Sunrise Communications Holdings S.A.

Interim Financial Report for the twelve-month period ended December 31, 2013

Facts & Figures

	January 1 - December 31, 2013	January 1 - December 31, 2012	October 1 - December 31, 2013	October 1 - December 31, 2012
Results of operations				
(in thousand CHF, except where indicated)				
Revenue				
Mobile	1'265'673	1'308'557	322'888	333'155
Landline services	557'957	575'195	143'211	145'601
thereof voice hubbing	*149'426*	*129'498*	*39'438*	*32'278*
Landline internet	197'615	182'723	50'769	47'530
Total revenue	2'021'245	2'066'475	516'868	526'286
Revenue (excluding hubbing)	*1'871'819*	*1'936'977*	*477'430*	*494'008*
EBITDA[1)]	613'545	629'227	151'066	140'868
EBITDA margin (%)	30.4%	30.4%	29.2%	26.8%
EBITDA margin (excluding voice hubbing) (%)	32.8%	32.5%	31.6%	28.5%
Subscriber base (end of period)				
(in thousand)				
Mobile subscriber base (excl. M2M)	2'491.0	2'141.5		
Landline voice subscriber base	436.7	474.9		
Landline internet subscriber base	348.0	369.6		
thereof XDSL	346.2	367.2		
thereof LLU	210.6	260.5		
Sunrise TV subscriber base	74.3	38.1		
ARPU				
(in CHF/month)				
Mobile services	39.9	44.5	36.8	43.3
Landline voice services	41.6	43.6	41.5	43.3
Landline internet services	37.5	35.9	38.5	36.2
Blended internet ARPU	41.7	n.a	43.9	38.4
Employees				
FTEs	1'682.3	1'705.0		
Apprentices	100.0	88.0		

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

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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 for the three- and the twelve-month periods ended December 31, 2013 are based on unaudited condensed consolidated interim financial statements of the Group for the three- and twelve month periods ended 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.

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 twelve-month period 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.

During the fourth quarter of the year 2013 Sunrise generated net revenues of CHF 516.9 million, a decrease of CHF 9.4 million or 1.8% compared with the same period in prior year.

Mobile

Mobile revenue fell by 3.3% from CHF 1'308.6 million to CHF 1'265.7 million for the twelve months ended December 31, 2013. In the fourth quarter ending December 31, 2013 mobile revenues decreased from CHF 333.2 million to CHF 322.9 million – a decrease of CHF 10.3 million or 3.1% primarily driven by lower postpaid revenues. YOL Communications GmbH's and YOL Services AG's contribution after consolidation adjustments amounted to CHF 26.2 million for the twelve-month period ending December 31, 2013. The postpaid revenue decrease is mainly driven by the price reductions introduced in July 2012 and is only partially compensated by a higher subscriber base.

Landline services

Landline services revenue decreased from CHF 575.2 million to CHF 558.0 for the twelve months ended December 31, 2013, a year-on-year decrease of CHF 17.2 million, or 3.0%. Quarter-over-quarter, landline service revenue decreased 1.6% from CHF 145.6 million to CHF 143.2. The year-over-year as well as the quarter-over-quarter decrease is primarily attributable to a decrease in customer base and declining retail voice revenues and could only get partially offset by higher hubbing revenues.

Landline internet

The Group reports a year-on-year growth of 8.2% in landline internet revenue from CHF 182.7 million to CHF 197.6 million, for the twelve months ended December 31, 2013. The Group reports a quarter-over-quarter increase in landline internet revenue of 6.8% from CHF 47.5 million to CHF 50.8 million. The increase in landline internet revenue is primarily attributable to the growth of the IPTV customer base.

Transmission costs and cost of goods sold

Transmission costs and cost of goods sold amounted to CHF 666.2 million as of 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 twelve-month period ended December 31, 2013 other external expenses decreased by CHF 55.0 million, or by 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 condensed consolidated interim 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 condensed consolidated interim statements of financial position, the condensed consolidated interim statement of income, the condensed consolidated interim statement of cash flow and the condensed consolidated interim statement 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 4).

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 7 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 from CHF 396.1 million to CHF 484.3 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 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 14 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 partially be 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 11 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.

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

Following the refinancing transaction in July 2012, the Group recognized embedded derivatives in its financial statements. These embedded derivatives represent early redemption options related to financial instruments issued by the Group. The fair value of the embedded derivatives amounted to CHF 22.7 million as of December 31, 2013, a decrease of CHF 9.7 million from CHF 32.4 million reported as of December 31, 2012. The change in fair value is reported in the financial statement caption 'net financial items' in the table below.

