

Sunrise Communications Holdings S.A.

**Financial Results for the
year ended December 31,
2013**

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Business

Overview

Sunrise Communications Holdings S.A. ("Sunrise" or the "Group") 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 year ended December 31, 2013. The integrated national mobile and landline network provides the Group with a strong competitive position. As an integrated service provider, Sunrise offers 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. Sunrise is the leading non-incumbent operator in both the mobile and landline retail voice markets, with 2'491.0 thousand and 436.7 thousand subscribers respectively, as of December 31, 2013. The Group is also the third-largest landline internet provider with 348.0 thousand

subscribers, including Sunrise TV subscribers, as of December 31, 2013. Sunrise provides landline services through its own national landline network and mobile services through its 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 December 31, 2013. Comparative figures refer to the period from January 1 to December 31, 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.

Please also refer to note 32 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	
Libor Voncina	Chief Executive Officer (CEO)
André Krause	Chief Financial Officer (CFO)
Elmar Grasser	Chief Chief Operating Officer (COO)
Detlef Steinmetz	Chief Information Officer (CIO)
Hans Jörg Denzler	Chief Commercial Officer (CCO)
Massimiliano Nunziata	Chief Customer Experience Officer (CCE)
Timm Degenhardt	Chief Marketing Officer (CMO)
Sebastian Prange	Chief Sales Officer (CSO)

Management's discussion and analysis of financial condition and results of operations

Revenue

The Group's total revenue decreased year-on-year by 2.2% or CHF 45.2 million and amounted to CHF 2'021.2 million for the annual year ended December 31, 2013. The decrease in revenue is primarily attributable to lower mobile revenue of CHF 42.9 million and a decrease in landline service revenue of CHF 17.2 million partially offset by a growth in internet service revenue of CHF 14.9 million.

Transmission costs and cost of goods sold

Transmission costs and cost of goods sold amounted to CHF 666.2 million for the annual year ended December 31, 2013, a year-on-year increase of CHF 13.1 million, or 2.0%, from CHF 653.1 million. The increase is mainly driven by higher wholesale volume.

Other operating expenses

During the financial year 2013 other operating expenses decreased by CHF 55.0 million, or 9.0%, from CHF 610.5 million to CHF 555.5 million. The decrease in other operating expenses is primarily attributable to lower marketing expenses caused by lower marketing activities and was only partially offset by higher system and maintenance expenses incurred during 2013.

Wages, salaries and pension costs

Wages, salaries and pension costs amounted to CHF 214.2 million for the twelve months ended December 31, 2013, a year-on-year decrease of CHF 6.2 million, or 2.8%, from CHF 220.4 million which is primarily driven by a decrease of FTEs.

Although the Group reports a net pension liability of CHF 57.4 million in its consolidated financial statement as of December 31, 2013, 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 19R) requests the usage of a dynamic valuation method. Therefore, the IFRS pension liability should not be considered as a cash liability based on current facts and circumstances.

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, comparative figures of 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 amounting to CHF 6.3 million as of December 31, 2012 and a decrease in net income amounting to CHF 3.2 million for the financial year ended December 31, 2012 (for further details with respect to the financial impact of IAS 19R refer to note 7).

Other income and expenses, net

Other income and expenses, net amounted to CHF 28.2 million for the period ended December 31, 2013, a decrease of CHF 18.6 million, from CHF 46.8 million as of December 31, 2012. The decrease in other income and expenses, net is primarily attributable to a decrease of aperiodic settlements of charges for access services which is only partially offset by lower costs related to the change of the Managed Service Provider (MSP). Please refer to note 12 for further information.

EBITDA

The Group generated an EBITDA of CHF 613.5 million for the twelve months ended December 31, 2013, a year-on-year decrease of CHF 15.7 million, or 2.5%, from CHF 629.2 million as of December 31, 2012. The EBITDA decrease is primarily driven by a decrease in revenue and other income and expenses, net, partially offset by lower operating expenses and wages driven by the cost measures introduced in Q4'12.

Depreciation, impairment losses and amortization

Depreciation, impairment losses and amortization recorded during the twelve-month period ended December 31, 2013 increased to CHF 484.3 million from CHF 396.1 million, a year-on-year increase of CHF 88.2 million, or 22.3%. The increase in depreciation, impairment losses and amortization is primarily driven by non-recurring write-offs of CHF 48.1 million related to the replacement of the radio network with multi standard radio equipment performed during 2013 and the amortization of the spectrum license (CHF 30.1 million) acquired in July 2012.

Net income

The Group reported a net loss of CHF 81.9 million for the year ended December 31, 2013, a year-on-year decrease of CHF 98.0 million from a net income of CHF 16.1 million in 2012. The decrease is mainly attributable to an increase in depreciation, impairment losses and amortization of CHF 88.2 million and a decrease in EBITDA of CHF 15.7 million and could only be partially offset by a lower change in net financial items of CHF 3.4 million and lower income taxes of CHF 2.5 million.

Change in net working capital

The net working capital shows an increase of CHF 66.5 million as of December 31, 2013 compared to a decrease of CHF 35.9 million reported in prior year. The change of net working capital is primarily attributable to changes in trade and other payables driven by a change in Capex spending patterns and improved long-term payment conditions negotiated. Please refer to note 28 for further information.

Liquidity and capital resources

The Group reported cash and cash equivalents amounting to CHF 149.2 million as of December 31, 2013, a decrease of CHF 21.4 million compared to the cash position held by the Group as of December 31, 2012. The decrease of the cash and cash equivalents is primarily attributable to the repayment of the CHF floating rate note amounting to CHF 175.0 million, the redemption of PECs (Preferred Equity Certificates) of CHF 47.5 million (please refer to note 20), capital expenditure of CHF 281.4 million and the acquisition of YOL Communications GmbH (former Lebara GmbH) and YOL Services AG (former Treternity Ortel Mobile AG) in the amount of CHF 95.7 million (net of cash acquired), which was partially financed by utilizing CHF 95.0 million under the revolving credit facility. The decrease could be partially compensated by operational cash flows generated by the Group of CHF 486.8 million.

The Group's consolidated debt position – consisting of floating rate notes, senior secured notes, senior notes, the drawn revolving credit facility and capital leases - amounted to CHF 2'257.1 million of which CHF 41.0 million are expected to be paid within 12 months (refer to note 22 for further details).

Certain other contractual commitments

As of December 31, 2013 other contractual commitments excluding those mentioned above amounted to CHF 357.8 million consisting mainly of operating lease agreements and outsourcing of network operations and maintenance.

Subscriber base

The Group's total subscriber base showed 3.28 million subscribers as of December 31, 2013. The subscriber base can be divided into 2.49 million mobile subscribers, 436.7 thousand landline retail voice subscribers and 348.0 thousand landline internet subscribers, of which 74.3 thousand are Sunrise TV subscribers.

ARPU (Average Revenue Per User)

For the year ended December 31, 2013 mobile ARPU amounted to CHF 39.9 whereas landline voice and landline internet ARPUs were CHF 41.6 and CHF 37.5 respectively.

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.

Starting in Q2 2014 Sunrise will be the first Swiss provider to launch a new product, which separates the cost for the subscriptions plan and the mobile device. This results in more flexibility and cost transparency for the customers as they can switch to a new device or subscription plan with only one month notice period and once the device is paid off no more costs for the device will be charged .

Sunrise will continue to heavily invest in its network infrastructure expanding LTE coverage and introducing LTE-advanced, increasing customer service quality and experience, and brand as well as pushing innovative, new services and products and leveraging the acquisition of YOL Communications GmbH (former Lebara GmbH) and YOL Services AG (former Treternity Ortel Mobile AG) on July 1 and July 18, 2013 respectively.

Material affiliate transactions

Please refer to note 32 '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 23). When 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 redeemed PECs A and PECs B plus accrued interest in the amount of CHF 20.5 million in February 2013 and CHF 27.0 million in September 2013 to Mobile Challenger Intermediate Group S.à r.l., 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 and interests due amounting to CHF 27.0 million of its PIK toggle note.

Material contractual arrangements

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

In September 2013 Sunrise Communications AG entered into a strategic partnership with Swiss Fibre Net AG for the construction of an area-wide FTTH (Fiber to the home) network.

In October 2013, Sunrise entered into a new Master Service Agreement (MSA) with Huawei, which fully replaces the existing agreement beginning on March 1, 2014. There are no material changes to the existing contractual commitments.

