2011

ANNUAL REPORT

mobilezone®
the best for communication

mobilezone reports sales increase.

In the past fiscal year mobilezone group increased its sales by 1,9 percent to CHF 305.6 million (2010: CHF 300.0 million). The group's consolidated profit fell by 21,7 percent to CHF 20.7 million (2010: CHF 25.2 million). Earnings per share amount to CHF 0.58 (2010: CHF 0.70). The group's operating profit (EBIT) dropped by 24,6 percent to CHF 24.4 million, and its equity ratio is 73,8 percent.

Contents
Financial Report

Consolidated income statement

January 1 to December 31 (CHF 000)	Notes	**2011**	2010
Net sales	1	**305 624**	**299 951**
Other operating income		85	212
Cost of goods and materials		–212 090	–201 577
Personnel costs	2	–40 920	–40 190
Other operating costs	3	–19 560	–19 226
Operating profit (EBITDA)		**33 139**	**39 170**
Depreciation of property, plant & equipment	7	–4 607	–4 328
Amortization of intangible assets	8	–4 135	–4 452
Operating profit (EBIT)		**24 397**	**30 390**
Financial income	4	428	398
Financial expense	5	–82	–172
Profit before taxes		**24 743**	**30 616**
Income tax expense	6	–4 081	–5 461
Net profit [1]		**20 662**	**25 155**
		CHF	CHF
Earnings per share	14	0.58	0.70
Earnings per share – diluted	14	0.58	0.70

[1] Group net profits of 2011 and 2010 correspond to comprehensive incomes of 2011 and 2010, respectively.

Consolidated balance sheet

as of December 31 (CHF 000)	Notes	**2011**	2010
Assets			
Property, plant & equipment	7	11 420	10 199
Intangible assets	8	4 262	4 043
Goodwill	8	5 753	5 753
Deferred tax assets	6	1	16
Other accounts receivable		94	366
Fixed assets		**21 530**	**20 377**
Securities	9	894	0
Inventories	10	20 004	23 673
Trade accounts receivable	11	22 093	23 216
Other accounts receivable	12	12 500	16 480
Cash & cash equivalents	13	30 998	31 519
Current assets		**86 489**	**94 888**
Total assets		**108 019**	**115 265**
Liabilities and shareholders' equity			
Share capital	14	358	358
Treasury shares		–1 500	0
Capital reserves		9 784	9 784
Retained earnings		71 075	75 384
Shareholders' capital		**79 717**	**85 526**
Deferred income tax liabilities	6	2 068	2 430
Long-term liabilities		**2 068**	**2 430**
Trade accounts payable		17 120	17 508
Current tax liabilities		2 113	2 653
Other current liabilities	15	7 001	7 148
Current liabilities		**26 234**	**27 309**
Total liabilities and shareholders' equity		**108 019**	**115 265**

Consolidated statement of cash flows

January 1 to December 31 (CHF 000)	Notes	**2011**	2010
Profit before income taxes		**24 743**	**30 616**
Adjustments to reconcile profit before tax to net cash flow:			
Non-cash transactions			
Interest income and expenses, net		–422	–226
Depreciation & amortization	7,8	8 742	8 780
Changes in provisions, net		131	–727
Loss from disposals of fixed assets		69	–18
Change in fair value of securities		76	0
Change in assets from employee benefit plans		268	151
Working capital adjustments			
Trade accounts receivable		1 320	6 051
Other accounts receivable		4 008	–10 637
Inventories		3 341	156
Trade accounts payable		–389	5 032
Other accounts payable		–1 484	–2 234
Income taxes paid		–3 630	–5 858
Net cash from operating activities		**36 773**	**31 086**
Acquisitions of			
property, plant & equipment	7	–6 033	–4 103
intangible assets	8	–4 354	–3 730
securities in fixed assets		–970	0
Proceeds from disposals of			
property, plant & equipment	7	136	96
Interest received		404	398
Net cash from investing activities		**–10 817**	**–7 339**
Interest paid		–6	–57
Purchase of treasury shares		–1 500	0
Sale of treasury shares		0	129
Dividends paid		–24 971	–19 667
Net cash from financing activities		**–26 477**	**–19 595**
Net increase/decrease in cash & cash equivalents		**–521**	**4 152**
Cash & cash equivalents at January 1		31 519	27 367
Cash & cash equivalents at December 31	13	**30 998**	**31 519**