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

Effect of fair value adjustments resulting from the acquisition of Sunrise Communications AG & embedded derivatives on the condensed consolidated interim statements of income

	January 1 - December 31, 2013 Before FV adjustments & embedded derivatives	January 1 - December 31, 2013 Impact of FV adjustments & embedded derivatives	January 1 - December 31, 2013 Including FV adjustments & embedded derivatives
Revenue	**2'022'425**	**(1'180)**	**2'021'245**
Transmission costs and cost of goods sold	(666'199)	-	(666'199)
Other operating expenses	(555'466)	-	(555'466)
Wages, salaries and pension costs	(214'199)	-	(214'199)
Total operating expenses before other income and expenses, depreciation and amortization	**(1'435'864)**	-	**(1'435'864)**
Other income	30'450	-	30'450
Other expenses	(2'286)	-	(2'286)
Income before depreciation and amortization, net financial items and income taxes	**614'725**	**(1'180)**	**613'545**
Depreciation, impairment losses and amortization	(327'940)	(156'369)	(484'309)
Operating income	**286'785**	**(157'549)**	**129'236**
Net financial items	**(188'592)**	**(9'691)**	**(198'283)**
Income/(loss) before income taxes	**98'193**	(167'240)	**(69'047)**
Income taxes	(17'238)	4'395	(12'843)
Net income/(loss)	**80'955**	**(162'845)**	**(81'890)**

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

Principal factors affecting mobile services revenues

Mobile subscriber base and ARPU development

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

Mobile subscriber base		'000
	December 31, 2013	December 31, 2012
Subscribers at end of period[1]	2'491.0	2'141.5
Growth over prior period	*16.3%*	
Of which:		
Postpaid[1][2]	1'258.0	1'181.1
Prepaid[1][3]	1'233.0	960.4

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

Mobile ARPU				CHF/month
	January 1 - December 31, 2013	January 1 - December 31, 2012	October 1 - December 31, 2013	October 1 - December 31, 2012
Mobile ARPU[1]	39.9	44.5	36.8	43.3
Decrease over prior period	*(10.2)%*		*(14.9)%*	

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

The Group reports a year-on-year increase of the mobile subscriber base of 349.5 thousand from 2'141.5 thousand to 2'491.0 million as of December 31, 2013. The increase is primarily attributable to a growth of the prepaid subscribers amounting to 272.6 thousand driven by the acquisitions of YOL Communications GmbH and YOL Services AG. Applying a 12-month activity rule on prepaid (as reported by Swisscom and Orange CH), Sunrises prepaid subscriber base would be 2'016.1 million and the total mobile subscriber base would amount to 3'274.1 thousand as of December 31, 2013.

New year-on-year postpaid subscribers' activations of 76.9 thousand were primarily attributable to competitive flat rate and mobile data plans as well as attractive hardware offers.

Mobile ARPU decreased by CHF 4.6, or 10.2%, to CHF 39.9 for the twelve-month period ended December 31, 2013, from CHF 44.5 for the twelve-month period ended December 31, 2012. The quarter-over-quarter ARPU decreased by CHF 6.5. These decreases are primarily driven by the mobile price reductions introduced in 2012 resulting in new customers joining with lower ARPUs and existing customers migrating to the new competitive flat rate and mobile data plans and a higher prepaid subscriber share following the acquisition of YOL Communications GmbH and YOL Services AG which contributed about 32% of the total quarterly decline.

Mobile churn

Sunrise's prepaid and postpaid blended mobile churn rate increased year-on-year from 37.1% to 43.1% for the twelve-month period ended December 31, 2013, which is primarily attributable to an increased churn in the prepaid segment, partly due to pre- to postpaid migrations.

Mobile termination rates

The applicable mobile termination rates for the first six months of 2013 and the full year 2012 were CHF 0.07 per minute for mobile calls terminating on Swisscom's mobile network and CHF 0.0875 per minute for mobile calls terminating on either Orange's network or Sunrise's own network. Starting July 1, 2013 the applicable mobile termination rates for calls terminating on Swisscom's mobile network amount to CHF 0.065 per minute and those for calls terminating on Orange's and Sunrise's own network amount to CHF 0.0825 per minute.