Material debt instruments

On July 4, 2013 Sunrise utilized CHF 95.0 million under the revolving credit facility to fund the acquisitions of YOL Communications GmbH.

On July 31, 2013 Sunrise redeemed the CHF175.0 million CHF floating rate senior secured notes using existing cash.

Please refer to note 22 of the consolidated financial statements for further information.

Credit ratings

On March 11, 2013, Standard&Poor's Rating Services ("S&P") revised the outlook to negative from stable and affirmed the 'B+' long-term rating on Sunrise Communications Holdings S.A whilst Moody's Investor Services confirmed the 'B1' corporate family rating and Fitch Ratings confirmed the 'BB-' long-term issuer default rating.

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 2013.

The recent development on the FX market and the strong Swiss franc do not have a material net 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 has been fully hedged.

Material recent developments

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

In April 2013, Sebastian Prange and Elmar Grasser joined the Sunrise management board as Chief Sales Officer (CSO) and Chief Operating Officer (COO) respectively. In April, Sunrise further 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. As of December 31, 2013 Sunrise reaches more than 50% of the Swiss population on the 4th generation network. The LTE coverage will be expanded on a continuous basis.

In November 2013, Max Nunziata joined the Sunrise management board as Chief Customer Experience Officer (CCE).

In October 2013, Sunrise presented several new developments to its IPTV product, including an expanded comeback TV function of up to 7 days, 20 new channels and an intelligent recommendation function.

During 2013 Sunrise continued to invest, upgrade and improve the quality of its mobile network, which resulted in a second place with highest improvement of all 3 mobile operators in the mobile network test of "connect", a leading telecommunication magazine for the German speaking region "DACH".

Material acquisition, disposals and recapitalizations

Sunrise Communications AG signed a share purchase agreement for the acquisition of 100% of the common shares of YOL Communications GmbH (former 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.

Sunrise Communications AG acquired YOL Services AG (former 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.

Sunrise Communications Holdings S.A.

Consolidated financial statements for the year ended December 31, 2013

Consolidated statements of income

CHFk

	Note	2013	2012 Restated*
Revenue	8,9	2'021'245	2'066'475
Transmission costs and cost of goods sold		(666'199)	(653'128)
Other operating expenses		(555'466)	(610'534)
Wages, salaries and pension costs	10	(214'199)	(220'386)
Total operating expenses before other income and expenses, depreciation and amortization		(1'435'864)	(1'484'048)
Other income	12	30'450	83'633
Other expenses	12	(2'286)	(36'833)
Income before depreciation and amortization, net financial items and income taxes		613'545	629'227
Amortization	11,15	(233'742)	(194'386)
Depreciation and impairment losses	11,16	(250'567)	(201'749)
Operating income		129'236	233'092
Foreign currency (losses) / gains, net		(22'718)	9'310
Financial income		144'149	151'633
Financial expenses		(319'714)	(362'667)
Net financial items	13	(198'283)	(201'724)
(Loss) / income before income taxes		(69'047)	31'368
Income taxes	14	(12'843)	(15'305)
Net (loss) / income		(81'890)	16'063
Net (loss) / income attributable to equity holders of the parent company		(81'890)	16'063

* See note 7

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

Consolidated statements of comprehensive income

CHFk

	2013	2012 Restated*
Net (loss) / income	(81'890)	16'063
Actuarial gains / (losses) related to defined benefit pension plans	22'915	(6'051)
Income tax effect	(4'812)	1'313
Net other comprehensive income / (loss) not to be reclassified to profit and loss in subsequent periods	18'103	(4'738)
Cash flow hedge gains	15'125	39'471
Income tax effect	37	(622)
Net other comprehensive income to be reclassified to profit and loss in subsequent periods	15'162	38'849
Other comprehensive income, net of tax	33'265	34'111
Total comprehensive (loss) / income	(48'625)	50'174
Comprehensive (loss) / income attributable to equity holders of the parent company	(48'625)	50'174

* See note 7

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

Consolidated statements of financial position

Assets		CHFk		
	Note	December 31, 2013	December 31, 2012 Restated*	January 1, 2012 Restated*
<i>Non-current assets</i>				
Intangible assets	15	2'788'969	2'849'595	2'527'227
Property, plant and equipment	16	916'427	935'957	944'859
Derivative financial assets	23	25'726	32'403	60
Other non-current assets		200	153	13'305
Total non-current assets		3'731'322	3'818'108	3'485'451
<i>Current assets</i>				
Inventories	19	38'260	35'792	28'849
Trade and other receivables	17	279'674	336'058	323'057
Prepaid expenses	18	10'647	13'511	15'507
Other financial assets		-	-	100'102
Cash and cash equivalents		149'198	170'601	485'387
Total current assets		477'779	555'962	952'902
Total assets		4'209'101	4'374'070	4'438'353

* See note 7

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

Consolidated statements of financial position

Equity and liabilities

CHFk

	Note	December 31, 2013	December 31, 2012 Restated*	January 1, 2012 Restated*
<i>Equity</i>				
Common shares, share premium and PECs	20	828'270	848'519	932'574
Valuation reserve		(12'696)	(27'858)	(64'993)
Accumulated deficit		(117'715)	(27'505)	(37'754)
Total equity		697'859	793'156	829'827
<i>Non-current liabilities</i>				
Non-current portion of loans and notes	22	2'186'644	2'264'608	2'364'521
Non-current portion of financial leases	22	29'454	34'744	41'167
Non-current portion of trade and other payables	27	207'420	195'000	-
Deferred tax liabilities	14	247'209	241'795	237'957
Provisions	26	114'101	113'916	105'011
Employee benefit obligations	21	57'409	75'120	71'590
Derivative financial liabilities	23	134'133	175'513	202'991
Deferred income	25	15'430	17'483	24'139
Total non-current liabilities		2'991'800	3'118'179	3'047'376
<i>Current liabilities</i>				
Current portion of loans and notes	22	35'000	-	62'500
Current portion of financial leases	22	5'991	5'634	5'289
Current portion of trade and other payables	27	399'257	358'750	383'679
Income tax payable		4'991	17'285	23'357
Deferred income	25	50'300	46'676	56'180
Provisions	26	22'198	31'668	27'845
Other current liabilities		1'705	2'722	2'300
Total current liabilities		519'442	462'735	561'150
Total liabilities		3'511'242	3'580'914	3'608'526
Total equity and liabilities		4'209'101	4'374'070	4'438'353

* See note7

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

Consolidated statements of cash flow

CHFk

	Note	2013	2012 Restated*
(Loss) / income before income taxes		(69'047)	31'368
Amortization	15	233'742	194'386
Depreciation and impairment losses	16	250'567	201'749
Gain on disposal of property, plant and equipment		123	(352)
Movement in pension		2'343	(4'276)
Movement in provisions		(9'437)	3'056
Change in net working capital	28	66'513	(35'866)
Cash flow from operating activities before net financial items and tax		474'804	390'065
Financial income	13	(144'149)	(151'633)
Financial expense	13	319'714	362'667
Foreign currency gains / (losses), net		23'402	(6'457)
Interest received		115'458	204'385
Interest paid		(287'938)	(379'718)
Corporate income and withholding tax paid		(14'511)	(35'647)
Total cash flow from operating activities		486'780	383'662
Acquisition of a subsidiary, net of cash acquired	29	(95'662)	-
Purchase of property, plant and equipment		(221'143)	(189'850)
Purchase of intangible assets		(60'242)	(324'043)
Sale of property, plant and equipment		594	11'208
Short-term deposit reclassified to/from cash and cash equivalents during the period		-	100'052
Total cash flow used in investing activities		(376'453)	(402'633)
Redemption of PECs	20	(47'548)	(86'847)
Proceeds from long-term loans and notes	22	95'000	891'415
Repayments of long-term loans and notes	22	(175'000)	(1'093'656)
Repayments of capital leases	22	(5'023)	(5'439)
Total cash flow used in financing activities		(132'571)	(294'527)
Total cash flow		(22'244)	(313'498)
Cash and cash equivalents as of January 1		170'601	485'387
Foreign currency impact on cash	13	841	(1'288)
Cash and cash equivalents as of December 31		149'198	170'601

