Sunrise Communications Holdings S.A.

Interim Financial Report for the six-month period ended June 30, 2013

Facts & Figures

	January 1 - June 30, 2013	January 1 - June 30, 2012	April 1 - June 30, 2013	April 1 - June 30, 2012
Results of Operations				
(in '000 CHF, except where indicated)				
Revenue				
Mobile	612'876	639'378	309'329	322'165
Landline Services	274'355	294'157	139'336	146'463
thereof voice hubbing	*68'529*	*67'330*	*36'159*	*35'584*
Landline Internet	97'099	89'562	49'138	45'186
Total Revenue	984'330	1'023'097	497'803	513'814
Revenue (excluding hubbing)	*915'801*	*955'767*	*461'644*	*478'230*
EBITDA[1)]	292'033	311'257	150'791	159'243
EBITDA margin (%)	29.7%	30.4%	30.3%	31.0%
EBITDA margin (excluding voice hubbing) (%)	31.9%	32.6%	32.7%	33.3%
Subscriber Base (end of period)				
(in thousands)				
Mobile subscriber base (excl. M2M)	2'116.0	2'116.8		
Landline voice subscriber base	456.7	486.8		
Landline Internet subscriber base	360.6	372.3		
thereof XDSL	358.4	369.2		
thereof LLU	237.3	280.8		
ARPU				
(in CHF/month)				
Mobile Services	41.6	44.3	42.2	44.9
Landline Voice Services	42.2	44.4	42.0	44.0
Landline Internet Services	36.8	35.8	37.4	35.9
Employees				
FTEs	1'684	1'948	-	-
Apprentices	87	68		

[1)] EBITDA stands for: operating income before depreciation and amortisation, net financial result and income tax expense.

Table of contents

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 six months ended June 30, 2013. 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 and wholesale voice, business services), landline Internet and IPTV services to both residential and business customers as well as to other operators. We are the leading non-incumbent operator in both the mobile and landline retail voice markets, with 2’116.0 thousand and 456.7 thousand subscribers respectively, as of June 30, 2013. We are also the third-largest landline Internet provider with 360.6 thousand subscribers, including Sunrise TV subscribers, as of June 30, 2013. We provide our landline services through our national landline network and our mobile services through our own mobile network based on GSM/GPRS/EDGE, UMTS/HSPA and LTE technologies.

Financial Data

The financial data in this report covers the period from January 1 to June 30, 2013.

Comparative figures for the three- and the six-month periods ended June 30, 2012 are based on unaudited condensed consolidated interim financial statements of the Group for the three and six month periods ended June 30, 2012.

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.

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

Revenue

The Group's total revenue decreased year-on-year by 3.8% or CHF 38.8 million and amounted to CHF 984.3 million for the six month period ended June 30, 2013. The decrease in revenue was primarily attributable to a decrease in mobile revenue of CHF 26.5 million and a decrease in landline service revenue of CHF 19.8 million partially offset by an increase in Internet service revenue of CHF 7.5 million.

During the second quarter of the year 2013 we generated net revenues of CHF 497.8 million, a decrease of CHF 16.0 million or 3.1% compared with the same period in prior year.

Mobile

Mobile revenue fell by 4.1% to CHF 612.9 million from CHF 639.4 million for the six months ended June 30, 2013. Mobile revenues decreased from CHF 322.2 million to CHF 309.3 million in the second quarter ending June 30, 2013 – a decrease of CHF 12.9 million or 4.0% primarily driven by lower postpaid and roaming revenues. The postpaid revenue decrease was mainly driven by the price reductions introduced in July 2012 and was only partially compensated by a higher subscriber base. Prepaid revenues decreased due to a decrease in subscriber base.

Landline Services

Landline services revenue decreased from CHF 294.2 million to CHF 274.4 for the six months ended June 30, 2013, a year-on-year decrease of CHF 19.8 million, or 6.7%. Quarter-over-quarter, landline service revenue decreased from CHF 146.5 million to CHF 139.3 or 4.9%. The decrease is primarily attributable to a decrease in customer base and declining retail voice revenues.

Landline Internet

Landline Internet revenue increased year-on-year from CHF 89.6 million to CHF 97.1 million, or 8.4% for the six months ended June 30, 2013. The Group reports a quarter-over-quarter increase in landline Internet revenue of 8.6% from CHF 45.2 million to CHF 49.1 million. The increase in landline Internet revenue was primarily attributable to the growth of our IPTV customer base.

Transmission Costs and Cost of Goods Sold

Transmission costs and cost of goods sold amounted to CHF 310.1 million for the six months ended June 30, 2013, an year-on-year decrease of CHF 10.0 million, or 3.1%, from CHF 320.1 million. The decrease is mainly driven by lower volume of handsets sold, lower traffic volumes generated by a lower prepaid customer base and a decrease in cost of goods sold related to integration products.

Other Operating Expenses

During the six-month period ended June 30, 2013 other external expenses decreased by CHF 10.9 million, or by 3.7%, from CHF 297.3 million to CHF 286.4 million. The decrease in other operating expenses is primarily attributable to lower marketing expenses (the Group launched Sunrise TV in prior year) which is partially offset by higher system and maintenance expenses incurred during the six month period ended June 30, 2013.

Wages, Salaries and Pension Costs

Wages, salaries and pension costs were CHF 106.4 million for the six-month period ended June 30, 2013, a year-on-year decrease of CHF 9.3 million, or 8.0%, from CHF 115.7 million which is primarily driven by a decrease of FTEs.

As required by the International Financial Reporting Standards (IFRS) the Group adopted IAS 19R – Employee Benefits as of January 1, 2013. The change was applied retrospectively in compliance with IAS 8. Therefore, the statements of financial position, the consolidated statements of income, the statement of cash flow and the statements of changes in equity were restated. Following the application of IAS 19R, the Group reassessed its employee benefit obligations and recognized a year-on-year decrease of employee benefit obligations of CHF 5.9 million as of June 30, 2013 and a decrease in net income in 2012 amounting to CHF 1.4 million (for further details with respect to the financial impact of IAS 19R refer to Note 4).

Other Income and Expenses, net

Other income and expenses, net were CHF 10.7 million for the six month period ended June 30, 2013, a decrease of CHF 10.6 million, from CHF 21.3 million for the six-month period ended June 30, 2012. The decrease in other income and expenses, net was primarily attributable to a decrease of aperiodic settlements of charges for access services as well as a decrease of costs related to the change of the Managed Service Provider (MSP).

EBITDA

The Group generated an EBITDA of CHF 292.0 million, a year-on-year decrease of CHF 19.3 million, or 6.2%, from CHF 311.3 million for the six months ended June 30, 2013. The EBITDA decrease is primarily driven by a decrease in revenue and other income and expenses, net, partially offset by lower operating expenses.

Depreciation and Amortization

Depreciation and amortization recorded during the six-month period ending June 30, 2013 increased to CHF 249.4 million from CHF 180.1 million, a year-on-year increase of CHF 69.3 million, or 38.5%. The increase in depreciation and amortization was primarily driven by non-recurring write-offs of CHF 39.2 million related to the replacement of our mobile radio network with multi standard radio equipment performed during the first half of 2013 and the amortization of the spectrum license (CHF 15.2 million) acquired in July 2012.