Principal factors affecting landline services revenues

Subscriber base

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

Retail voice subscriber base (1)		'000
	December 31, 2013	December 31, 2012
Retail voice	436.7	474.9
Decrease over prior period	*(8.0)%*	
Of which:		
LLU	210.6	260.5
Decrease over prior period	*(19.2)%*	

(1) In the retail voice business, subscribers are reported based on activity within the last month.

Compared to prior year the total number of our retail voice subscribers decreased by 38.2 thousand, or 8.0%, from 474.9 thousand to 436.7 thousand as of December 31, 2012. Sunrise attributes the decrease to the departure of retail voice-only CPS customers; including customers acquired as part of the acquisition of Tele2 Switzerland in 2008 as well as clients churning off the Sunrise retail voice network or are substituting their service with mobile services.

ARPU

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

Landline services ARPU				CHF / month
	January 1 - December 31, 2013	January 1 - December 31, 2012	October 1 - December 31, 2013	October 1 - December 31, 2012
Retail voice ARPU (1)	41.6	43.6	41.5	43.3
Decrease over prior period	*(4.6)%*		*(4.2)%*	

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

Retail voice ARPU decreased year-on-year by CHF 2.0 or 4.6% from CHF 43.6 to CHF 41.6 for the twelve-month period ended December 31, 2013. The year-on-year decrease for the twelve-month period is primarily attributable to the reduction in voice volumes.

Principal factors affecting landline internet revenues

Subscriber base

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

Landline internet subscriber base(1) ‘000

	December 31, 2013	December 31, 2012
Landline internet(2)	348.0	369.6
Decrease over prior period	*(5.9)%*	
Of which:		
Broadband BBCS	135.6	106.7
Growth over prior period	*27.2%*	
Broadband LLU	210.6	260.5
Decrease over prior period	*(19.2)%*	
Sunrise TV (3)	74.3	38.1

(1) In the landline internet business, the Group reports Broadband Connectivity Services (BBCS) subscribers without ARB based on technical installations, while the Group reports BBCS subscribers with ARB and LLU subscribers based on the number of active contracts. Sunrise currently pays fees to Swisscom of CHF 15.80 per month (ComCom) lowered the fees to CHF 15.20 per month retrospective as of January 1, 2013 but it is still under dispute with Sunrise and not effective yet) for each LLU line and CHF 28.00 per month for each BBCS line.
(2) Including 1.8 thousand dial-up customers for which the services are deactivated beginning on January 24, 2013.
(3) Sunrise TV was launched end of March 2012.

The total number of Sunrises landline internet subscribers declined year-on-year by 21.6 thousand or 5.9%, from 369.6 thousand to 348.0 thousand as of December 31, 2013. The total number of broadband subscribers, including both LLU and BBCS services likewise decreased by 21.0 thousand or 5.7% to 346.2 from 367.2, for the period ending December 31,2013. The decline of LLU customers subscribing to ADSL products was only partially offset by an increase of BBCS customers using high-bandwidth VDSL products (i.e. TV customers bundling voice/internet and IPTV).

ARPU

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

Landline internet ARPU CHF / month

	January 1 - December 31, 2013	January 1 - December 31, 2012	October 1 - December 31, 2013	October 1 - December 31, 2012
Landline internet ARPU (1)	37.5	35.9	38.5	36.2
Growth over prior period	*4.4%*		*6.1%*	
Blended internet ARPU (2)	41.7	n.a.	43.9	38.4

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

Landline internet ARPU increased year-on-year by 1.6 CHF or 4.4 % from CHF 35.9 to CHF 37.6 driven by an increasing TV customer base in the year 2013.

Material affiliate transactions

Sunrise Communications AG acts as a central counter-party to external financial institutions for all derivative instrument transactions of the Group (refer to note 12). 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.

Material contractual arrangements

In November 2013, Sunrise Communications AG renegotiated existing contracts with suppliers with commitments for future investments into tangible and intangible assets of CHF 62.7 million for the years 2013 to 2017, partly replacing existing commitments.

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

There were no material changes in debt instruments during the 4th quarter ending December 31, 2013.

Credit ratings

There were no changes to the Group's credit rating in the 4th quarter of the year ending December 31, 2013.

Material risk factors

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

All identified risks are quantified (according to their realization probability and impact) and tracked on a risk schedule. This risk schedule is subject to an annually repeated detailed discussion process in the Group's board of directors which is scheduled for the 4th quarter 2013.

The recent development on the FX market and the strong Swiss franc do not have a material 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 by the Group.

Material recent developments

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".