Consolidated statement of changes in shareholders' equity

Movements of shareholders' equity (CHF 000)	Share capital	Treasury shares	Capital reserve	Retained earnings	Total
At December 31, 2009	**358**	**–94**	**9 784**	**69 861**	**79 909**
Net profit [1]				25 155	25 155
Purchase of treasury share					0
Sale of treasury shares		94		35	129
Dividends paid				–19 667	–19 667
At December 31, 2010	**358**	**0**	**9 784**	**75 384**	**85 526**
Net profit [1]				20 662	20 662
Purchase of treasury shares		–1 500			–1 500
Sale of treasury shares					0
Dividends paid				–24 971	–24 971
At December 31, 2011	**358**	**–1 500**	**9 784**	**71 075**	**79 717**

As of December 31, 2011, the line item "Retained Earnings" includes legally required reserves in the amount of CHF 1 648 000 (December 31, 2010: CHF 1 648 000); it is required that they not be distributed. These reserves were established based on the legal requirements of the Swiss Code of Obligations.

As of December 31, 2011, mobilezone holding ag held 150 000 treasury shares (December 31, 2010: 0).

Additional information regarding the share capital is provided in Note 14.

[1] Group net profits of 2011 and 2010 correspond to comprehensive incomes of 2011 and 2010, respectively.

Notes to the consolidated financial statements

Segment information

Income statement (CHF 000)
Net sales revenues with third parties
Net sales revenues with other segments
Net sales
Other operating income
Cost of goods and materials
Personnel costs
Other operating costs
Operating profit (EBITDA)
Depreciation of property, plant & equipment
Amortization of intangible assets
Operating profit (EBIT)

Statement of financial position (CHF 000)
Fixed assets
Current assets
Total assets
Liabilities
Investments in property, plant & equipment and intangible assets

The management of mobilezone Group is the main decision maker and determines the business activities. The mobilezone Group has two reportable segments, which correspond to the management structure of the group. The segment Trade consists of mobilezone ag, mobilezone business ag, and Europea Trade AG. The segment Service Providing consists of mobilezone com ag, mobilezone crm ag, and mobilezone net ag which was merged with mobilezone ag in December 2011.

The mobilezone Group monitors performance on the basis of the segment operating profit before interests and taxes (EBIT). The total assets of each segment comprise all assets of the segment. Internal reporting of the mobilezone Group is based on the International Financial Reporting Standards (IFRS).

The segments' operations are limited exclusively to Switzerland.

The item "Unallocated/Eliminations" comprises transactions between the segments and the holding company. Within the assets, loans between Group companies are eliminated.

The contribution of the three largest customers (network operators) to the Group's net sales amounts to CHF 179.9 million or 59 percent (previous year: CHF 175.5 million or 59 percent). The three largest customers belong to the Trade segment.

Total mobilezone Group		Trade		Service Providing		Unallocated/ Eliminations	
2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
305 624	299 951	292 488	285 428	13 136	14 523	0	0
0	0	310	256	18	302	–328	–558
305 624	**299 951**	**292 798**	**285 684**	**13 154**	**14 825**	**–328**	**–558**
85	212	2 386	4 280	15	151	–2 316	–4 219
–212 090	–201 577	–211 440	–198 385	–1 745	–4 110	1 095	918
–40 920	–40 190	–38 067	–39 205	–1 997	–2 009	–856	1 024
–19 560	–19 226	–22 760	–21 057	–1 524	–1 583	4 724	3 414
33 139	**39 170**	**22 917**	**31 317**	**7 903**	**7 274**	**2 319**	**579**
–4 607	–4 328	–4 463	–4 071	–144	–257	0	0
–4 135	–4 452	–562	–1 586	–3 573	–2 866	0	0
24 397	**30 390**	**17 892**	**25 660**	**4 186**	**4 151**	**2 319**	**579**
22 424	20 377	16 275	15 572	5 243	4 512	906	293
85 595	94 888	79 828	83 553	4 619	6 267	1 148	5 068
108 019	**115 265**	**96 103**	**99 125**	**9 862**	**10 779**	**2 054**	**5 361**
28 302	**29 739**	**103 623**	**106 974**	**5 218**	**6 366**	**–80 539**	**–83 601**
10 387	**7 833**	**5 939**	**4 015**	**4 448**	**3 818**	**0**	**0**

Principles of Group accounting

Corporate information
The mobilezone Group (hereinafter: mobilezone) conducts business in the area of mobile and fixed-line telecommunications. Its core activity is in the trade segment with mobilezone ag, which was established in May 1999 and has 140 outlets in all larger Swiss cities and towns, and mobilezone business ag, which as an independent service provider focuses on business clients. The business model of mobilezone is based on agreements with the mobile phone service providers active in Switzerland; they pay mobilezone for finding new customers and for renewing contracts with existing customers. These commissions allow mobilezone to provide its customers with mobile telephones at very low prices or even at no charge. The segment Service Providing consists of the companies mobilezone com ag and mobilezone crm ag. As service providers without networks of their own, they offer customers fixed-line services and products. The services are based on the network capacities of the company Colt Telecom AG. The parent company of the mobilezone Group is mobilezone holding ag, Riedthofstrasse 124, 8105 Regensdorf /Switzerland. The company is listed on the SIX Swiss Exchange: Ticker MOB / Valor no. 1 258 340.

