property, plant and equipment and intangibles as well to commitments related to outsourcing agreements.

Note 33 Contingencies

Contingent liabilities
The Sunrise Group is party to certain pending lawsuits and cases pending with public authorities and complaints boards. Based on a legal assessment of the possible outcome of each of these lawsuits and cases, Management is of the opinion that these will have no significant adverse effect on the Sunrise Group's financial position.

Under the terms of the Senior Revolving Credit Facility Agreement, entities of the Group are guarantors. The maximum guarantee amounts to the value of the shares and the preferred equity certificates (note 19), trade receivables (note 16) and certain insurance claims, the material intellectual property rights (note 14) and cash and financial assets (note 24). The guarantee amounts to CHF 1,496 million at December 31, 2012 (2011: CHF 1,996 million).

Note 34 Events after the balance sheet date

Change in Management Board of Sunrise Communications AG

On January 17th, 2013, Sunrise Communications AG announced that Libor Voncina replaced Oliver Steil as CEO. Timm Degenhardt joined the Sunrise Management Board as Chief Marketing Officer on February 4th, 2013.

Material contracts

In February 2013, Sunrise Communications AG entered into multiple supply contracts with a minimal financial commitment of CHF 67.1 million.

Material affiliate transactions

On February 22nd, 2013, the Group repaid PECs and accrued interests in the amount of CHF 20.5 million to Mobile Challenger Intermediate Group S.A. which used the proceeds to repay the outstanding amount of EUR 16.4 million of PIK plus accrued interests.

Ernst & Young
Société anonyme
7, rue Gabriel Lippmann
Parc d'Activité Syrdall 2
L-5365 Munsbach
B.P. 780
L-2017 Luxembourg
Tel: +352 42 124 1
Fax: +352 42 124 5555
www.ey.com/luxembourg

R.C.S. Luxembourg B 47 771
TVA LU 16063074

Independent auditor's report

To the Sole Shareholder of
Sunrise Communications Holdings S.A.
20, avenue Monterey
L-2163 Luxembourg

Report on the consolidated financial statements

Following our appointment by the General Meeting of the Sole Shareholder dated 15 May 2012, we have audited the accompanying consolidated financial statements Sunrise Communications Holdings S.A., which comprise the consolidated statement of financial position as at 31 December 2012, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

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

Responsibility of the "réviseur d'entreprises agréé"

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Sunrise Communications Holdings S.A. as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

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

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé

Jeannot WEYER

Luxembourg, 6 March 2013