Net Income

The Group reported a net loss of CHF 66.5 million for the six-month period ended June 30, 2013, a year-on-year decrease of CHF 85.5 million from a net income of CHF 19.1 million. The decrease in mainly attributable to a an increase in depreciation and amortization of CHF 69.3 million, a decrease in EBITDA of CHF 19.2 million and a non-cash effective fair value adjustment of the embedded derivative amounting to CHF 12.1 million. These effects are partially offset by a year-on-year decrease of income taxes amounting to CHF 9.6 million.

Change in Networking Capital

Change in net working capital reported was a decrease of CHF 21.6 million for the six-month period ended June 30, 2013 compared to a decrease of CHF 119.4 million reported for the same period in prior year. The decrease of net working capital was primarily attributable to changes in trade and other payables driven by a change in Capex spending patterns and favourable payment conditions negotiated as well as a decrease of provisions and inventories. This decrease was partially offset by an increase of trade and other receivables. Please refer to Note 13 for further information.

Liquidity and Capital Resources

The Group reported cash and cash equivalents amounting to CHF 298.8 million as of June 30, 2013, an increase of CHF 128.2 million compared to the cash position held by the Group as of December 31, 2012. The increase is primarily attributable to operational cash flow generated during the six-month period ended June 30, 2013 and the fact that the contractual interest payments for the loans and notes issued by the Group took place on July 1, 2013 due to the bank holdiday convention. Interest in the amount of CHF 76.5 million has been accrued as of June 30, 2013.

The Group's consolidated net debt position – consisting of floating rate notes, senior secured notes, senior notes and capital leases - amounted to CHF 2'333.4 million of which CHF 5.8 million are expected to be paid within 12 months (refer to note 10 for further details).

Certain Other Contractual Commitments

As June 30, 2013 the Group's other contractual commitments amounted to CHF 580.6 million relating to operating lease agreements, maintenance contracts as well as open purchase commitments.

Purchase Price Allocation (PPA) & Embedded derivatives

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

Following the refinancing transaction in July 2012, the Group recognized embedded derivatives in its financial statements. These embedded derivatives represent early redemption options related to financial instruments issued by the Group. The fair value of the embedded derivatives amounted to CHF 20.3 million as of June 30, 2013, a decrease of CHF 12.1 from CHF 32.4 reported as of December 31, 2012. The change in fair value is reported in the financial statement caption 'net financial items' in the table below.

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

Effect of fair value adjustments resulting from the acquisition of Sunrise Communications AG & embedded derivatives on the Condensed Consolidated Interim Statements of Income

	January 1 - June 30, 2013 Before FV adjustments & Embedded derivatives	January 1 - June 30, 2013 Impact of FV adjustments & Embedded derivatives	January 1 - June 30, 2013 Including FV adjustments & Embedded derivatives
Revenue	**984'920**	**(590)**	**984'330**
Transmission costs and cost of goods sold	(310'105)	-	(310'105)
Other operating expenses	(286'411)	-	(286'411)
Wages, salaries and pension costs	(106'441)	-	(106'441)
Total operating expenses before other income and expenses, depreciation and amortization	**(702'957)**	**-**	**(702'957)**
Other income	11'411	-	11'411
Other expenses	(751)	-	(751)
Income before depreciation and amortization, net financial items and income taxes	**292'623**	**(590)**	**292'033**
Amortization and depreciation	(171'672)	(77'733)	(249'405)
Operating income	**120'951**	**(78'323)**	**42'628**
Net financial items	**(91'311)**	**(12'102)**	**(103'413)**
Income/(loss) before income taxes	**29'640**	**(90'425)**	**(60'785)**
Income taxes	(2'553)	(3'117)	(5'670)
Net income/(loss)	**27'087**	**(93'542)**	**(66'455)**

This table has been added for clarify reasons on the operational performance of the Group.

Principal Factors Affecting Mobile Services Revenues

Mobile Subscriber Base and ARPU Development

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

Mobile Subscriber Base ‘000

	June 30, 2013	June 30, 2012
Subscribers at end of period(1)	2'116.0	2'116.8
Subscriber growth over prior period	*(0.0)%*	
Of which:		
Postpaid(1)(2)	1'191.2	1'145.6
Prepaid(1)(3)	924.8	971.2

(1) Excludes MVNO subscribers but includes reseller-originated and yallo subscribers. Excludes machine-to-machine SIM cards (M2M).
(2) Postpaid mobile subscribers are counted in our subscriber base as long as they have an active contract.
(3) Prepaid mobile subscribers are counted in our subscriber base if they have had an activity event, such as a usage or refill, within the last 91 days.

Mobile ARPU CHF/month

	January 1 - June 30, 2013	January 1 - June 30, 2012	April 1 - June 30, 2013	April 1 - June 30, 2012
Mobile ARPU(1)	41.6	44.3	42.2	44.9
Decrease over prior period	*(6.0)%*		*(6.0)%*	

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

The total number of our mobile subscribers decreased by 0.8 thousand, to 2.12 million as of June 30, 2013. New postpaid subscriber activations of 45.6 thousand during this period were primarily attributable to competitive flat rate and mobile data plans as well as attractive hardware offers. The total number of our prepaid customer decreased from 971.2 thousand to 924.8 thousand year-on-year. We attribute the decrease to a general decline in the national prepaid market and the migration from pre- to postpaid. Applying a 12-month activity rule on prepaid (as reported by Swisscom and Orange CH), our prepaid subscriber base as of June 30, 2013 would be 1’502.1 thousand and our total mobile subscriber base would amount to 2’693.3 thousand.

Mobile ARPU decreased by CHF 2.7, or 6.0%, to CHF 41.6 for the six-month period ended June 30, 2013, from CHF 44.3 for the six-month period June 30, 2012. The ARPU decrease is primarily driven by the mobile price reductions introduced in 2012 resulting in new customers joining with lower ARPUs and existing customers migrating to our new competitive flat rate and mobile data plans. We believe that the majority of our customers eligible for a migration to our new price plans have already migrated.

Mobile Churn

Our prepaid and postpaid blended mobile churn rate for the six-month period ended June 30, 2013 increased to 18.8% from 18.2% year-on-year, which we attribute primarily to an increased churn in our prepaid segment, partly due to pre- to postpaid migrations.

Mobile Termination Rates

The applicable mobile termination rates for 2013 and 2012 are CHF 0.07 per minute for mobile calls terminating on Swisscom’s mobile network and CHF 0.0875 per minute for mobile calls terminating on either Orange’s network or our network. Starting July 1, 2013 the applicable mobile termination rates for calls terminating on Swisscom’s mobile network amount to CHF 0.065 per minute and those for calls terminating on Orange’s network amount to CHF 0.0825 per minute.

Principal Factors Affecting Landline Services Revenues

Subscriber Base

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

Retail Voice Subscriber Base (1)		'000
	June 30, 2013	June 30, 2012
Retail Voice	456.7	486.8
Decrease over prior period	*(6.2)%*	
Of which:		
LLU	237.3	280.8
Decrease over prior period	(15.5)%	

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

The total number of our retail voice subscribers decreased by 30.1 thousand, or 6.2%, as of June 30, 2013 to 456.7 thousand from 486.8 thousand as of June 30, 2012. We attribute the decrease to the departure of retail voice-only CPS customers; including customers acquired as part of the acquisition of Tele2 Switzerland in 2008 as well as clients churning from our retail voice network off the Sunrise network or are substituting their service with mobile services.