1. Important principles of Group accounting

1.1 Principles of preparation of the financial statements
The consolidated financial statements of mobilezone provide a true and fair picture of its financial position, the results of operations, and cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law. They have been prepared on a historical cost basis, except for derivative financial instruments and marketable securities, which are traded in regular organized markets; they are listed at fair market value. The reporting currency is the Swiss franc (CHF).

1.2 Declaration of compliance with IFRS
The consolidated financial statements of the mobilezone Group have been prepared in compliance with the International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB).

1.3 Changes in accounting and assessment methods
The International Accounting Standard Board (IASB) has issued new interpretations regarding various International Accounting Standards (IAS) and has also revised or amended International Financial Reporting Standards (IFRS).

mobilezone Group will adopt the new and amended standards in the reporting period following the effective date specified in the standard.

Amendments to published standards that are mandatory to apply as of January 1, 2011
The following standards and interpretations adopted as of January 1, 2011, have no significant effects on the financial statements of mobilezone Group:
- IAS 24 Related Party Disclosures (revised)
- IAS 32 Financial Instruments: Presentation – Classification of Rights Issues
- IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – voluntary prepaid contributions in the case of a minimum financing requirement
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- Annual Amendment Procedure – Amendments of standards, 2010 edition.

Amendments to published standards that are not yet mandatory to apply
The following new or amended Guidelines (IAS/IFRS) or Interpretations (IFRIC) will become effective for the reporting years beginning on July 1, 2011, or at a later date as indicated below. The following amendments will have no effects on mobilezone Group's net assets, financial position, and results of operations:

- **IAS 12 Income Taxes –** limited amendment regarding recovery of the underlying assets (concerning investment property measured at fair value and assets measured using the revaluation method) (January 1, 2012).
- **IAS 27 Consolidated and Separate Financial Statements** – In consequence of the newly introduced standards IFRS 10 and IFRS 12, the consolidation requirements previously included in IAS 27 were revised and are now included in IFRS 10. IAS 27 is now limited to accounting for investments in subsidiaries, jointly controlled entities, and associates in separate (non-consolidated) financial statements (January 1, 2013).
- **IAS 28 Investments in Associates and Joint Ventures** – In consequence of the newly introduced standards IFRS 11 and IFRS 12, IAS 28 has been renamed Investments in Associates and Joint Ventures and describes the application of the equity method to investments in associates and joint ventures (January 1, 2013)
- **IFRS 10 Consolidated Financial Statements** – new (January 1, 2013)
- **IFRS 11 Joint Arrangements** – new (January 1, 2013)

The following amendments to standards concern disclosures only and have no effect on the Group's consolidated earnings and financial position:
- **IAS 1 Presentation of Financial Statements** – Amendments regarding the way other comprehensive income is presented (July 1, 2012)
- **IFRS 7 Financial Instruments: Disclosures** – Amendments to improve disclosures regarding transfer transactions of financial assets (July 1, 2011)
- **IFRS 12 Disclosure of Interests in Other Entities** – new (January 1, 2013)

The following amendments to the standards either are expected to have an effect on mobilezone Group's net assets, financial position, and results of operations or their potential effects are still being analyzed:
- **IAS 19 Employee Benefits** – Amendments resulting from projects regarding employee benefits and termination benefits (January 1, 2013).
  As a result of the discontinuation of the corridor approach, cumulative actuarial gains and losses are recorded in the statement of comprehensive income. Regarding mobilezone Group's 2012 opening balance, this would reduce shareholders' equity by about CHF 3.3 million. The application of the discount rate to the net result from plan assets and defined benefit obligations is expected to lead to an annual deterioration of the consolidated earnings by an estimated CHF 22 000. mobilezone Group expects no further significant adjustments to its net assets, financial position, and results of operations.
- **IFRS 9 Financial Instruments: Classification and Measurement** – new (January 1, 2015)
- Once the other phases of this project of the IASB have been completed and published, mobilezone Group will evaluate the effects on the Group's consolidated earnings and financial position.
- **IFRS 13 Fair Value Measurement** – new (January 1, 2013)
- **IFRS 7/IAS 32 Financial Instruments: Disclosures and Presentation** – Amendments to improve disclosures regarding offsetting financial assets and financial liabilities (January 1, 2013 / January 1, 2014)
- **2011 Annual Improvements process of the IFRS** – Adjustments of various standards

1.4 Principles of consolidation

Scope of consolidation

The consolidated financial statements of mobilezone include the financial statements of mobilezone holding ag and all the subsidiaries it controls directly or indirectly by majority of votes or other means. mobilezone net ag was merged with mobilezone ag in December 2011.