Acquisition, disposals and recapitalizations

No material acquisitions, disposals and recapitalizations occurred within the 4th quarter ended December 31, 2013.

Sunrise Communications Holdings S.A.

Condensed consolidated interim financial statements for the twelve-month period ended December 31, 2013 (unaudited)

Condensed consolidated interim statements of income CHFk

	Note	January 1 - December 31, 2013 Unaudited	January 1 - December 31, 2012 Unaudited Restated*	October 1 - December 31, 2013 Unaudited	October 1 - December 31, 2012 Unaudited Restated*
Revenue	**5,6**	**2'021'245**	**2'066'475**	**516'868**	**526'286**
Transmission costs and cost of goods sold		(666'199)	(653'128)	(183'644)	(179'309)
Other operating expenses		(555'466)	(610'534)	(138'341)	(165'589)
Wages, salaries and pension costs		(214'199)	(220'386)	(53'605)	(47'763)
Total operating expenses before other income and expenses, depreciation and amortization		**(1'435'864)**	**(1'484'048)**	**(375'590)**	**(392'661)**
Other income	7	30'450	83'633	9'097	19'361
Other expenses	7	(2'286)	(36'833)	691	(12'118)
Income before depreciation and amortization, net financial items and income taxes		**613'545**	**629'227**	**151'066**	**140'868**
Amortization	8	(233'742)	(194'386)	(59'859)	(50'001)
Depreciation and impairment losses	8	(250'567)	(201'749)	(55'158)	(70'856)
Operating income		**129'236**	**233'092**	**36'049**	**20'011**
Foreign currency (losses) / gains, net		(22'718)	9'310	(3'677)	2'187
Financial income		144'149	151'633	35'211	37'804
Financial expenses		(319'714)	(362'667)	(75'691)	(77'890)
Net financial items	**10**	**(198'283)**	**(201'724)**	**(44'157)**	**(37'899)**
(Loss) / income before income taxes		**(69'047)**	**31'368**	**(8'108)**	**(17'888)**
Income taxes		(12'843)	(15'305)	(3'224)	(2'315)
Net (loss) / income		**(81'890)**	**16'063**	**(11'332)**	**(20'203)**
Net (loss) / income attributable to equity holders of the parent company		**(81'890)**	**16'063**	**(11'332)**	**(20'203)**

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

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

Condensed consolidated interim statements of comprehensive income CHFk

	January 1 - December 31, 2013 Unaudited	January 1 - December 31, 2012 Unaudited Restated*	October 1 - December 31, 2013 Unaudited	October 1 - December 31, 2012 Unaudited Restated*
Net (loss) / income	**(81'890)**	**16'063**	**(11'332)**	**(20'203)**
Actuarial gains / (losses) related to defined benefit pension plans	22'915	(6'051)	16'134	1'165
Income tax effect	(4'812)	1'313	(3'388)	(244)
Net other comprehensive income / (loss) not to be reclassified to profit and loss in subsquent periods	**18'103**	**(4'738)**	**12'746**	**921**
Cash flow hedge gains	15'125	39'471	2'210	4'195
Income tax effect	37	(622)	-	(41)
Net other comprehensive income to be reclassified to profit and loss in subsquent periods	**15'162**	**38'849**	**2'210**	**4'154**
Other comprehensive income, net of tax	**33'265**	**34'111**	**14'956**	**5'075**
Total comprehensive (loss) / income	**(48'625)**	**50'174**	**3'624**	**(15'128)**
Comprehensive (loss) / income attributable to equity holders of the parent company	**(48'625)**	**50'174**	**3'624**	**(15'128)**

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

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

Condensed consolidated interim statements of financial position

Assets			CHFk
	Note	December 31, 2013 Unaudited	December 31, 2012 Unaudited Restated*
Non-current assets			
Intangible assets		2'788'969	2'849'595
Property, plant and equipment		916'427	935'957
Derivative financial assets	12	25'726	32'403
Other non-current assets		200	153
Total non-current assets		**3'731'322**	**3'818'108**
Current assets			
Inventories		38'260	35'792
Trade and other receivables	15	279'674	336'058
Prepaid expenses		10'647	13'511
Cash and cash equivalents		149'198	170'601
Total current assets		**477'779**	**555'962**
Total assets		**4'209'101**	**4'374'070**