* See note 7

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 as of January 1, 2013	1'000	125'876	721'643	(27'858)	(27'505)	793'156
Net loss for the period	-	-	-	-	(81'890)	(81'890)
Restatement related to pensions from business combinations	-	-	-	-	472	472
Other comprehensive income	-	-	-	15'162	18'103	33'265
Total comprehensive income/loss	-	-	-	15'162	(63'315)	(48'153)
Prior year reclassification	-	-	-	-	404	404
Redemption of PEC's	-	-	(20'249)	-	(27'299)	(47'548)
Equity attributable to the equity holders of the parent company as of December 31, 2013	1'000	125'876	701'394	(12'696)	(117'715)	697'859

	Common shares	Share premium	PECs	Valuation reserve	Accumulated deficit	Total
Equity as of January 1, 2012	1'000	125'876	805'698	(64'993)	(41'520)	826'061
Restatement*	-	-	-	-	3'766	3'766
Equity as of January 1, 2012 restated*	1'000	125'876	805'698	(64'993)	(37'754)	829'827
Net income for the period*	-	-	-	-	16'063	16'063
Other comprehensive income/loss*	-	-	-	38'849	(4'738)	34'111
Total comprehensive income*	-	-	-	38'849	11'325	50'174
Prior year reclassification	-	-	-	(1'714)	(1'076)	(2'790)
Redemption of PEC's	-	-	(84'055)	-	-	(84'055)
Equity attributable to the equity holders of the parent company as of December 31, 2012*	1'000	125'876	721'643	(27'858)	(27'505)	793'156

* See note 7

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

Notes to consolidated financial statements

Overview

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Note 1 General information

Sunrise Communications Holdings S.A. ('Sunrise' 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 IP network, as well as its own mobile network based on GSM/EDGE and UMTS/HSDPA and LTE technology. In connection with the provision of services Sunrise resells handsets manufactured by well known suppliers.

These consolidated financial statements were authorized for issue by the Group's board of directors on March 19, 2014. Under Luxembourg law, the financial statements are approved by the shareholders at the annual general meeting.

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 financial statements are summarized in note 5 below.

Note 3 Auditors

The Group's consolidated financial statements for the fiscal year ended December 31, 2013 have been audited by Ernst & Young S.A., Luxembourg. The total fees for fiscal years 2013 and 2012 are shown below:

CHFk	2013	2012
Audit	697	611
Audit-related	38	214
Tax	190	127
Other	306	402
Total	1'231	1'354

Note 4 Significant accounting policies

Principles of consolidation

The consolidated financial statements include the financial statements of the parent company and its subsidiaries from the date on which control commences until the date on which control ceases. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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.

The Group accounts for business combinations using the acquisition method when control is transferred to the Group 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 or arise from contractual or other legal rights as sufficient information exists to measure reliably the fair value of the asset. 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.

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 financial statements are presented in Swiss Franc 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		Income statement and cash flow	
	December 31, 2013	December 31, 2012	2013	2012
Euro	1.2274	1.2077	1.2414	1.2196
US Dollar	0.8929	0.9154	0.9391	0.9481

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.

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 statement of income.

The main amortization periods are as follows:

UMTS & Spectrum licenses	6-16 years
Subscriber base	5-11 years
Brands	4-10 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
Customer premises equipment	3 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 amortized costs, loans and receivables are measured using the effective interest rate method. Foreign exchange gains and losses are taken into the 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 of the settlement 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 qualified 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 be immediately recognized.

The present value of the pension obligation is measured 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 changes in net 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 131.9 million (2012: CHF 170.6 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 Group has derivatives designated as a

hedging instrument, referred to as cash flow hedges that are used for hedging, and derivatives not designated as a hedging instrument but held for trading, referred to as economic hedges and interest rate derivatives.

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.

The Group 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 Group 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 designated as a hedging instrument, and whether the actual results of each hedging instrument are within a range of 80-125%.

Derivatives – Cash flow hedge

Cash flow hedges are used by the Group 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'.

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 PECs have no maturity date but are redeemable solely at the option of the Group, subject to terms of an intercreditor agreement, or on the liquidation of the Group. 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 results 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 the Group's 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 15 and 16.
- Intangible assets comprise a significant portion of the Group's 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 15.
- Net periodic pension cost for defined benefit plans is estimated based on certain actuarial assumptions, the most significant of which relate to, discount rate, future salary increases and demography (mortality, disability, etc.). As shown in note 21, the assumed discount rate reflects changes in market conditions. The Group believes 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 14. 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 the tax returns by tax authorities.
- The determination of the treatment of contingent assets and liabilities in the financial statements, as shown in note 34, is based on the expected outcome of the applicable probability. Legal counsel and other experts are consulted both within and outside the Group. 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, the Group discloses 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 26.
- 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 the revenues for any period.

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

Reclassification of prior year amounts

Certain amounts reported for prior years in the consolidated financial statements and notes have been reclassified to conform to the current year's presentation

Amendments to IAS 36 – Recoverable Amount Disclosure for Non-Financial Assets

The Group has early adopted the amendments to IAS 36. As a result of the amendments, the obligation to disclose the recoverable amount of each cash-generating unit as part of the goodwill impairment test is not required anymore.

IAS 19 – Employee Benefits (revised 2011)

As a result of IAS 19 (2011), the Group has changed its accounting policy with respect to the basis for determining the income or expense related to its post-employment defined benefit plans. Please refer to note 7 for further information.

IFRS 10, 11 and 12 – Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities

The Group has early adopted IFRS 10, 11 and 12. Those standards had no impact on the Group's financial position or performance and only affect the respective accounting policy as outlined below:

The Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 (2011) introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns

Note 7 New accounting standards

Except for the changes below, the Group has consistently applied the accounting policies set out in note 4 to all periods presented in these consolidated financial statements. The following amendments to accounting standards and interpretations of standards relevant to the Group have been implemented in 2013.

IAS 1 – Presentation of items of other comprehensive income

The amendment to IAS 1 introduces 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 recognize 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 financial positions, consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flow and the consolidated statement of changes in equity is presented below:

Retrospective application of IAS 19R

CHFk

	Reported	Adjustment	Restated
Balance sheet as of January 1, 2012			
Deferred tax liabilities	236'956	1'001	237'957
Employee benefit obligations	76'357	(4'767)	71'590
Accumulated deficit	(41'520)	3'766	(37'754)
Balance sheet as of January 1, 2013			
Deferred tax liabilities	240'470	1'325	241'795
Employee benefit obligations	81'430	(6'310)	75'120
Accumulated deficit	(32'490)	4'985	(27'505)

Retrospective application of IAS 19R

CHFk

	Reported	Adjustment	Restated
Wages, salaries and pension costs	(218'555)	(1'831)	(220'386)
EBITDA	631'058	(1'831)	629'227
Financial expenses	(360'503)	(2'164)	(362'667)
Income taxes	(16'144)	839	(15'305)
Net income	19'219	(3'156)	16'063
Statement of comprehensive income full year 2012			
Net income	19'219	(3'156)	16'063
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, net of tax	29'738	4'373	34'111
Total comprehensive income	48'957	1'217	50'174
Statements of cash flows full year 2012			
Income before income taxes	35'363	(3'995)	31'368
Movement in pension	(6'107)	1'831	(4'276)
Financial income / expenses, net	208'870	2'164	211'034
Total cash flow from operating activities	383'662	-	383'662

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.

The Group provides these disclosures in note 24.

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

Standard / Interpretation	Impact	Effective date	Date planned for adoption by Sunrise
<i>New Standards and Interpretations</i>			
IFRS 9 – Financial Instruments (2010)	**	January 1, 2017	Financial Year 2018
IFRIC Interpretation 21 Levies	*	January 1, 2014	Financial Year 2014
<i>Revised Standards and Interpretations</i>			
Hedge Accounting (Amendments to IFRS 9, IFRS 7 and IAS 39)	**	January 1, 2017	Financial Year 2018
Investment Entities (Amendments to IAS 27)	*	January 1, 2014	Financial Year 2014
Attribution of Employee Contributions (Amendments to IAS 19)	***	July 31, 2014	n/a
Offsetting Financial Assets and Financial Liabilities (Amendment to IAS 32)	*	July 1, 2014	Financial Year 2015

* 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 assessed the impact of the amendment as of December 31, 2013 and determined not to use the optional choice of applying the amendment.

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, human resources 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, as disclosed in note 4, that are applied to the consolidated financial statements for the period ended December 31, 2013.