ARPU

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

Landline Services ARPU				CHF / month
	January 1 - June 30, 2013	January 1 - June 30, 2012	April 1 - June 30, 2013	April 1 - June 30, 2012
Retail Voice ARPU (1)	42.2	44.4	42.0	44.0
Decrease over prior period	*(5.1)%*		*(4.6)%*	

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

Retail voice ARPU decreased year-on-year by CHF 2.2 or 5.1% to CHF 42.2 for the six-month period ended June 30, 2013, from CHF 42.0. We attribute the year-on-year decrease for the six-month period primarily to the reduction in voice volumes.

Principal Factors Affecting Landline Internet Revenues

Subscriber Base

The table below sets forth selected subscriber data for our landline Internet subscribers, including Sunrise TV subscribers.

Landline Internet Subscriber Base[(1)] ‘000	June 30, 2013	June 30, 2012
Landline internet	360.6	372.3
Decrease over period	*(3.1)%*	
Of which:		
Broadband BBCS	121.1	88.4
Increase over period	*37.0%*	
Broadband LLU	237.3	280.8
Decrease over period	*(15.5)%*	
Sunrise TV [(2)]	58.1	N/A

(1) In our landline Internet business, we report broadband connectivity services (BBCS) subscribers without ARB based on technical installations, while we report BBCS subscribers with ARB and LLU subscribers based on the number of active contracts. We currently pay fees to Swisscom of CHF 15.80 per month for each LLU line and CHF 28.00 per month for each BBCS line.
(2) Sunrise TV was launched end of March 2012.

The total number of our landline Internet subscribers fell year-on-year by 11.7 thousand or 3.1%, from 372.3 thousand to 360.6 thousand as of June 30, 2013 year-on-year. The total number of broadband subscribers, including both LLU and BBCS services likewise decreased by 10.8 thousand or 2.9% to 358.4 from 369.2, for the period ending June 30, 2013 compared to the same period in prior year.

The decline of LLU customers subscribing to ADSL products was only partially offset by an increase of BBCS customers using high-bandwidth VDSL products (i.e. TV customers bundling voice/Internet and IPTV).

ARPU

The table below sets forth our landline Internet, including Sunrise TV ARPU for the periods indicated.

Landline Internet ARPU CHF / month	January 1 - June 30, 2013	January 1 - June 30, 2012	April 1 - June 30, 2013	April 1 - June 30, 2012
Landline Internet ARPU [(1)]	36.8	35.8	37.4	35.9
Growth over period	*2.9%*		*4.2%*	
Blended Internet ARPU [(2)]	40.2	-	41.1	N/A

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

Landline Internet ARPU increased by 1.0 CHF or 2.9% from CHF 35.8 to CHF 36.8 year-on-year driven by Sunrise TV customers.

Material affiliate transactions

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

Material contractual arrangements

There were no material changes to the Group's contractual arrangements during the 2nd quarter 2013.

Material debt instruments

On July 4, 2013 Sunrise utilized CHF 95 million under the Revolving Credit Facility to fund the acquisitions of Lebara GmbH. (refer to the note 18 – events after the balance sheet date for further details).

Credit Ratings

There were no changes to the Group's credit rating in the 2nd quarter of the year ending June 30, 2013.

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 which is scheduled for the 4th quarter 2013. The recent development on the FX market and the strong Swiss franc do 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

In April 2013, Sebastian Prange joined as Chief Sales Officer (CSO) and Elmar Grasser joined as Chief Operating Officer (COO) the Sunrise Management Board. In April, Sunrise also announced that Rolf Kühne, Chief Technology Officer (CTO) decided to leave the Management Board as of May 1, 2013.

In June 2013 Sunrise announced that Detlef Steinmetz will assume the function of Chief Information Officer (CIO) as a member of the Sunrise Management Board and will replace Stefan Wegener who has served as interim CIO since May 2012.

In June 2013 Sunrise launched 4G/LTE services which allow the Group's mobile customers to surf the Internet with speeds up to 100 Mbit/s. Initially, Sunrise will reach more than 22% of its customers with services on the 4th generation network. The LTE coverage will be expanded on a continuous basis – by the end of October 2013 Sunrise expects to cover 50% of its customer base.

Acquisition, disposals and recapitalizations

Sunrise Communications AG signed a share purchase agreement for the acquisition of the shares of Lebara GmbH, Switzerland. The closing of the transaction occurred on July 1, 2013, the date on which the legal ownership and the control of the shares was transferred to Sunrise Communications AG.

Refer to the note 18 – events after the balance sheet date for further details.

Sunrise Communications Holdings S.A.

Condensed consolidated interim financial statements for the six-month period ended June 30, 2013 (unaudited)

Condensed Consolidated Interim Statements of Income | CHFk

	Note	January 1 - June 30, 2013 Unaudited	January 1 - June 30, 2012 Unaudited *Restated**	April 1 - June 30, 2013 Unaudited	April 1 - June 30, 2012 Unaudited *Restated**
Revenue	**5,6**	**984'330**	**1'023'097**	**497'803**	**513'814**
Transmission costs and cost of goods sold		(310'105)	(320'097)	(159'891)	(160'386)
Other operating expenses		(286'411)	(297'292)	(138'196)	(151'296)
Wages, salaries and pension costs		(106'441)	(115'709)	(54'138)	(59'326)
Total operating expenses before other income and expenses, depreciation and amortization		**(702'957)**	**(733'098)**	**(352'225)**	**(371'008)**
Other income	7	11'411	33'027	5'424	28'206
Other expenses	7	(751)	(11'769)	(211)	(11'769)
Income before depreciation and amortization, net financial items and income taxes		**292'033**	**311'257**	**150'791**	**159'243**
Amortization		(114'815)	(96'155)	(58'168)	(48'369)
Depreciation		(134'590)	(83'954)	(74'559)	(41'845)
Operating income		**42'628**	**131'148**	**18'064**	**69'029**
Foreign currency gains / (losses), net		(24'747)	15'946	(13'273)	2'954
Financial income		86'425	55'504	45'350	27'233
Financial expenses		(165'091)	(168'264)	(85'242)	(78'891)
Net financial items	**9**	**(103'413)**	**(96'814)**	**(53'165)**	**(48'704)**
Income / (loss) before income taxes		**(60'785)**	**34'334**	**(35'101)**	**20'325**
Income taxes		(5'670)	(15'312)	(2'842)	(10'934)
Net (loss) / income		**(66'455)**	**19'022**	**(37'943)**	**9'391**
Net (loss) / income attributable to equity holders of the Company		**(66'455)**	**19'022**	**(37'943)**	**9'391**

* Certain amounts above do not correspond to the consolidated interim financial statements as of June 30, 2012 as they include the adjustments detailed in Note 4.