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

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

Condensed consolidated interim statements of financial position

Equity and liabilities — CHFk

	Note	December 31, 2013 Unaudited	December 31, 2012 Unaudited Restated*
Equity			
Common shares, share premium and PECs	9	828'270	848'519
Valuation reserve		(12'696)	(27'858)
Accumulated deficit		(117'715)	(27'505)
Total equity		**697'859**	**793'156**
Non-current liabilities			
Non-current portion of loans and notes	11	2'186'644	2'264'608
Non-current portion of financial leases	11	29'454	34'744
Non-current portion of trade and other payables	15	207'420	195'000
Deferred tax liabilities		247'209	241'795
Provisions		114'101	113'916
Employee benefit obligations		57'409	75'120
Derivative financial liabilities	12	134'133	175'513
Deferred income		15'430	17'483
Total non-current liabilities		**2'991'800**	**3'118'179**
Current liabilities			
Current portion of loans and notes	11	35'000	-
Current portion of financial leases	11	5'991	5'634
Current portion of trade and other payables	15	399'257	358'750
Income tax payable		4'991	17'285
Deferred income		50'300	46'676
Provisions		22'198	31'668
Other current liabilities		1'705	2'722
Total current liabilities		**519'442**	**462'735**
Total liabilities		**3'511'242**	**3'580'914**
Total equity and liabilities		**4'209'101**	**4'374'070**

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

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

Condensed consolidated interim statements of cash flow CHFk

	Note	January 1 - December 31, 2013 Unaudited	January 1 - December 31, 2012 Unaudited Restated*	October 1 - December 31, 2013 Unaudited	October 1 - December 31, 2012 Unaudited Restated*
(Loss) / income before income taxes		**(69'047)**	**31'368**	**(8'108)**	**(17'888)**
Amortization		233'742	194'386	59'859	50'001
Depreciation and impairment losses		250'567	201'749	55'158	70'856
Gain on disposal of property, plant and equipment		123	(352)	126	(64)
Movement in pension		2'343	(4'276)	935	(5'505)
Movement in provisions		(9'437)	3'056	(982)	328
Change in net working capital	14	66'513	(35'866)	51'314	116'763
Cash flow from operating activities before net financial items and tax		**474'804**	**390'065**	**158'302**	**214'491**
Financial income	10	(144'149)	(151'633)	(35'211)	(37'804)
Financial expense	10	319'714	362'667	75'691	77'890
Foreign currency gains / (losses), net		23'402	(6'457)	4'149	391
Interest received		115'458	204'385	54'451	96'772
Interest paid		(287'938)	(379'718)	(133'458)	(176'255)
Corporate income and withholding tax paid		(14'511)	(35'647)	5'486	15'376
Total cash flow from operating activities		**486'780**	**383'662**	**129'410**	**190'861**
Acquisition of a subsidiary, net of cash acquired	16	(95'662)	-	-	-
Purchase of property, plant and equipment		(221'143)	(189'850)	(65'347)	(79'899)
Purchase of intangible assets		(60'242)	(324'043)	(39'445)	(11'739)
Sale of property, plant and equipment		594	11'208	50	(256)
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)**	**(104'742)**	**(91'894)**
Redemption of PECs		(47'548)	(86'847)	-	(86'847)
Proceeds from long-term loans and notes		95'000	891'415	-	-
Repayments of long-term loans and notes		(175'000)	(1'093'656)	-	-
Repayments of capital leases		(5'023)	(5'439)	(1'584)	(1'604)
Total cash flow used in financing activities		**(132'571)**	**(294'527)**	**(1'584)**	**(88'451)**
Total cash flow		**(22'244)**	**(313'498)**	**23'084**	**10'516**
Cash and cash equivalents as of January 1		170'601	485'387		
Cash and cash equivalents as of October 1				125'783	159'299
Foreign currency impact on cash		841	(1'288)	331	786
Cash and cash equivalents as of December 31		**149'198**	**170'601**	**149'198**	**170'601**

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

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

Condensed consolidated interim statements of 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**

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

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

Notes to condensed consolidated interim financial statements

Overview

Note 1 General information

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

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

These condensed consolidated interim financial statements were authorized for issue by the Group's board of directors on March 19, 2014.

Note 2 Basis of preparation

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

Foreign currency translation
These condensed consolidated interim financial statements are presented in CHF which is the functional currency of the parent company and each of its subsidiaries.

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

Currency	Balance sheet		Income statement and cash flow	
	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

Note 3 Accounting estimates and judgments

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

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

Note 4 New accounting standards

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

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 recognized 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 condensed consolidated interim balance sheet, consolidated income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of cash flow and the condensed consolidated interim 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
Accumulatd 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
Income statement full year 2012			
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**

Note 4 New accounting standards (continued)

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

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

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

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.