Performance is measured based on the EBITDA as included in the internal financial reports reviewed by the board of directors. EBITDA is defined as operating income before depreciation, impairment losses 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	
	2013	2012 <i>Restated</i>	2013	2012 <i>Restated</i>	2013	2012 <i>Restated</i>	2013	2012 <i>Restated</i>	2013	2012 <i>Restated</i>
Revenue										
External customers	1'390'710	1'440'707	339'253	347'284	262'171	264'948	29'111	13'536	2'021'245	2'066'475
Inter-segment revenue	-	-	-	-	31'567	13'878	-	-	31'567	13'878
Total	1'390'710	1'440'707	339'253	347'284	293'738	278'826	29'111	13'536	2'052'812	2'080'353
Transmission costs and costs of goods sold										
External customers	(350'761)	(357'587)	(119'141)	(119'892)	(196'207)	(175'689)	(90)	40	(666'199)	(653'128)
Inter-segment costs	(31'567)	(13'878)	-	-	-	-	-	-	(31'567)	(13'878)
Total	(382'328)	(371'465)	(119'141)	(119'892)	(196'207)	(175'689)	(90)	40	(697'766)	(667'006)
Other operating expenses	(260'129)	(298'675)	(38'491)	(46'212)	(4'771)	(6'426)	(252'075)	(259'221)	(555'466)	(610'534)
Wages, salaries and pension costs	(50'347)	(51'271)	(56'990)	(58'153)	(3'966)	(8'832)	(102'896)	(102'130)	(214'199)	(220'386)
Other income	15'352	17'965	3'157	3'140	-	-	11'941	62'528	30'450	83'633
Other expenses	-	-	-	-	-	-	(2'286)	(36'833)	(2'286)	(36'833)
EBITDA	713'258	737'261	127'788	126'167	88'794	87'879	(316'295)	(322'080)	613'545	629'227

¹⁾ Including hubbing revenue of CHFk 149,426 generated in 2013 and CHFk 129,498 generated in 2012

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

	2013	2012
EBITDA from reportable segments	613'545	629'227
Unallocated:		
Amortization	(233'742)	(194'386)
Depreciation	(250'567)	(201'749)
Net financial items	(198'283)	(201'724)
(Loss) / income before income taxes	(69'047)	31'368

Note 9 Revenue CHFk

	2013	2012
Mobile services	1'265'673	1'308'557
Landline services	557'957	575'195
<i>thereof hubbing</i>	149'426	129'498
Landline internet	197'615	182'723
Total	2'021'245	2'066'475

	2013	2012
Sales of goods	170'936	124'272
Sales of services	1'850'309	1'942'203
Total	2'021'245	2'066'475

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 the Group's subscribers travelling abroad.

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.

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

	2013	2012 Restated*
Wages and salaries	(194'824)	(196'079)
Pension expense	(15'751)	(19'158)
Other social security cost	(15'494)	(16'970)
Total	(226'069)	(232'207)
Of which capitalized as non-current assets	11'870	11'821
Total	(214'199)	(220'386)

* See note 7.

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
	2013	2013	2012	2012
Wages and salaries	(4'424)	(180)	(4'655)	(200)
Pension expense	(639)	-	(522)	-
Other social security cost	(335)	(15)	(398)	(15)
Total	(5'398)	(195)	(5'575)	(215)

Note 11 Depreciation, impairment losses and amortization

Depreciation, impairment losses and amortization recorded during the twelve-month period ending December 31, 2013 increased from CHF 396.1 million to CHF 484.3 million. The increase in depreciation, impairment losses and amortization was primarily driven by non-recurring write-offs of CHF 48.1 million related to the replacement of the mobile radio network with multi standard radio equipment performed during 2013, depreciation

related to IPTV customer premises equipment, depreciation of the spectrum license (CHF 30.1 million) acquired in July 2012 and additional depreciation related to the intangible assets identified during the purchase price allocation of the acquisitions of YOL Communications GmbH and YOL Services AG in Switzerland.

Note 12 Other income and other expenses

CHFk

	2013	2012
Other income		
Early termination fees	18'298	20'957
Sub-leases	4'976	3'147
Aperiodic settlements of charges for access services calculated using the prices of the Swiss regulator	1'203	49'896
Income related to the change of MSP	1'023	3'400
Reversal of provision	3'949	4'290
Other	1'001	1'943
Total	30'450	83'633

	2013	2012
Other expenses		
Costs related to the change of MSP	-	(19'280)
Restructuring expenses	(1'444)	(17'145)
Other	(842)	(408)
Total	(2'286)	(36'833)

Note 13 Net financial items

CHFk

			Total financial income and (expenses) before foreign currency	Net foreign currency gains/(losses)	2013 Total
Income	Interest	Fair value adjustments			
Cash and cash equivalents	670	-	670	841	1'511
Cash flow hedges and economic hedges	113'235	27'946	141'181	-	141'181
Interest rate derivatives	19	833	852	-	852
Other	1'446	-	1'446	-	1'446
Total income	115'370	28'779	144'149	841	144'990
Expenses					
Financial liabilities measured at amortized cost	(179'974)	-	(179'974)	(23'518)	(203'492)
Cash flow hedges and economic hedges	(113'572)	-	(113'572)	-	(113'572)
Interest rate derivatives	(791)	-	(791)	-	(791)
Embedded derivatives ¹⁾	-	(9'692)	(9'692)	-	(9'692)
Other	(15'685)	-	(15'685)	(41)	(15'726)
Total expenses	(310'022)	(9'692)	(319'714)	(23'559)	(343'273)
Net financial items	(194'652)	19'087	(175'565)	(22'718)	(198'283)

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

					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
Cash flow hedges and economic hedges	108'960	4'322	113'282	-	113'282
Interest rate derivatives	69	206	275	-	275
Embedded derivatives ¹⁾	-	32'403	32'403	-	32'403
Other ²⁾	-	71	71	3'052	3'123
Total income	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)
Cash flow hedges and economic hedges	(111'301)	(16'959)	(128'260)	-	(128'260)
Interest rate derivatives	(790)	390	(400)	-	(400)
Other ²⁾	(11'031)	-	(11'031)	-	(11'031)
Total expenses	(346'098)	(16'569)	(362'667)	(1'288)	(363'955)
Net financial items	(231'467)	20'433	(211'034)	9'310	(201'724)

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

²⁾ Restated, see note 7

Note 14 Income taxes

CHFk

	2013	2012 Restated *
Current income tax expense	(13'108)	(6'167)
Adjustments recognized for current tax of prior periods	(5'066)	(4'609)
Deferred tax expense / (income)	5'331	(4'529)
Total income tax expense recognized in statement of income	(12'843)	(15'305)
Expected tax expense at weighted average applicable tax rate of 21.0% (2012: 21.0%)	14'500	(6'587)
Effect of differing tax rates in effect in different jurisdictions	-	2'629
Non-deductible items	(22'728)	(23'311)
Non-taxable income	-	2'878
Changes in valuation allowances/not recognized deferred taxes	-	13'653
Changes in tax rates	-	42
Adjustments recognized for current tax of prior periods	(5'066)	(4'609)
Other effects	451	-
Total income tax expense recognized in statement of income	(12'843)	(15'305)

* see note 7

Specification of deferred taxes

CHFk

	Deferred tax assets / (liabilities) net, as of January 1, 2013	Deferred tax (expense) / income	Deferred tax through OCI	Modification of scope in consolidation ²⁾	Deferred tax assets / (liabilities) net, as of December 31, 2013
Intangible assets ¹⁾	(292'010)	9'987	-	(6'185)	(288'208)
Customer acquisition costs	36'229	(5'877)	-	-	30'352
Property, plant and equipment	(4'582)	458	-	-	(4'124)
Deferred income	2'845	(241)	-	-	2'604
Hedging instruments debt	357'533	5'818	-	-	363'351
Hedging instruments swap	(357'533)	(5'818)	-	-	(363'351)
Employee benefit obligations	15'774	879	(4'812)	215	12'056
Other	(51)	125	37	-	110
Total	(241'795)	5'331	(4'775)	(5'970)	(247'209)

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.

²⁾ This modification arises from employee benefits and intangible assets such as customer base and brand and will not trigger any cash outflow in the future. They were recognized during PPA of YOL Communications GmbH and YOL Services AG. .