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

Condensed Consolidated Interim Statements of Comprehensive Income CHFk

	Note	January 1 - June 30, 2013 Unaudited	January 1 - June 30, 2012 Unaudited *Restated**	April 1 - June 30, 2013 Unaudited	April 1 - June 30, 2012 Unaudited *Restated**
Net (loss) / income		**(66'455)**	**19'022**	**(37'943)**	**9'391**
Actuarial gains / (losses) related to defined benefit pension plans		3'704	(7'216)	3'704	(7'216)
Income tax effect		(778)	1'558	(778)	1'558
Net other comprehensive income not to be reclassified to profit and loss in subsquent periods		**2'926**	**(5'658)**	**2'926**	**(5'658)**
Cash flow hedge gains		12'241	18'065	6'340	5'329
Income tax effect		37	(110)	137	(42)
Net other comprehensive income to be reclassified to profit and loss in subsquent periods		**12'278**	**17'955**	**6'477**	**5'287**
Other comprehensive income / (loss), net of tax		**15'204**	**12'297**	**9'403**	**(371)**
Total comprehensive (loss) / income		**(51'251)**	**31'319**	**(28'540)**	**9'020**
Comprehensive (loss) / income attributable to equity holders of the Company		**(51'251)**	**31'319**	**(28'540)**	**9'020**

* Certain amounts above do not correspond to the consolidated interim financial statements as of June 30, 2012 as they include the adjustments detailed in Note 4.

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

Condensed Consolidated Interim Statements of Financial Position

Assets	Note	June 30, 2013 Unaudited	December 31, 2012 Unaudited *Restated**
Non-current assets			
Intangible assets		2'747'726	2'849'595
Property, plant and equipment		891'421	935'957
Derivative financial assets	11	22'624	32'403
Other non-current assets		153	153
Total non-current assets		**3'661'924**	**3'818'108**
Current assets			
Inventories		40'815	35'792
Trade and other receivables		313'518	336'058
Prepaid expenses		29'341	24'665
Cash and cash equivalents		298'763	170'601
Total current assets		**682'437**	**567'116**
Total assets		**4'344'361**	**4'385'224**

CHFk

* Certain amounts above do not correspond to the annual consolidated financial statements as of December 31, 2012 as they include the adjustments detailed in Note 4.

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

Condensed Consolidated Interim Statements of Financial Position

Equity and liabilities			CHFk
	Note	June 30, 2013 Unaudited	December 31, 2012 Unaudited *Restated**
Equity			
Common shares, share premium and PECs	8	828'270	848'519
Valuation reserve		(15'580)	(27'858)
Accumulated deficit		(90'909)	(27'505)
Total equity		**721'781**	**793'156**
Non-current liabilities			
Loans and notes	10	2'294'901	2'264'608
Non-current portion of financial leases		32'729	34'744
Non-current trade and other payables	14	198'082	195'000
Deferred tax liabilities		245'436	241'795
Provisions		111'631	113'916
Employee benefit obligations		73'174	75'120
Derivative liabilities	11	135'707	175'513
Deferred income		17'562	17'483
Total non-current liabilities		**3'109'222**	**3'118'179**
Current liabilities			
Current portion of financial leases	10	5'813	5'634
Trade and other payables	14	432'528	369'904
Income tax payable		10'102	17'285
Deferred income		37'503	46'676
Provisions		25'656	31'668
Other current liabilities		1'755	2'722
Total current liabilities		**513'357**	**473'889**
Total liabilities		**3'622'579**	**3'592'068**
Total equity and liabilities		**4'344'360**	**4'385'224**

* Certain amounts above do not correspond to the annual consolidated financial statements as of December 31, 2012 as they include the adjustments detailed in Note 4.

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

Condensed Consolidated Interim Statements of Cash Flow — CHFk

	Note	January 1 - June 30, 2013 Unaudited	January 1 - June 30, 2012 Unaudited *Restated**	April 1 - June 30, 2013 Unaudited	April 1 - June 30, 2012 Unaudited *Restated**
Income before income taxes		**(60'785)**	**34'334**	**(35'101)**	**20'325**
Amortization		114'815	96'155	58'168	48'369
Depreciation		134'590	83'954	74'559	41'845
Gain on disposal of property, plant and equipment		(3)	-	(3)	-
Movement in pension		854	555	474	575
Movement in provisions		(6'860)	-	(2'898)	-
Change in net working capital	13	(21'571)	(119'420)	(900)	(5'044)
Cash flow from operating activities before net financial items and tax		**161'040**	**95'578**	**94'300**	**106'070**
Financial income	9	(86'425)	(55'504)	(45'350)	(27'233)
Financial expense	9	165'091	168'264	85'242	78'891
Foreign currency gains/(losses), net		23'950	(14'413)	13'514	(1'354)
Interest received		58'509	55'278	53'687	49'051
Interest paid	14	(65'954)	(140'993)	(60'987)	(120'132)
Corporate income and withholding tax paid		(9'111)	(31'584)	(7'055)	(12'940)
Total cash flow from operating activities		**247'100**	**76'626**	**133'351**	**72'353**
Purchase of property, plant and equipment		(84'847)	(53'635)	(51'752)	(35'237)
Purchase of intangible assets		(13'061)	(15'932)	(7'341)	(8'249)
Sale of property, plant and equipment		544	-	320	-
Short-term deposit reclassified to/from cash and cash equivalents during the period		-	100'052	-	100'052
Total cash flow used in investing activities		**(97'364)**	**30'485**	**(58'773)**	**56'566**
Redemption of PECs		(20'531)	-	-	-
Repayments of long-term loans and notes		-	(44'355)	-	(30'866)
Repayments of capital leases		(1'836)	(2'825)	(357)	(1'156)
Total cash flow used in financing activities		**(22'367)**	**(47'180)**	**(357)**	**(32'022)**
Total cash flow		**127'369**	**59'931**	**74'221**	**96'897**
Cash and cash equivalents at January 1		170'601	485'437		
Cash and cash equivalents at April 1				224'374	446'098
Foreign currency impact on cash		793	(2'336)	168	37
Cash and cash equivalents at June 30		**298'763**	**543'032**	**298'763**	**543'032**

* Certain amounts above do not correspond to the consolidated interim financial statements as of June 30, 2012 as they include the adjustments detailed in Note 4.

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

Consolidated Statements of Changes in Equity (unaudited) CHFk

	Common shares	Share premium	PECs	Valuation reserve	Accumulated deficit	Total
Equity at January 1, 2013	**1'000**	**125'876**	**721'643**	**(27'858)**	**(32'490)**	**788'171**
Restatement [1)]	-	-	-	-	4'985	4'985
Equity at January 1 restated	**1'000**	**125'876**	**721'643**	**(27'858)**	**(27'505)**	**793'156**
Loss for the period	-	-	-	-	(66'455)	(66'455)
Other comprehensive income	-	-	-	12'278	2'926	15'204
Total comprehensive loss	**-**	**-**	**-**	**12'278**	**(63'529)**	**(51'251)**
Prior year Reclassification	**-**	**-**	-	-	407	407
Repayment of PEC's	-	-	(20'249)	-	(282)	(20'531)
Equity attributable to the equity holders of the parent company at June 30, 2013	**1'000**	**125'876**	**701'394**	**(15'580)**	**(90'909)**	**721'781**

Consolidated Statements of Changes in Equity (unaudited) 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**
Restatement [1)]	**-**	**-**	**-**	**-**	3'766	**3'766**
Equity at January 1 restated	**1'000**	**125'876**	**805'698**	**(64'993)**	**(37'754)**	**829'827**
Net income for the period	-	-	-	-	19'022	19'022
Other comprehensive income	**-**	**-**	**-**	17'955	(5'658)	12'297
Total comprehensive income	**-**	**-**	**-**	**17'955**	**13'363**	**31'318**
Equity attributable to the equity holders of the parent company at June 30, 2012	**1'000**	**125'876**	**805'698**	**(47'038)**	**(24'391)**	**861'146**

[1)] Please refer to note 4 for further details related to the restatement.