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.

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.

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

Note 5 Segment reporting

The operating segments have been determined based on the management reports reviewed by the board of directors. The Group's organizational structure reflects the different customer groups to which the Group provides its telecommunication products and services: 'Residential', 'Business', 'Wholesale' and a reportable segment 'Head Office' which includes finance, IT and technology functions of the Group.

Residential provides fixed line and mobile services to residential 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 twelve-month period ended December 31, 2012.

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 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	
	January 1 - December 31, 2013 Unaudited	January 1 - December 31, 2012 Unaudited Restated	January 1 - December 31, 2013 Unaudited	January 1 - December 31, 2012 Unaudited Restated	January 1 - December 31, 2013 Unaudited	January 1 - December 31, 2012 Unaudited Restated	January 1 - December 31, 2013 Unaudited	January 1 - December 31, 2012 Unaudited Restated	January 1 - December 31, 2013 Unaudited	January 1 - December 31, 2012 Unaudited Restated
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

Activities CHFk

	Residential		Business		Wholesale[1]		Head Office activities		Total	
	October 1 - December 31, 2013 Unaudited	October 1 - December 31, 2012 Unaudited Restated	October 1 - December 31, 2013 Unaudited	October 1 - December 31, 2012 Unaudited Restated	October 1 - December 31, 2013 Unaudited	October 1 - December 31, 2012 Unaudited Restated	October 1 - December 31, 2013 Unaudited	October 1 - December 31, 2012 Unaudited Restated	October 1 - December 31, 2013 Unaudited	October 1 - December 31, 2012 Unaudited Restated
Revenue										
External customers	358'433	365'540	88'804	91'586	61'942	65'281	7'689	3'879	516'868	526'286
Intra-segment revenue	-	-	-	-	14'926	3'079	-	-	14'926	3'079
Total	**358'433**	**365'540**	**88'804**	**91'586**	**76'868**	**68'360**	**7'689**	**3'879**	**531'794**	**529'365**
Transmission costs and costs of goods sold										
External customers	(96'337)	(103'511)	(33'959)	(33'295)	(53'351)	(42'500)	3	(3)	(183'644)	(179'309)
Inter-segment costs	(14'926)	(3'079)	-	-	-	-	-	-	(14'926)	(3'079)
Total	**(111'263)**	**(106'590)**	**(33'959)**	**(33'295)**	**(53'351)**	**(42'500)**	**3**	**(3)**	**(198'570)**	**(182'388)**
Other operating expenses	(72'384)	(65'902)	(10'277)	(12'023)	(1'042)	(1'388)	(54'638)	(86'276)	(138'341)	(165'589)
Wages, salaries and pension costs	(14'168)	(11'217)	(14'250)	(14'961)	(1'580)	(1'431)	(23'607)	(20'154)	(53'605)	(47'763)
Other income	3'555	4'412	960	767	-	-	4'582	14'182	9'097	19'361
Other expenses	-	-	-	-	-	-	691	(12'118)	691	(12'118)
EBITDA	**164'173**	**186'243**	**31'278**	**32'074**	**20'895**	**23'041**	**(65'280)**	**(100'490)**	**151'066**	**140'868**

[1] Including hubbing revenue of CHFk 39'438 generated in 2013 and CHFk 32'278 generated in 2012

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

	January 1 - December 31, 2013 Unaudited	January 1 - December 31, 2012 Unaudited	October 1 - December 31, 2013 Unaudited	October 1 - December 31, 2012 Unaudited
EBITDA from reportable segments	613'545	629'227	151'066	140'868
Unallocated:				
Amortization	(233'742)	(194'386)	(59'859)	(50'001)
Depreciation	(250'567)	(201'749)	(55'158)	(70'856)
Net financial items	(198'283)	(201'724)	(44'157)	(37'899)
(Loss) / income before income taxes	**(69'047)**	**31'368**	**(8'108)**	**(17'888)**

Note 6 Revenue

CHFk

	January 1 - December 31, 2013 Unaudited	January 1 - December 31, 2012 Unaudited	October 1 - December 31, 2013 Unaudited	October 1 - December 31, 2012 Unaudited
Mobile services	1'265'673	1'308'557	322'888	333'155
Landline services	557'957	575'195	143'211	145'601
thereof hubbing	*149'426*	129'498	*39'438*	*32'278*
Landline internet	197'615	182'723	50'769	47'530
Total	**2'021'245**	**2'066'475**	**516'868**	**526'286**