Specification of deferred taxes

CHFk

	Deferred tax assets / (liabilities) net, as of January 1, 2012 Restated*	Deferred tax (expense) / income Restated*	Deferred tax through OCI Restated*	Deferred tax assets / (liabilities) net, as of December 31, 2012 Restated*
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 debt	341'803	15'730	-	357'533
Hedging instruments swap	(341'803)	(15'730)	-	(357'533)
Employee benefit obligations	15'213	(752)	1'313	15'774
Other	(888)	1'459	(622)	(51)
Total	(237'957)	(4'529)	691	(241'795)

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.

* See note 7

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 CHF 6.7 million of tax losses (expiring in 2020) to carry forward in a subsidiary which have not been recognized in the balance sheet because management is of the opinion that it is unlikely future taxable profit will be available against which the Group can use the benefits therefrom.

Note 15 Intangible assets

CHFk

					2013
	Goodwill	Subscriber bases	Other rights, software, licenses and brands	Intangibles under constructions	Total
Cost as of January 1	1'064'983	1'309'383	866'350	18'729	3'259'445
Additions	82'786	25'300	9'834	55'196	173'116
Transferred to / (from) other items	-	-	55'536	(55'536)	-
Assets disposed of or fully amortized during the period	-	-	(3'835)	-	(3'835)
Cost as of December 31	1'147'769	1'334'683	927'885	18'389	3'428'726
Accumulated amortization and write-downs as of January 1	-	(286'121)	(123'729)	-	(409'850)
Amortization for the period	-	(135'834)	(97'908)	-	(233'742)
Assets disposed of or fully amortized during the period	-	-	3'835	-	3'835
Accumulated amortization and write-downs as of December 31	-	(421'955)	(217'802)	-	(639'757)
Net carrying value as of December 31	1'147'769	912'728	710'083	18'389	2'788'969

					2012
	Goodwill	Subscriber bases	Other rights, software, licenses and brands	Intangibles under constructions	Total
Cost as of January 1	1'064'983	1'309'383	349'416	25'380	2'749'162
Additions	-	-	492'520	24'234	516'754
Transferred to / (from) other items	-	-	30'885	(30'885)	-
Assets disposed of or fully amortized during the period	-	-	(6'471)	-	(6'471)
Cost as of December 31	1'064'983	1'309'383	866'350	18'729	3'259'445
Accumulated amortization and write-downs as of January 1	-	(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 as of December 31	-	(286'121)	(123'729)	-	(409'850)
Net carrying value as of December 31	1'064'983	1'023'262	742'621	18'729	2'849'595

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 289.0 million. The remaining payable amount of CHF 195.0 million (including compounding interest for the period ended December 31, 2013) 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 2013 and 2012 no write-downs for impairment of other rights, software, licenses and brands were recognized.

In the year ended December 31, 2013 internal cost capitalized amounted to CHF 8.6 million (2012: CHF 8.2 million).

No interest was capitalized during the year ended December 31, 2013 and December 31, 2012.

The carrying value of pledged intangible assets as of December 31, 2013 amounted to CHF 131.7 million (2012: CHF 146.5 million).

The carrying value of intangible assets not yet started to be amortized is CHF 18.4 million for the year ended December 31, 2013 and mainly comprises assets under construction (2012: CHF 500.4 million; comprises of spectrum mobile license of CHF 482.0 million and assets under constructions).

Impairment tests for goodwill

Goodwill is allocated from the acquisition date to the Group's Cash-Generating Units ('CGU'). For the Group, 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 in 2013. An operating segment-level summary of the goodwill allocation is presented below:

	2013	2012
Residential	889'268	806'481
Business	190'029	190'029
Wholesale	68'472	68'472
Total goodwill	1'147'769	1'064'982

Goodwill of CHF 82.8 million resulting from the acquisition of YOL Communications GmbH and YOL Services AG in 2013 has been fully allocated to the residential segment based on their business models.

Goodwill has an indefinite useful live, and is therefore analyzed for impairment on an annual basis. In 2013, there are no other recorded intangible assets with indefinite useful lives (2012: 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 Group'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% (2012: 1%). The discount rate is determined as the Weighted Average Cost of Capital before tax (WACC) of the Group, and amounts to 5.4% (2012: 5.3%). 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 16 Property, plant and equipment

CHFk

	Telecommunications installations	Other installations	Property, plant and equipment under construction	2013 Total
Cost as of January 1	1'152'693	65'336	97'377	1'315'406
Additions	800	280	230'673	231'753
Transferred to / (from) other items	192'619	29'629	(222'248)	-
Assets disposed of during the period	(79'033)	(8'612)	-	(87'645)
Cost as of December 31	1'267'079	86'633	105'802	1'459'514
Accumulated depreciation and write-downs as of January 1	(349'560)	(29'889)	-	(379'449)
Depreciation for the period	(168'501)	(17'691)	-	(186'192)
Impairment losses	(58'212)	(6'163)	-	(64'375)
Assets disposed of during the period	78'317	8'612	-	86'929
Accumulated depreciation and write-downs as of December 31	(497'956)	(45'131)	-	(543'087)
Net carrying value as of December 31	769'123	41'502	105'802	916'427
Carrying value of finance leases¹⁾ as of December 31	23'052	-	-	23'052

	Telecommunications installations	Other installations	Property, plant and equipment under construction	2012 Total
Cost as of January 1	996'522	45'715	119'188	1'161'425
Additions	18'698	25'298	159'932	203'928
Transferred to / (from) other items	181'743	-	(181'743)	-
Assets disposed of during the period	(44'270)	(5'677)	-	(49'947)
Cost as of December 31	1'152'693	65'336	97'377	1'315'406
Accumulated depreciation and write-downs as of January 1	(198'782)	(17'784)	-	(216'566)
Depreciation 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 as of December 31	(349'560)	(29'889)	-	(379'449)
Net carrying value as of December 31	803'133	35'447	97'377	935'957
Carrying value of finance leases¹⁾ as of December 31	26'614	-	-	26'614

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

In 2013, the Group recognized CHF 64.4 million (2012: CHF 23.9 million) write-downs for impairment. These impairment losses were primarily attributable to the replacements of the mobile radio network with multi standard radio equipment.

In the period ended December 31, 2013 capitalized internal cost amounted to CHF 3.2 million (2012: CHF 3.6 million).

In 2012 and 2013 no interest was capitalized.

Additions from 3rd parties include CHF 2.3 million (2012: CHF 14.1 million) increase in asset retirement obligation without cash effect and CHF 14.0 million related to irrevocable right of use without cash effect (2012: nil).

The Group has recourse guarantee obligations for payment and performance in connection with lease contracts (refer to note 34).

Note 17 Trade and other receivables

CHFk

	2013	2012
Trade receivables	312'045	345'671
Allowances for uncollectible amounts	(51'347)	(49'860)
Trade receivables, net	260'698	295'811
Interest receivables	-	2'204
Other receivables	18'976	38'043
Total	279'674	336'058
	2013	2012
Allowances for uncollectible amounts as of January 1	(49'860)	(30'376)
Allowances for uncollectible amounts	(1'487)	(19'484)
Allowances for uncollectible amounts as of December 31	(51'347)	(49'860)
	2013	2012
Neither past due nor impaired	105'207	153'896
Past due but not impaired	8'329	14'799
Current	136'507	138'356
Receivables past due 1 - 31 days	19'152	13'095
Receivables past due 32 - 61 days	3'956	7'084
Receivables past due 62 - 91 days	2'949	2'355
Receivables past due more than 121 days	3'574	6'473
Total	279'674	336'058

The total gross amount of trade receivables past due as of December 31, 2013 amounted to CHF 38.0 million (2012: CHF 43.8 million). Other classes within receivables do not contain impaired assets. The carrying value of pledged receivables amounted to CHF 272.4 million (2012: CHF 336.1 million) as of December 31, 2013.

As of December 31, 2013 net receivables of CHF 8.3 million (2012: CHF 14.8 million) 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 18 Prepaid expenses

CHFk

	2013	2012 Restated*
Prepaid lease payments	3'218	3'239
Other prepaid expenses	7'429	10'272
Total	10'647	13'511

* Prior year amounts have been reclassified by CHF 11.2 million to conform to the current year's presentation.

Note 19 Inventories

CHFk

	2013	2012
Finished goods and merchandise	28'750	28'113
Work in progress	9'510	7'679
Total	38'260	35'792

Write-downs of inventories on the net realizable value amounted to CHF 1.9 million in 2013 (2012: CHF 7.0 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 238.1 million (2012: CHF 257.7 million). No inventories were expected to be sold after more than one year.