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

Notes to Condensed Consolidated Interim Financial Statements

Overview

Note 1 General information

Sunrise Communications Holdings S.A. (the "Company" or the "Group") has its registered office at Avenue Monterey 20, L-2163 Luxembourg. Sunrise Communications Holdings S.A. holds indirectly 100% of its principal operating company, Sunrise Communications AG, which has its registered office at Binzmühlestrasse 130, CH-8050 Zurich, Switzerland.

Sunrise Communications AG is the second-largest full-range telecommunications provider in Switzerland, and offers mobile voice and data, landline services (retail and wholesale voice, business and integration services), landline Internet including IPTV services to both residential and business customers, as well as to other operators. Sunrise has its own national backbone landline and ISP network, as well as its own mobile network based on GSM/EDGE, UMTS/HSDPA and LTE technologies. In connection with the provision of services Sunrise resells handsets manufactured by 3rd party suppliers.

These condensed consolidated interim financial statements were approved for issue by the Company's Board of Directors on August 21, 2013.

Note 2 Basis of preparation

These financial statements are the condensed consolidated interim financial statements of Sunrise Communication Holdings S.A. as of and for the six months ended June 30, 2013. They have been prepared in accordance with IAS 34, "Interim financial reporting" – as adopted by the European Union. These condensed consolidated interim financial statements should be read in conjunction with the Consolidated Financial Statements for the year ended December 31, 2012.

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

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

Currency	Balance Sheet		Income Statement and Cash Flow	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Euro	1.2292	1.2012	1.2367	1.2226
USD Dollar	0.9450	0.9485	0.9427	0.9326

Note 3 Accounting estimates and judgments

Accounting estimates and judgments
The preparation of the condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Those estimates affect mainly provisions, goodwill impairment tests, employee benefit obligations, allowance for doubtful receivables, embedded derivatives and taxes. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the period ended December 31, 2012 except for the changes disclosed in Note 4.

Note 4 New accounting standards

The Group applied all standards and interpretations which had become effective for the financial year beginning January 1, 2013. The following new standards and amendments to standards are effective for the first time for the financial year beginning January 1, 2013:

IAS 1 – Presentation of Items of Other Comprehensive Income

These amendments to IAS 1 introduce a new grouping of items presented in other comprehensive income (OCI). The amendment affected presentation and disclosure only and had no impact on the Group's financial position or performance.

IAS 19 – Employee Benefits (revised 2011)

IAS 19 revised (IAS 19R) includes a number of amendments to the accounting for defined benefit plans such as expected returns on plan assets that are no longer recognised in profit & loss, instead there is a requirement to recognise interest on the net defined benefit obligation in profit & loss, calculated using the discount rate used to measure the defined benefit obligation. IAS 19R requires a restatement of previous periods. As a consequence, the Group restated its comparative figures. The impact on the consolidated balance sheet, consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flow and the consolidated statement of changes in equity are presented below:

Retrospective application of IAS 19R — CHFk

	Reported	Adjustment	Restated
Balance sheet at January 1, 2012			
Deferred tax liabilities	236'956	1'001	237'957
Employee benefit obligations	76'357	(4'767)	71'590
Equity	**826'061**	**3'766**	**829'827**
Balance sheet at June 30, 2012			
Deferred tax liabilities	219'477	1'240	220'717
Employee benefit obligations	86'476	(5'902)	80'574
Equity	**856'484**	**4'662**	**861'146**
Balance sheet at January 1, 2013			
Deferred tax liabilities	240'470	1'325	241'795
Employee benefit obligations	81'430	(6'310)	75'120
Equity	**788'171**	**4'985**	**793'156**
Income statement January 1 - June 30, 2012			
Wages, salaries and pension costs	(115'037)	(672)	(115'709)
EBITDA	**311'929**	**(672)**	**311'257**
Financial expenses	(167'182)	(1'082)	(168'264)
Income taxes	(15'679)	367	(15'312)
Net income	**20'409**	**(1'387)**	**19'022**
Statement of comprehensive income January 1 - June 30, 2012			
Net income	**20'409**	**(1'387)**	**19'022**
Actuarial losses related to defined benefit pension plans	(10'106)	2'890	(7'216)
Income taxes on actuarial losses	2'165	(607)	1'558
Other comprehensive income	**10'014**	**2'283**	**12'297**
Total comprehensive income	**30'423**	**896**	**31'319**
Statements of Cash Flows January 1 - June 30, 2012			
Income before income taxes	**36'088**	**(1'754)**	**34'334**
Movement in pension	(115)	670	555
Non cash-effective financial items	111'676	1'084	112'760
Cash flow from operating activities	**76'676**	**-**	**76'676**

Retrospective application of IAS 19R — CHFk

Income statement full year 2012			
Wages, salaries and pension costs	(218'555)	(1'830)	(220'385)
EBITDA	**631'058**	**(1'830)**	**629'228**
Financial expenses	(360'503)	(2'163)	(362'666)
Income taxes	(16'144)	839	(15'305)
Net income	**19'219**	**(3'154)**	**16'065**
Statement of comprehensive income full year 2012			
Net income	**19'219**	**(3'154)**	**16'065**
Actuarial losses related to defined benefit pension plans	(11'587)	5'536	(6'051)
Income taxes on actuarial losses	2'476	(1'163)	1'313
Other comprehensive income	**29'738**	**4'373**	**34'111**
Total comprehensive income	**48'957**	**1'219**	**50'176**
Statements of Cash Flows full year 2012			
Income before income taxes	**35'363**	**(3'993)**	**31'370**
Movement in pension	**(6'107)**	**1'830**	**(4'277)**
Cash flow from operating activities before net financial items and tax	**383'662**	**1'830**	**385'492**

IFRS 13 – Fair Value Measurement
The new standard establishes a single source of guidance for all fair value measurements and provides guidance on how to measure fair values under IFRS. The application of IFRS 13 has not materially impacted the financial position and performance of the Group.

IFRS 13 also requires specific disclosures on fair values in the consolidated annual financial statements. Some of these disclosures are specifically required by IAS 34 'Interim Financial Reporting' thereby affecting the condensed consolidated interim financial statements. The Group provides these disclosures in Note 12.

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the condensed consolidated interim financial statements of the Group.

Note 5 Segment reporting

The operating segments have been determined based on the Management reports reviewed by the Board of Directors. The Group's organizational structure reflects the different customer groups to which the Group provides its 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 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 and those disclosed in Note 3 above.

Performance is measured based on ‘Income before depreciation and amortization (EBITDA)’ as included in the internal financial reports reviewed by the Board of Directors. EBITDA is defined as operating income before depreciation and 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 of net working capital on Group level.