	January 1 - December 31, 2013 Unaudited	January 1 - December 31, 2012 Unaudited	October 1 - December 31, 2013 Unaudited	October 1 - December 31, 2012 Unaudited
Sales of goods	170'936	124'272	63'648	64'192
Sales of services	1'850'309	1'942'203	453'220	462'094
Total	**2'021'245**	**2'066'475**	**516'868**	**526'286**

Note 7 Other income and other expenses

CHFk

Other income	January 1 - December 31, 2013 Unaudited	January 1 - December 31, 2012 Unaudited	October 1 - December 31, 2013 Unaudited	October 1 - December 31, 2012 Unaudited
Early termination fees	18'298	20'957	4'317	5'032
Sub-leases	4'976	3'147	886	703
Aperiodic settlements of charges for access services calculated using the prices of the Swiss regulator	1'203	49'896	1'203	9'956
Income related to the change of MSP	1'023	3'400	(257)	-
Reversal of provision	3'949	4'290	2'349	4'290
Other	1'001	1'943	599	(620)
Total	**30'450**	**83'633**	**9'097**	**19'361**

Other expenses	January 1 - December 31, 2013 Unaudited	January 1 - December 31, 2012 Unaudited	October 1 - December 31, 2013 Unaudited	October 1 - December 31, 2012 Unaudited
Costs related to the change of MSP	-	(19'280)	-	675
Restructuring expenses*	(1'444)	(17'145)	282	(12'353)
Aperiodic settlements of charges for access services calculated using the prices of the Swiss regulator*	-	-	1'008	-
Other	(842)	(408)	(599)	(440)
Total	**(2'286)**	**(36'833)**	**691**	**(12'118)**

* Reversal of provision/accruals from prior periods in Q4 2013

Note 8 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

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Note 9 Equity

CHFk

	Number of shares as of December 31, 2013	Number of shares as of December 31, 2012	Nominal value (CHF)	December 31, 2013 Unaudited	December 31, 2012 Unaudited
Class A shares	90'000'000	90'000'000	0.01	900	900
Class B shares	10'000'000	10'000'000	0.01	100	100
Share premium				125'876	125'876
Series A 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 comprises 100’000’000 shares with a nominal value of CHF 0.01 each.

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 Mio plus accrued interests in the amount of CHF 0.3 million and CHF 27.0 million accrued interest 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.

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 10 Net financial items

CHFk

	Interest	Fair value adjustments	Total financial income and (expenses) before foreign currency	Net foreign currency gains/(losses)	January 1 - December 31, 2013 Unaudited Total
Income					
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)**

	Interest	Fair value adjustments	Total financial income and (expenses) before foreign currency	Net foreign currency gains/(losses)	January 1 - December 31, 2012 Unaudited 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 4

Note 10 Net financial items (continued) CHFk

	Interest	Fair value adjustments	Total financial income and (expenses) before foreign currency	Net foreign currency gains/(losses)	October 1 - December 31, 2013 Unaudited Total
Income					
Cash and cash equivalents	315	-	315	331	646
Cash flow hedges and economic hedges	28'290	4'960	33'250	-	33'250
Interest rate derivatives	6	194	200	-	200
Other [2]	1'446	-	1'446	150	1'596
Total Income	**30'057**	**5'154**	**35'211**	**481**	**35'692**
Expenses					
Financial liabilities measured at amortized cost	(43'061)	-	(43'061)	(4'158)	(47'219)
Cash flow hedges and economic hedges	(28'419)	-	(28'419)	-	(28'419)
Interest rate derivatives	(199)	-	(199)	-	(199)
Embedded derivatives [1]	-	(758)	(758)	-	(758)
Other [2]	(3'254)	-	(3'254)	-	(3'254)
Total Expenses	**(74'933)**	**(758)**	**(75'691)**	**(4'158)**	**(79'849)**
Net financial items	**(44'876)**	**4'396**	**(40'480)**	**(3'677)**	**(44'157)**