Note 20 Equity

CHFk

	Number of shares 2013	Number of shares 2012	Nominal value (CHF)	2013	2012
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 PECs ^{*)}	62'589'067'221	64'395'976'353	0.01	625'890	643'960
Series B PECs ^{*)}	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

^{*)} Preferred Equity Certificates

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 (Payment In Kind) repayment

In February 2013 Sunrise Communications Holdings S.A. redeemed PECs A and PECs B in the amount of CHF 20.2 million plus accrued interests in the amount of CHF 0.3 million and CHF 27.0 million accrued interests

in September 2013 to Mobile Challenger Intermediate Group S.à r.l., which used these proceeds to early repay the outstanding amount of EUR 16.4 million of its PIK loan including accrued interest and due interests amounting to CHF 27.0 million of its PIK toggle note.

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 21 Employee benefit obligations

The Group 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 Swiss 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 Group is not possible.

These defined benefit plans expose the Group to actuarial risks, such as currency risk, interest rate risk and market (investment) risk.

Pension (costs) / income resulting from defined benefit plans CHFk

	2013	2012 Restated*
Current service costs	(19'335)	(19'404)
Interest cost on benefit obligation	(1'272)	(1'498)
Past service costs	-	98
Curtailments and settlements	-	5'941
Pension costs recognized in the statement of income	(20'607)	(14'863)

Assets and obligations CHFk

	2013	2012 Restated*
Fair value of plan assets	(226'644)	(221'750)
Defined benefit obligation	284'053	296'870
Employee benefit obligations recognized in the statement of financial position as of December 31	57'409	75'120
Movement in defined benefit obligations		
Balance as of January 1	296'870	285'226
Additions from acquisition of subsidiaries	3'116	-
Included in the statement of income		
- Current service cost	19'335	19'404
- Past service cost	-	(6'039)
- Interest cost on defined benefit obligation	5'686	6'964
Included in other comprehensive income		
Actuarial (gain) / loss arising from:		
- Financial assumptions	(8'184)	13'636
- Experience adjustment	(6'897)	(5'237)
Other		
Employee contributions	10'508	11'226
Benefits paid / transferred	(36'381)	(28'310)
Balance as of December 31	284'053	296'870
Thereof business combination	2'693	-

* see note 7

Assets and obligations (continued)

CHFk

	2013	2012 Restated*
Movement in fair value of plan assets		
Balance as of January 1	(221'750)	(213'631)
Additions from acquisition of subsidiaries	(2'503)	-
Included in the statement of income		
- Interest income	(4'414)	(5'466)
Included in other comprehensive income		
- Return on plan assets excluding interest income	(7'248)	(2'348)
Other		
Company contributions	(16'600)	(17'391)
Employee contributions	(10'510)	(11'224)
Benefits paid	36'381	28'310
Balance as of December 31	(226'644)	(221'750)
Thereof business combination	(2'047)	-

* see note 7

Asset allocation of plan assets

CHFk

	2013		2012	
	quoted prices	unquoted prices	quoted prices	unquoted prices
Cash and cash equivalents	6'803	9'433	24'371	28'140
Equity securities	-	73'555	-	51'602
Debt securities	-	99'925	-	82'423
Real estate	45	21'134	44	20'423
Other	-	15'749	-	14'747
Total	6'848	219'796	24'415	197'335

Plan assets do not include any property used by Group companies as of December 31, 2013. Further the defined benefit plans do not hold any shares of Sunrise Communications Holdings S.A.

Periodically, an Asset-Liability Matching (ALM) study is performed by the pension fund's asset manager in which the

consequences of the strategic investment policies are analyzed. The strategic investment policy of the pension fund can be summarized as follows: A strategic asset mix comprising 27.5% - 42.5% equity securities, 40.5% - 51.5% government bonds, 11%-19% real estate and 0.8% - 7.2% other investments.

Principal actuarial assumptions

%

	2013	2012
Discount rate	2.25	2.0
Future salary increases	2.00	2.0

As of December 31, 2013, the weighted – average duration of the defined benefit obligation was 13.9 years (2012: 14.4 years).

For 2014, the projected Group's contributions to its pension funds amount to CHF 14.8 million.

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Sensitivity analysis	CHFk	
Effect on defined benefit obligation as of December 31, 2013	Increase	Decrease
Discount rate (1% movement)	(28'521)	36'697
Future salary increases (1% movement)	8'558	(8'051)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

Note 22 Borrowings	CHFk					
	Nominal value at inception	Foreign exchange movement ¹⁾	Capitalized debt issuance cost including discounts and premium ¹⁾	Loan and finance lease repayments	2013 Carrying value	2012 Carrying value
Floating rate						
Floating Rate Notes - CHF	175'000	-	-	(175'000)	-	171'635
Floating Rate Notes - EUR	200'570	4'404	(3'097)	-	201'877	197'819
Revolving Credit Facility - CHF	95'000	-	-	-	95'000	-
Fixed rate						
Senior Secured Notes - CHF ²⁾	300'000	-	(7'889)	-	292'111	290'250
Senior Secured Notes - CHF ³⁾	370'000	-	(5'683)	-	364'317	362'873
Senior Secured Notes - EUR ⁴⁾	658'641	(49'855)	(7'994)	-	600'792	589'080
Senior Notes - EUR	755'942	(67'376)	(21'019)	-	667'547	652'951
Total loans and notes	2'555'153	(112'827)	(45'682)	(175'000)	2'221'644	2'264'608
Other						
Debt relating to finance leases	-	-	-	(5'023)	35'445	40'378
Total borrowings	-	-	-	(180'023)	2'257'089	2'304'986
Of which current					40'991	5'634
Of which non-current					2'216'098	2'299'352

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

The Group incurred significant Euro denominated borrowings in connection with the acquisition of Sunrise Communications AG and the subsequent refinancing transaction during 2012. 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 4 and note 23.

The revolving credit facility is drawn by CHF 95.0 million of December 31, 2013 (2012: nil). 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 19, 2014.

The ancillary facility of CHF 15.0 million is currently not drawn but reserved (refer to note 24).

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

Note 23 Derivatives

CHFk

Derivative financial instruments are reported in the consolidated statement of financial position as follows:

	2013	2012	2013	2013	2012	2012
	Notional	Notional	Fair value	Fair value	Fair value	Fair value
	Amount	amount	assets ⁴⁾	liabilities ⁴⁾	assets ⁴⁾	liabilities ⁴⁾
Cross currency interest rate swaps – fixed rate borrowings ¹⁾	1'256'198	1'418'076	-	(124'968)	-	(159'085)
Total cash flow hedges	1'256'198	1'418'076	-	(124'968)	-	(159'085)
Cross currency interest rate swaps – fixed rate borrowings ¹⁾	161'878	-	-	(9'165)	-	(13'125)
Cross currency interest rate swaps – variable rate borrowings ²⁾	200'567	200'570	3'014	-	-	(2'470)
Total economic hedges	362'445	200'570	3'014	(9'165)	-	(15'595)
Interest rate swap ⁵⁾	100'000	100'000	-	-	-	(833)
Total interest rate derivatives	100'000	100'000	-	-	-	(833)
Embedded derivatives ³⁾	-	-	22'712	-	32'403	-
Total embedded derivatives	-	-	22'712	-	32'403	-
Total derivatives	-	-	25'726	(134'133)	32'403	(175'513)

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 senior secured floating rate notes EUR 167 million

³⁾ Embedded derivatives represent early redemption options related to financial instruments issued by the Group

⁴⁾ For fair value estimation please refer to note 24, G: Fair value estimation

⁵⁾ Interest rate swap has matured as of December 31, 2013

CHFk

	2013	2012
Cash flow hedges – movement in hedge reserve	20'179	(22'147)
Cash flow hedges – ineffectiveness	121	399
Economic hedges	7'646	8'937
Total impact of hedging derivatives in the statement of income (note 13)	27'946	(12'811)
Impact of interest rate derivatives in the statement of income (note 13)	833	770
Impact of embedded derivatives in the statement of income (note 13)	(9'692)	32'404
Total impact of derivatives in the statement of income (note 13)	19'087	20'363

The amount recognized in other comprehensive income relating to cash flow hedges amounted to CHF 15.1 million in 2013 and CHF 39.5 million in 2012. The movement between the balances at the end of 2012 and 2013 was recycled to the income statement which was partially offset by the movement of the respective financial liability in 2013 caused by changes in the foreign currency rate.