Activities CHFk

	Residential		Business		Wholesale[1]		Head Office activities		Total	
	January 1 - June 30, 2013 Unaudited	January 1 - June 30, 2012 Unaudited	January 1 - June 30, 2013 Unaudited	January 1 - June 30, 2012 Unaudited	January 1 - June 30, 2013 Unaudited	January 1 - June 30, 2012 Unaudited	January 1 - June 30, 2013 Unaudited	January 1 - June 30, 2012 Unaudited	January 1 - June 30, 2013 Unaudited	April 1 - June 30, 2012 Unaudited
Revenue										
External customers	668'514	712'435	165'966	170'757	136'091	134'188	13'759	5'717	984'330	1'023'097
Intra-segment revenue	-	-	-	-	5'257	7'574	-	-	5'257	7'574
Total	**668'514**	**712'435**	**165'966**	**170'757**	**141'348**	**141'762**	**13'759**	**5'717**	**989'587**	**1'030'671**
Transmission costs and costs of goods sold										
External customers	(162'374)	(169'469)	(56'625)	(59'029)	(91'014)	(91'645)	(92)	46	(310'105)	(320'097)
Inter-segment costs	(5'257)	(7'574)	-	-	-	-	-	-	(5'257)	(7'574)
Total	**(167'631)**	**(177'043)**	**(56'625)**	**(59'029)**	**(91'014)**	**(91'645)**	**(92)**	**46**	**(315'362)**	**(327'671)**
Other operating expenses	(129'204)	(156'065)	(19'402)	(22'464)	(2'408)	(3'293)	(135'397)	(115'470)	(286'411)	(297'292)
Wages, salaries and pension costs	(22'085)	(27'396)	(28'706)	(28'203)	(1'583)	(4'843)	(54'067)	(55'267)	(106'441)	(115'709)
Other income	7'113	9'039	1'380	1'243	-	-	2'918	22'745	11'411	33'027
Other expenses	-	-	-	-	-	-	(751)	(11'769)	(751)	(11'769)
EBITDA	**356'707**	**360'970**	**62'613**	**62'304**	**46'343**	**41'981**	**(173'630)**	**(153'998)**	**292'033**	**311'257**

[1] Including hubbing revenue of CHFk 68,529 generated in 2013 and CHFk 67,330 generated in 2012

Activities CHFk

	Residential		Business		Wholesale[1]		Head Office activities		Total	
	April 1 - June 30, 2013 Unaudited	April 1 - June 30, 2012 Unaudited	April 1 - June 30, 2013 Unaudited	April 1 - June 30, 2012 Unaudited	April 1 - June 30, 2013 Unaudited	April 1 - June 30, 2012 Unaudited	April 1 - June 30, 2013 Unaudited	April 1 - June 30, 2012 Unaudited	April 1 - June 30, 2013 Unaudited	April 1 - June 30, 2012 Unaudited
Revenue										
External customers	335'785	356'087	84'581	84'754	69'922	69'561	7'515	3'413	497'803	513'814
Intra-segment revenue	-	-	-	-	2'422	3'585	-	-	2'422	3'585
Total	**335'785**	**356'087**	**84'581**	**84'754**	**72'344**	**73'146**	**7'515**	**3'413**	**500'225**	**517'399**
Transmission costs and costs of goods sold										
External customers	(82'089)	(83'992)	(29'867)	(28'606)	(47'868)	(47'785)	(67)	(3)	(159'891)	(160'386)
Inter-segment costs	(2'422)	(3'585)	-	-	-	-	-	-	(2'422)	(3'585)
Total	**(84'511)**	**(87'577)**	**(29'867)**	**(28'606)**	**(47'868)**	**(47'785)**	**(67)**	**(3)**	**(162'313)**	**(163'971)**
Other operating expenses	(62'274)	(79'746)	(7'665)	(10'851)	(1'224)	(1'646)	(67'033)	(59'052)	(138'196)	(151'296)
Wages, salaries and pension costs	(11'301)	(13'800)	(14'256)	(14'188)	(791)	(2'698)	(27'790)	(28'640)	(54'138)	(59'326)
Other income	3'206	5'388	593	891	-	-	1'625	21'927	5'424	28'206
Other expenses	-	-	-	-	-	-	(211)	(11'769)	(211)	(11'769)
EBITDA	**180'905**	**180'351**	**33'386**	**32'000**	**22'461**	**21'017**	**(85'961)**	**(74'125)**	**150'791**	**159'243**

[1] Including hubbing revenue of CHFk 36,159 generated in 2013 and CHFk 35,584 generated in 2012

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

	January 1 - June 30, 2013 Unaudited	January 1 - June 30, 2012 Unaudited	April 1 - June 30, 2013 Unaudited	April 1 - June 30, 2012 Unaudited
EBITDA from reportable segments	292'033	311'257	150'791	159'243
Unallocated:				
Amortization	(114'815)	(96'155)	(58'168)	(48'369)
Depreciation	(134'590)	(83'954)	(74'559)	(41'845)
Net financial items	(103'413)	(96'814)	(53'165)	(48'704)
Consolidated net (loss) / income before income taxes	**(60'785)**	**34'334**	**(35'101)**	**20'325**

Note 6 Revenue

CHFk

	January 1 - June 30, 2013 Unaudited	January 1 - June 30, 2012 Unaudited	April 1 - June 30, 2013 Unaudited	April 1 - June 30, 2012 Unaudited
Mobile services	612'876	639'378	309'329	322'165
Landline services	274'355	294'157	139'336	146'463
thereof hubbing	*68'529*	*67'330*	*36'159*	*35'584*
Landline Internet	97'099	89'562	49'138	45'186
Total	**984'330**	**1'023'097**	**497'803**	**513'814**

	January 1 - June 30, 2013 Unaudited	January 1 - June 30, 2012 Unaudited	April 1 - June 30, 2013 Unaudited	April 1 - June 30, 2012 Unaudited
Sales of goods	71'202	39'482	34'343	18'603
Sales of services	913'128	983'615	463'460	495'211
Total	**984'330**	**1'023'097**	**497'803**	**513'814**

Note 7 Other income and other expenses

CHFk

Other Income	January 1 - June 30, 2013 Unaudited	January 1 - June 30, 2012 Unaudited	April 1 - June 30, 2013 Unaudited	April 1 - June 30, 2012 Unaudited
Early Termination Fees	8'479	10'282	3'787	6'279
Sub-leases	2'368	1'664	1'209	846
Aperiodic settlements of charges for access services calculated using the prices of the Swiss regulator	-	18'735	-	18'735
Other	564	2'346	428	2'346
Total	**11'411**	**33'027**	**5'424**	**28'206**

Other Expenses	January 1 - June 30, 2013 Unaudited	January 1 - June 30, 2012 Unaudited	April 1 - June 30, 2013 Unaudited	April 1 - June 30, 2012 Unaudited
Costs related to the change of MSP	-	(9'640)		
Restructuring expenses	(540)	(1'859)	-	(1'859)
Other	(211)	(270)	(211)	(270)
Total	**(751)**	**(11'769)**	**(211)**	**(11'769)**

Note 8 Common shares, share premium and PECs CHFk

	Shares (number) as of June 30, 2013	Shares (number) as of December 31, 2012	Nominal value (CHF)	June 30, 2013	December 31, 2012
				Unaudited	Unaudited
Class A Shares	90'000'000	90'000'000	0.01	900	900
Class B Shares	10'000'000	10'000'000	0.01	100	100
Share premium				125'876	125'876
Series A Preferred Equity Certificates	62'589'067'221	64'395'976'353	0.01	625'890	643'960
Series B Preferred Equity Certificates	7'550'384'405	7'768'359'511	0.01	75'504	77'683
Total Common shares, share premium and PECs				**828'270**	**848'519**

Share capital

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

PIK Repayment

Sunrise Communications Holdings S.A. repaid PECs A and PECs B plus accrued interest in the amount of CHF 20.5 million to Mobile Challenger Intermediate Group S.à r.l. in February 2013, which used these proceeds to early repay the outstanding amount of EUR 16.4 million of its PIK (payment in kind) loan including accrued interest.