	Interest	Fair value adjustments	Total financial income and (expenses) before foreign currency	Net foreign currency gains/(losses)	October 1 - December 31, 2012 Unaudited Total
Income					
Cash and cash equivalents	643	-	643	887	1'530
Financial liabilities measured at amortized cost	-	-	-	1'078	1'078
Cash flow hedges and economic hedges	29'813	-	29'813	-	29'813
Interest rate derivatives	6	21	27	-	27
Embedded derivatives [1]	-	7'473	7'473	-	7'473
Other [2]	(224)	71	(153)	222	69
Total income	**30'238**	**7'565**	**37'803**	**2'187**	**39'990**
Expenses					
Financial liabilities measured at amortized cost	(44'408)	-	(44'408)	-	(44'408)
Cash flow hedges and economic hedges	(30'843)	-	(30'843)	-	(30'843)
Interest rate derivatives	(198)	-	(198)	-	(198)
Other [2]	(2'442)	-	(2'442)	-	(2'442)
Total expenses	**(77'891)**	**-**	**(77'891)**	**-**	**(77'891)**
Net financial items	**(47'653)**	**7'565**	**(40'088)**	**2'187**	**(37'901)**

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

[2] Restated, see note 4

Note 11 Borrowings

CHFk

	Nominal value at inception	Foreign exchange movement[1]	Capitalized debt issuance cost including discounts and premium[1]	Loan and finance lease repayments	December 31, 2013 Carrying value Unaudited	December 31. 2012 Carrying value Unaudited
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 rates senior secured notes.

The Group's borrowings are governed by a number of financial covenants specified in the revolving credit facility. The main covenants consist of a leverage ratio and an interest cover ratio. The Group performs quarterly covenant testing. The last covenant testing, performed as of December 31, 2013, showed that the Group was in compliance with the applicable financial covenants.

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

Note 12 Derivatives

CHFk

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

	December 31, 2013 Notional Amount	December 31, 2012 Notional amount	December 31, 2013 Fair value assets [4]	December 31, 2013 Fair value liabilities [4]	December 31, 2012 Fair value assets [4]	December 31, 2012 Fair value liabilities [4]
Cross currency interest rate swaps – fixed rate borrowings	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)**

[11] 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 13.
[5] Interest rate swap has matured as of December 31, 2013

	January 1 - December 31, 2013 Unaudited	January 1 - December 31, 2012 Unaudited	October 1 - December 31, 2013 Unaudited	October 1 - December 31, 2012 Unaudited
The change in the fair value of derivatives in the period can be summarized as:				
Cash flow hedges – movement in hedge reserve	20'179	(22'147)	1'689	(803)
Cash flow hedges – ineffectiveness	121	399	-	226
Economic hedges	7'646	8'937	3'271	402
Total impact of hedging derivatives in the statement of income (note 10)	**27'946**	**(12'811)**	**4'960**	**(175)**
Impact of interest rate derivatives in the statement of income (note 10)	833	770	194	196
Impact of embedded derivatives in the statement of income (note 10)	(9'692)	32'404	(758)	7'474
Total impact of derivatives in the statement of income (note 10)	**19'087**	**20'363**	**4'396**	**7'495**

Note 13 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 condensed consolidated interim financial statements:

CHFk

	Measurement principle	December 31, 2013 Fair value	December 31, 2013 Carrying value	December 31, 2012 Fair value	December 31, 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	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 - held 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 during the three- and the twelve - month period ended December 31, 2013.

Note 14 Change in net working capital

CHFk

	January 1 - December 31, 2013 Unaudited	January 1 - December 31, 2012 Unaudited	October 1 - December 31, 2013 Unaudited	October 1 - December 31, 2012 Unaudited
Change in inventories	(1'668)	(7'397)	(2'545)	2'438
Change in trade and other receivables	32'754	7'887	32'646	40'056
Change in trade and other payables	31'266	(27'955)	20'057	71'088
Change in other items, net	4'161	(8'401)	1'156	3'181
Total	**66'513**	**(35'866)**	**51'314**	**116'763**

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

Note 15 Other balance sheet items

Trade and other receivables
The decrease of CHF 56.4 million in trade and other receivables for the twelve-month period ended December 31, 2013 is mainly due to declining mobile services revenue as well as to the timing of the payments at the end of December.

Trade and other payables
The increase of CHF 40.5 million in trade and other payables for the twelve-month period ended December 31, 2013 is mainly attributable to a change in Capex spending patterns and improved long-term payment conditions negotiated.

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

Note 16 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 acquisition 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 the 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 17 Dividend distribution

No dividend resolutions have been taken by the board of directors of Sunrise Communications Holdings SA – the ultimate parent of the group – or any other entity of the Group during the period under review (during the year 2013).

Note 18 Contractual commitments

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

Note 19 Financial risk management

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 have been fully hedged

Note 20 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.