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 as of December 31, 2013.

Cross currency interest rate swaps – fixed rate borrowings

The Group has entered into cross currency principal and interest rate swap agreements on EUR 371.0 million of notes payable, bearing interest at 7.0%, due December 2017, and on EUR 561.0 million 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 million 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.

Hedge ineffectiveness is recognized in 'net financial items'. The ineffective portion recognized in the profit or loss that arises from cash flow hedges amounts to a loss of CHFk 121 (2012: gain of CHFk 399) for the period up to March 31, 2013. From April 1, 2013 the Group discontinued hedge accounting for this instrument and classified the cross currency interest rate swap as held for trading with any change in fair value being recorded in the statement of profit and loss for the respective period.

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 million 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 as of September 30, 2014. 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 13 '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. This instrument reached maturity on June 30, 2013. 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 13 '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.

The Group 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 the cross currency interest rate swap as held for trading. The fair value movements are recognized in the statement of income (refer to note 13 'net financial items'). At the reporting date, this instrument reached maturity.

Note 24 Financial instruments

The financial assets of the Group primarily include cash and cash equivalents, trade and other receivables, other non-current assets and derivative 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.

in CHFk					2013
	Loans and receivables	Financial liabilities measured at amortized cost	Derivatives used for hedging	Derivatives held for trading	Total
<u>Non-current financial assets</u>					
Derivative financial assets	-	-	-	25'726	25'726
Other non-current assets	200	-	-	-	200
Total non-current financial assets	200	-	-	25'726	25'926
<u>Current financial assets</u>					
Trade receivables and other receivables	279'674	-	-	-	279'674
Cash and cash equivalents	149'198	-	-	-	149'198
Total current financial assets	428'872	-	-	-	428'872
Total financial assets	429'072	-	-	25'726	454'798
<u>Non-current financial liabilities</u>					
Non-current portion of loans and notes	-	(2'186'644)	-	-	(2'186'644)
Non-current portion of financial leases	-	(29'454)	-	-	(29'454)
Non-current portion of trade payables and other payables	-	(207'420)	-	-	(207'420)
Derivative financial liabilities	-	-	(124'968)	(9'165)	(134'133)
Total non-current financial liabilities	-	(2'423'518)	(124'968)	(9'165)	(2'557'651)
<u>Current financial liabilities</u>					
Current portion of loans and notes	-	(35'000)	-	-	(35'000)
Current portion of financial leases	-	(5'991)	-	-	(5'991)
Current portion of trade payables and other payables	-	(399'257)	-	-	(399'257)
Other current liabilities	-	(1'705)	-	-	(1'705)
Total current financial liabilities	-	(441'953)	-	-	(441'953)
Total financial liabilities	-	(2'865'471)	(124'968)	(9'165)	(2'999'604)
Total	429'072	(2'865'471)	(124'968)	16'561	(2'544'806)

in CHFk					2012
	Loans and receivables	Financial liabilities measured at amortized cost	Derivatives used for hedging	Derivatives held for trading	Total
<u>Non-current financial assets</u>					
Derivative financial assets	-	-	-	32'403	32'403
Other non-current assets	153	-	-	-	153
Total non-current financial assets	153	-	-	32'403	32'556
<u>Current financial assets</u>					
Trade receivables and other receivables	336'058	-	-	-	336'058
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
<u>Non-current financial liabilities</u>					
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	-	(2'494'352)	(172'210)	(3'303)	(2'669'865)
<u>Current financial liabilities</u>					
Current portion of financial leases	-	(5'634)	-	-	(5'634)
Current portion of trade payables and other payables	-	(358'750)	-	-	(358'750)
Other current liabilities	-	(2'722)	-	-	(2'722)
Total current financial liabilities	-	(367'106)	-	-	(367'106)
Total financial liabilities	-	(2'861'458)	(172'210)	(3'303)	(3'036'971)
Total	506'812	(2'861'458)	(172'210)	29'100	(2'497'756)

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 policies 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.

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	
	2013	2012		2013	2012
EUR / CHF	5'085	60'174	+/- 10%	509	6'017

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. As of December 31, 2013, 81.6% (2012: 88.8%) 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.

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	
			2013	2012
CHF interest rates	+ 10%		(306)	(27)
CHF interest rates	- 10%		57	10

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

					2013
					Total
	< 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
Trade payables and other payables	(399'257)	(103'710)	(103'710)	-	(606'677)
Borrowings - notional	(35'000)	-	(2'186'644)	-	(2'221'644)
Borrowings - interest	-	(155'384)	(525'463)	-	(680'847)
Financial leases	(5'991)	(6'350)	(20'294)	(2'810)	(35'445)
Derivative liabilities	-	(134'133)	-	-	(134'133)
Other current liabilities	(1'705)	-	-	-	(1'705)
Total financial liabilities	(441'953)	(399'577)	(2'836'112)	(2'810)	(3'680'452)

Maturity profiles (CHFk) as of December 31

					2012
					Total
	< 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
Trade payables and other payables	(358'750)	-	(195'000)	-	(553'750)
Borrowings - notional	-	-	(1'611'657)	(652'951)	(2'264'608)
Borrowings - interest	(165'402)	(165'402)	(496'232)	(59'311)	(886'347)
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	(533'341)	(173'863)	(2'495'188)	(720'926)	(3'923'318)

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)

					Total
	< 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
2013					
Notional amounts receivable	204'974	1'297'351	-	-	1'502'325
Notional amounts payable	(200'567)	(1'418'076)	-	-	(1'618'643)
2012					
Notional amounts receivable	-	201'691	1'276'571	-	1'478'262
Notional amounts payable	-	(200'567)	(1'418'076)	-	(1'618'643)

D: Undrawn credit lines

The Group had the following uncommitted borrowing facilities (in CHFk)

	2013	2012
Senior Revolving Credit Facility (Senior RCF) and acquisition facility	140'000	235'000
Ancillary facility	15'000	15'000
Total	155'000	250'000

The committed and undrawn Senior RCF of CHF 140 million 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 Group has CHF 11.6 million (2012: CHF 11.1 million) in guarantees outstanding under this Ancillary facility on which a fee of 2.16% per annum is charged.

The ancillary facility of CHF 15 million is currently not drawn down but bears a facility fee of 0.675% per annum.

E: Credit risks

Credit risks arise when a customer or 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 17 for detailed

information on receivables). On a regular basis, trade accounts receivable are sold without recourse.

The Group 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 20), current and non-current

borrowings (see note 22) 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.

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	2013 Fair value	2013 Carrying value	2012 Fair value	2012 Carrying value
Cash ¹⁾	Amortized Cost	149'198	149'198	170'601	170'601
Trade and other receivables ¹⁾	Amortized Cost	279'674	279'674	336'058	336'058
Other non-current assets ¹⁾	Amortized Cost	200	200	153	153
Derivatives held for trading ²⁾	Fair Value - Level 2	25'726	25'726	32'403	32'403
Total financial assets		454'798	454'798	539'215	539'215
Trade payables and other payables ¹⁾	Amortized Cost	(606'677)	(606'677)	(553'750)	(553'750)
Loans and notes ¹⁾	Amortized Cost	(2'308'037)	(2'186'644)	(2'492'570)	(2'264'608)
Financial leases ¹⁾	Amortized Cost	(35'445)	(35'445)	(40'378)	(40'378)
Derivatives held for trading ²⁾	Fair Value - Level 2	(9'165)	(9'165)	(16'428)	(16'428)
Derivatives used for hedging ²⁾	Fair Value - Level 2	(124'968)	(124'968)	(159'085)	(159'085)
Other current liabilities ¹⁾	Amortized Cost	(1'705)	(1'705)	(2'722)	(2'722)
Total financial liabilities		(3'085'997)	(2'964'604)	(3'264'933)	(3'036'971)

¹⁾ Carrying amount approximates the estimated fair value due to the short-term nature of the financial instruments.

²⁾ 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.

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 2013 and 2012.