Valuation reserve

Valuation reserve comprises 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 9 Net financial items

CHFk

January 1 - June 30, 2013 Unaudited	Interest	Fair value adjustments	Total financial income and (expenses) before foreign currency	Net foreign currency gains/(losses)	Total
Income					
Cash and cash equivalents	319	-	319	793	1'112
Derivatives – used for hedging [1]	56'633	28'960	85'593	-	85'593
Interest rate derivatives	9	439	448	-	448
Embedded derivatives [2]	-	65	65	-	65
Other	-	-	-	25	25
Total Income	**56'961**	**29'464**	**86'425**	**819**	**87'243**
Expenses					
Financial liabilities measured at amortized cost	(89'269)	-	(89'269)	(25'566)	(114'834)
Derivatives – used for hedging [1]	(56'736)	-	(56'736)	-	(56'736)
Interest rate derivatives	(388)	-	(388)	-	(388)
Embedded derivatives [2]	-	(12'168)	(12'168)	-	(12'168)
Other	(6'530)	-	(6'530)	-	(6'530)
Total Expenses	**(152'923)**	**(12'168)**	**(165'091)**	**(25'566)**	**(190'656)**
Net financial items	**(95'962)**	**17'296**	**(78'666)**	**(24'747)**	**(103'413)**

January 1 - June 30, 2012 Unaudited	Interest	Fair value adjustments	Total financial income and (expenses) before foreign currency	Net foreign currency gains/(losses)	Total
Income					
Cash and cash equivalents	1'089	-	1'089	-	1'089
Financial liabilities measured at amortized cost	-	-	-	18'291	18'291
Derivatives – used for hedging [1]	54'151	-	54'151	-	54'151
Interest rate derivatives	40	-	40	-	40
Other	224	-	224	(8)	216
Total Income	**55'504**	**-**	**55'504**	**18'283**	**73'787**
Expenses					
Cash and cash equivalents	-	-	-	(2'337)	(2'337)
Financial liabilities measured at amortized cost	(91'458)	-	(91'458)	-	(91'458)
Derivatives – used for hedging [1]	(55'024)	(16'959)	(71'983)	-	(71'983)
Interest rate derivatives	(394)	389	(5)	-	(5)
Other	(4'818)	-	(4'818)	-	(4'818)
Total Expenses	**(151'694)**	**(16'570)**	**(168'264)**	**(2'337)**	**(170'601)**
Net financial items	**(96'190)**	**(16'570)**	**(112'760)**	**15'946**	**(96'814)**

[1] 'Derivatives – used for hedging' includes derivatives for which hedge accounting is applied as well as economic hedges. The Group classifies as economic hedges hedging relationships that represent effective hedges both economically and within the scope of the Group’s hedge strategy but do not fulfill the IFRS criteria for hedge accounting. Consequently, changes in fair value of economic hedges are recognized in the statement of income.

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

Note 9 Net financial items (continued) CHFk

	Interest	Fair value adjustments	Total financial income and (expenses) before foreign currency	Net foreign currency gains/(losses)	April 1 - June 30, 2013 Unaudited Total
Income					
Cash and cash equivalents	275	-	275	168	443
Derivatives – used for hedging [1)]	28'363	16'479	44'842	-	44'842
Interest rate derivatives	6	227	233	-	233
Other	-	-	-	701	701
Total Income	**28'644**	**16'706**	**45'350**	**870**	**46'219**
Expenses					
Financial liabilities measured at amortized cost	(45'058)	-	(45'058)	(14'143)	(59'200)
Derivatives – used for hedging [1)]	(28'387)	-	(28'387)	-	(28'387)
Interest rate derivatives	(199)	-	(199)	-	(199)
Embedded derivatives [2)]	-	(8'336)	(8'336)	-	(8'336)
Other	(3'263)	-	(3'263)		(3'263)
Total Expenses	**(76'906)**	**(8'336)**	**(85'242)**	**(14'143)**	**(99'385)**
Net financial items	**(48'262)**	**8'370**	**(39'892)**	**(13'273)**	**(53'165)**

	Interest	Fair value adjustments	Total financial income and (expenses) before foreign currency	Net foreign currency gains/(losses)	April 1 - June 30, 2012 Unaudited Total
Income					
Cash and cash equivalents	293	-	293	37	330
Financial liabilities measured at amortized cost	-	-	-	3'529	3'529
Derivatives – used for hedging [1)]	26'771	-	26'771	-	26'771
Interest rate derivatives	27	-	27	-	27
Other	142	-	142	-	142
Total Income	**27'233**	**-**	**27'233**	**3'566**	**30'799**
Expenses					
Financial liabilities measured at amortized cost	(45'405)	-	(45'405)	-	(45'405)
Derivatives – used for hedging [1)]	(27'527)	(3'042)	(30'569)	-	(30'569)
Interest rate derivatives	(197)	(62)	(259)	-	(259)
Other	(2'658)	-	(2'658)	(612)	(3'270)
Total Expenses	**(75'788)**	**(3'104)**	**(78'891)**	**(612)**	**(79'503)**
Net financial items	**(48'554)**	**(3'104)**	**(51'658)**	**2'954**	**(48'704)**

[1)] 'Derivatives – used for hedging' includes derivatives for which hedge accounting is applied as well as economic hedges. The Group classifies as economic hedges hedging relationships that represent effective hedges both economically and within the scope of the Group's hedge strategy but do not fulfill the IFRS criteria for hedge accounting. Consequently, changes in fair value of economic hedges are recognized in the statement of income.

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

Note 10 Borrowings

CHFk

	Nominal value at inception	Foreign exchange movement[1)]	Capitalized debt issuance cost including discounts and premium[1)]	Loan and finance lease repayments	June 30, 2013 Carrying value Unaudited	December 31, 2012 Carrying value Unaudited
Floating rate						
Floating Rate Notes - CHF	175'000	-	(3'031)	-	171'969	171'635
Floating Rate Notes - EUR	200'570	4'700	(3'533)	-	201'737	197'819
Fixed rate						
Senior Secured Notes - CHF	300'000	-	(8'929)	-	291'071	290'250
Senior Secured Notes - CHF	370'000	-	(6'485)	-	363'515	362'873
Senior Secured Notes - EUR	650'384	(40'721)	(9'242)	-	600'421	589'080
Senior Notes - EUR	755'942	(66'384)	(23'369)	-	666'189	652'951
Total loans and notes	**2'451'896**	**(102'405)**	**(54'589)**	**-**	**2'294'902**	**2'264'608**
Other						
Debt relating to finance leases				(1'836)	38'542	40'378
Total borrowings				**(1'836)**	**2'333'444**	**2'304'986**
Of which expected to be paid within 12 months					5'813	5'634
Total long-term borrowings					**2'327'631**	**2'299'352**

1) since issuance of the borrowings

The Group's borrowings are governed by a number of financial covenants specified in the Revolving Credit Facility. The main covenants consist of a leverage ratio and an interest cover ratio. The Group performs quarterly covenant testing. The last covenant testing performed as of June 30, 2013 showed that the Group was in compliance with the applicable financial covenants.