Note 25 Deferred income

CHFk

	2013	2012
Deferred income from dark fibers	18'743	21'954
Deferred income from other telecommunication services	46'987	42'205
Total	65'730	64'159
Of which current	50'300	46'676
Of which non-current	15'430	17'483

Note 26 Provisions

CHFk

	Asset retirement obligations	Restructuring obligations	Other provisions	Total
Provisions as of January 1, 2013	117'690	10'197	17'697	145'584
Provisions made during the period	2'320	1'566	27'782	31'668
Change in present value	(3'088)	-	-	(3'088)
Provisions used during the period	(204)	(8'995)	(24'596)	(33'795)
Unused provisions reversed during the period	(1'419)	(1'803)	(848)	(4'070)
Provisions as of December 31, 2013	115'299	965	20'035	136'299
Of which current	1'198	965	20'035	22'198
Of which non-current	114'101	-	-	114'101
Provisions as of 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	2'401	-	362	2'763
Provisions used during the period	(82)	(7'221)	(34'611)	(41'914)
Unused provisions reversed during the period	(132)	-	(8'300)	(8'432)
Provisions as of December 31, 2012	117'690	10'197	17'697	145'584
Of which current	3'774	10'197	17'697	31'668
Of which non-current	113'916	-	-	113'916

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.

Restructuring costs expensed amounted to CHF 1.6 million (2012: CHF 17.1 million) and were recognized in other expenses.

Other provisions are related to bonuses for management and employees and legal claims. There are no provisions for legal claims as of December 31, 2013 and December 31, 2012. In 2012 the Group reversed unused provisions amounting to CHF 3.5 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 27 Trade and other payables

CHFk

	2013	2012
Trade payables	583'372	532'158
Interest payable	1'667	858
Other payables and accruals	21'638	20'734
Total	606'677	553'750
Of which current	399'257	358'750
Of which non-current	207'420	195'000

Note 28 Change in net working capital

CHFk

	2013	2012
Change in inventories	(1'668)	(7'397)
Change in trade and other receivables	32'754	7'887
Change in trade and other payables	31'266	(27'955)
Change in other items, net	4'161	(8'401)
Total	66'513	(35'866)

Note 29 Business combinations

On July 1, 2013, Sunrise Communications AG acquired 100% of the common shares of YOL Communications GmbH (former Lebara GmbH), Switzerland, a company focusing on mobile prepaid services with strong customer needs for low cost international tariffs for calls from Switzerland to abroad. The combination of the Lebara brand with yallo will significantly strengthen Sunrises customer focus for prepaid mobile services.

On July 18, 2013, Sunrise Communications AG also acquired 100 % of the common shares of YOL Services AG (former Treternity Ortel Mobile AG), Switzerland, another company focusing on mobile prepaid services with strong customer needs for low cost international tariffs for calls from Switzerland to abroad.

With this acquisition, Sunrise further strengthens its footprint in the multicultural segment.

The goodwill of CHF 82.8 million arising from the acquisitions is attributable to synergistic benefits identified by Sunrise Management, the value inherent in complementing the yallo offering and the value associated with the YOL Communications GmbH Group distribution channels and the YOL Communications GmbH and YOL Services AG workforce. Workforce is an intangible asset which could not be separately recognized under the requirements of IFRS 3 Business Combinations. The goodwill is not deductible for tax purposes.

The following table summarizes the consideration paid for YOL Communications GmbH, Switzerland and YOL Services AG, Switzerland and the fair value of the net assets acquired:

CHFk

Cash consideration	103'413
Assignment of loan payable from the vendor to Sunrise	13'258
Total consideration	116'671
Cash and cash equivalents	(7'751)
Other current assets	(21'128)
Intangible assets & property, plant and equipment	(30'306)
Current liabilities	17'653
Non-current liabilities	7'646
Goodwill arising on acquisition	82'785

The gross contractual amount for trade receivables due was CHF 5.5 million, of which none was expected to be uncollectable. There was no contingent consideration arrangement as part of the acquisition. In the period from the date of acquisition to December 31, 2013 the acquired subsidiaries have contributed CHF 26.2 million to revenue and a net gain in the amount of CHF 5.2 million to Sunrise

Group's net loss. Had YOL Communications GmbH and YOL Services AG been consolidated from January 1, 2013 the consolidated statement of income would show revenue of CHF 2'048.4 million and a net loss of CHF 88.8 million.

Note 30 Share-based payment

Certain managers and all employees of Sunrise Communications AG can participate in investment programs (management equity program and employee participation program) to align their interests with those of the shareholders. Mobile Challenger Group S.à r.l., through the Co-Investment Committee of New Dawn MEP HoldCo S.à r.l., sold equity instruments in New Dawn MEP Issuer Co. S.A. and New Dawn MEP EPP Issuer Co. S.A. to participating managers and employees of Sunrise Communications AG. Members of these programs have invested in those instruments at fair value, mirroring conditions of the current ultimate shareholder. Members will receive similar conditions as the current ultimate shareholder upon exit, while managers are subject to certain vesting conditions (minimum service period). The programs fall under the scope of IFRS 2 – Share-based payment, and qualify as equity settled plans at the Sunrise Communications Holdings S.A. level. No expense was recognized in the reporting period (2012: nil) and there is no outstanding balance as of December 31, 2013 (2012: nil) 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 31 Overview of Group companies as of December 31, 2013

Company name	Operating purpose	Registered Office	Currency	Voting rights	Consolidation method
Luxembourg					
Sunrise Communications Holdings S. A.	Holding	Luxembourg	CHF		
Sunrise Communications International S. A.	Subholding	Luxembourg	CHF	100	Full
Skylight S.à r.l.	Subholding	Luxembourg	CHF	100	Full
Switzerland					
Sunrise Communications AG	Telecommunication services	Zurich	CHF	100	Full
TelCommunication Services AG	Telecommunication services	Zurich	CHF	100	Full
YOL Communications GmbH	Telecommunication services	Zurich	CHF	100	Full
YOL Services AG	Telecommunication services	Zurich	CHF	100	Full

Note 32 Related parties

Name of related party	Nature of relationship	Domicil
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	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).

Sunrise Communications Holdings S.A. redeemed PECs A and PECs B plus accrued interest in the amount of CHF 20.5 million in February 2013 and CHF 27.0 million in September 2013 to Mobile Challenger Intermediate Group S.à r.l., which used these proceeds to early repay the outstanding amount of EUR 16.4 million of its PIK loan including accrued interest and due interest amounting to CHF 27.0 million of its PIK toggle note.

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	
Libor Voncina	Chief Executive Officer (CEO)
André Krause	Chief Financial Officer (CFO)
Elmar Grasser	Chief Chief Operating Officer (COO)
Detlef Steinmetz	Chief Information Officer (CIO)
Hans Jörg Denzler	Chief Commercial Officer (CCO)
Massimiliano Nunziata	Chief Customer Experience Officer (CCE)
Timm Degenhardt	Chief Marketing Officer (CMO)
Sebastian Prange	Chief Sales Officer (CSO)

As described in note 30, 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 33 Other financial commitments

CHFk

	2013	2012
Non-cancelable lease commitments for operating leases		
Rental expense relating to properties and mobile sites in the period of interminability	280'019	243'713
Lease commitments for machinery, equipment, computers and other equipment	29'284	4'136
Total	309'303	247'849
which can be specified as follows:		
Less than 6 months	45'209	35'196
Between 6 and 12 months	44'971	30'438
Between 1 and 2 years	51'959	49'316
Between 2 and 5 years	103'476	58'639
Over 5 years	63'688	74'260
Total	309'303	247'849
Total rental expense recognized for all operating leases		
Minimum lease payments	100'357	78'608
Sublease receipts	(4'976)	(3'506)
Total	95'381	75'102
Contractual and purchase commitments ²⁾	76'249	123'727

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⁾ Contractual and purchase commitments relate to investments in property, plant and equipment and intangibles assets.

Note 34 Contingencies

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, certain entities of the Group are guarantors. The maximum guarantee amounts to the value of the shares and the preferred equity certificates (note 20), trade receivables (note 17) and certain insurance claims, the material intellectual property rights (note 15) and cash and financial assets (note 24). The guarantee amounts to CHF 1'364.2 million as of December 31, 2013 (2012: CHF 1'496.0 million).

Note 35 Events after the balance sheet date

Material debt instruments

On February 6, 2014 Sunrise repaid CHF 35.0 million of the revolving credit facility to reduce the drawn down amount to CHF 60.0 million.

Material affiliate transactions

On March 17th 2014, the Group repaid accrued interests on PECs in the amount of CHF 27.8 million to Mobile Challenger Intermediate Group S.A. which used the proceeds to pay interests due amounting to CHF 27.8 million of its PIK toggle note.

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 9 April 2013, 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 2013, 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 2013, 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



Jeanrot WEYER

Luxembourg, 19 March 2014