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

Note 11 Derivatives

CHFk

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

	June 30, 2013 Notional Amount	December 31, 2012 Notional amount	June 30, 2013 Fair value assets	June 30, 2013 Fair value liabilities	December 31, 2012 Fair value assets	December 31, 2012 Fair value liabilities
Cross currency interest rate swaps – fixed rate borrowings	1'256'198	1'418'076		(126'202)		(159'085)
Total cash flow hedges	**1'256'198**	**1'418'076**		**(126'202)**		**(159'085)**
Cross currency interest rate swaps – fixed rate borrowings [1]	161'878			(9'111)		(13'125)
Cross currency interest rate swaps – variable rate borrowings [2]	200'570	200'570	2'323			(2'470)
Total economic hedges	**362'448**	**200'570**	**2'323**	**(9'111)**		**(15'595)**
Interest rate cap	-	100'000		-		-
Interest rate swap	100'000	100'000		(394)		(833)
Total interest rate derivatives	**100'000**	**200'000**		**(394)**		**(833)**
Embedded derivatives [3]			20'301		32'403	
Total embedded derivatives			**20'301**		**32'403**	
Total derivatives			**22'624**	**(135'707)**	**32'403**	**(175'513)**

[1] Cross currency interest rate swap related to the Senior Secured Note EUR 125 million. The group discontinued cashflow hedge accounting during the 2nd quarter 2013 and reclassified the financial instrument to 'held for trading'.

[2] Cross currency interest rate swap related to the Floating Rate Note EUR 167 million

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

	January 1 - June 30, 2013 Unaudited	January 1 - June 30, 2012 Unaudited	April 1 - June 30, 2013 Unaudited	April 1 - June 30, 2012 Unaudited
The change in the fair value of derivatives in the period can be summarized as:				
Cash flow hedges – movement in hedge reserve	21'829	(14'549)	11'671	(1'553)
Cash flow hedges – ineffectiveness	121	-	-	-
Economic hedges	7'010	(2'410)	4'808	(1'489)
Total impact of hedging derivatives in the Statement of Income (note 9)	**28'960**	**(16'959)**	**16'479**	**(3'042)**
Impact of interest rate derivatives in the Statement of Income (note 9)	439	389	227	(62)
Impact of embedded derivatives in the Statement of Income (note 9)	(12'103)	-	(8'336)	-
Total impact of derivatives in the Statement of Income (note 9)	**17'296**	**(16'569)**	**8'370**	**(3'104)**

Note 12 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:

CHFk

	Measurement principle	June 30, 2013 Fair value	June 30, 2013 Carrying value	December 31, 2012 Fair value	December 31, 2012 Carrying value
Cash	Amortized Cost	298'763	298'763	170'601	170'601
Trade and other receivables	Amortized Cost	313'518	313'518	336'058	336'058
Other non-current assets	Amortized Cost	153	153	153	153
Derivative assets - held to trading	Fair Value - Level 2	22'624	22'624	32'403	32'403
Total financial assets		**635'058**	**635'058**	**539'215**	**539'215**
Trade payables and other payables	Amortized Cost	(630'610)	(630'610)	(564'904)	(564'904)
Loans and notes	Amortized Cost	(2'456'469)	(2'294'901)	(2'492'570)	(2'264'608)
Financial leases	Amortized Cost	(38'542)	(38'542)	(40'378)	(40'378)
Derivative liabilities - held for trading	Fair Value - Level 2	-	-	-	-
Derivative liabilities - held for hedging	Fair Value - Level 2	(126'202)	(126'202)	(159'085)	(159'085)
Other current liabilities	Amortized Cost	(1'755)	(1'755)	(2'722)	(2'722)
Total financial liabilities		**(3'253'578)**	**(3'092'010)**	**(3'259'659)**	**(3'031'697)**

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 during the three and the six month period ended June 30, 2013.

Note 13 Change in net working capital

CHFk

	January 1 - June 30, 2013 Unaudited	January 1 - June 30, 2012 Unaudited	April 1 - June 30, 2013 Unaudited	April 1 - June 30, 2012 Unaudited
Change in inventories	(5'023)	(23'067)	(3'804)	(17'907)
Change in trade and other receivables	8'272	(6'149)	(1'246)	1'686
Change in trade and other payables	(14'334)	(70'872)	(1'192)	4'645
Change in other items, net	(10'486)	(19'332)	5'342	6'532
Total	**(21'571)**	**(119'420)**	**(900)**	**(5'044)**

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

Note 14 Other balance sheet items

Trade and other payables
The increase of trade and other payables amounting to CHF 62.6 million during the six-month period ended June 30, 2013 is mainly attributable to accrued interest in the amount of CHF 76.5 million for borrowings issued by the Group, the interest was paid on July 1, 2013.

Trade and other payables decreased by CHF 53.7 million during the six month period ended June 30, 2012 as a result of a lower amount of outstanding 3rd party supplier invoices as of June 30, 2012.

Non-current trade and other payables
This financial statement item is related to the acquisition of the spectrum licenses in 2012 and consists of the 2nd and the 3rd installments due in 2015 and 2016 respectively.

Note 15 Dividend distribution

No dividend resolutions have been taken by the Board of Directors of Sunrise Communications Holdings S.A. – the ultimate parent of the group – or any other entity of the Group during the period under review (during the first half of 2013).

Note 16 Contractual commitments

During the first quarter of 2013, Sunrise Communications AG entered into multiple supply contracts with a minimal financial commitment of CHF 71.3 million.

In the prior year, the capital commitment in the amount of CHF 482 million was related to the acquisition of the spectrum license in July 2012.

Note 17 Financial risk management

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

Note 18 Events after the balance sheet date

Acquisition of Lebara GmbH, Switzerland & Treternity Ortel Mobile AG
Sunrise Communications AG signed a share purchase agreement for the acquisition of 100% of the common shares of Lebara GmbH, Switzerland, a company focusing on mobile prepaid services for low cost international calls. The closing of the transaction occurred on July 1, 2013, the date on which the legal ownership of the shares and the control were transferred to Sunrise Communications AG.

On July 4, 2013 Sunrise utilized CHF 95 million under the Revolving Credit Facility to fund the acquisition.

Sunrise Communications acquired Treternity Ortel Mobile AG, a company focusing on mobile prepaid services for low cost international calls. The closing of the transaction occurred on July 18, 2013, the date on which the legal ownership of the shares and the control were transferred to Sunrise Communications AG.

Given the timing of the two transactions the Group is still in the process of completing the initial accounting for this business combination. The analysis of the identifiable assets acquired, the liabilities assumed and of the consideration paid as a part of this transaction was not completed before the financial statements were authorized for issue.

Redemption of CHF Floating Rate Senior Secured Notes
On July 31, 2013 Sunrise redeemed the CHF175 million CHF Floating Rate Senior Secured Notes using existing cash.