Direct and indirect subsidiaries At December 31, 2011	Corporate headquarters	Equity capital (in CHF 000)	Shares in the company
mobilezone ag	Regensdorf	2 850	100%
mobilezone business ag	Urnäsch	100	100%
mobilezone com ag	Risch	100	100%
mobilezone crm ag	Geneva	100	100%
Europea Trade AG	Urnäsch	100	100%

These entities are fully consolidated. Assets and liabilities, as well as income and expenses, are incorporated 100 percent on the basis of the method of full consolidation.

The acquisition cost of subsidiaries is offset at the time of acquisition against the fair market value of the net assets acquired, liabilities, and contingent liabilities based on their new valuation, and the resulting goodwill is recognized in the financial statements. If the difference should prove to be a negative amount, it is immediately recognized in the income statement.

Upon consolidation, all accounts payable to, accounts receivable from, and income and expenses between the companies included in the consolidation are eliminated. Intercompany paper profits within the Group are also eliminated upon consolidation.

Segment information

The segment reporting format reflects the structure of the mobilezone Group. The assets as well as the liabilities include all balance sheet items that can be directly allocated to a segment.

The segment Trade consists of the companies mobilezone ag, mobilezone business ag, and Europea Trade AG. The segment Service Providing consists of the companies mobilezone com ag, mobilezone crm ag and mobilezone net ag, which was merged with mobilezone ag in December 2011.

1.5 Principles of recognition and valuation

Foreign currency translation

The consolidated financial statements are prepared in Swiss francs. The functional currency of all Group companies is the Swiss franc. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate effective on the balance sheet date. Gains or losses arising from transactions and foreign currency translations of balance sheet items are included in the current year's income statement.

Financial assets

mobilezone classifies its financial assets according to the following categories:

- Financial assets affecting net income at fair value
- Loans and receivables
- Financial assets available for sale

Classification depends on the purpose for which the financial assets were acquired. The management makes the pertinent decision at acquisition and reviews the allocation in question on each balance sheet date.

Financial assets affecting net income at fair value

This category contains two subcategories: "Financial assets held for trading purposes" and those initially instituted as "affecting net income at fair value". A financial asset is allocated to one of these subcategories if it has been acquired with a view to sale in the short term. Derivatives are also classified as being held for trading purposes, unless they are being held for hedging purposes in accordance with IAS 39. Assets in this category are classified as current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed on any stock exchange. They arise when mobilezone directly makes money, goods, or services available to a debtor and does not intend to trade with the receivable. Receivables from sales of services and products are valued at their nominal value, less the necessary value adjustments for receivables at risk. In addition to individual value adjustments for specific receivables known to be at risk, lump sum value adjustments are made for items that are overdue. These contingency reserves correspond to the difference between the book value of the receivables and the current proceeds of the resulting cash-flows expected. Receivables are offset against the value adjustment when they are no longer recoverable. The changes in the value adjustment are recognized in the income statement. The nominal value corresponds roughly to the market value. With the exception of values maturing more than twelve months after the balance sheet date, they are included in the current assets. The former are classified as fixed assets.

Financial assets available for sale

Financial assets available for sale are non-derivative assets that, as a result of a management decision, are available for sale or do not belong to any of the other categories. They are included in the fixed assets, unless the management intends to sell them within twelve months after the balance sheet date.

Purchases and sales of financial assets are recognized in the financial statements as of the date of the transaction. This is the date on which mobilezone commits itself to the purchase or sale of the asset in question. The assets are initially recognized at fair value, plus transaction costs for all financial assets that are not recognized as "affecting the net income at fair value". Financial assets are deleted from the accounts as soon as the rights to receive cash flows from them have expired or have been transferred and mobilezone has essentially transferred all risks and advantages from their possession.

Financial assets available for sale and financial assets "affecting the net income at fair value" are valued and recognized at fair value. The fair value of the financial assets available for sale and financial assets "affecting the net income at fair value", which are traded in organized markets, is determined by the market price (buying rate) listed on the balance sheet date. In the case of non-listed securities, the fair value is determined by means of the discounted cash-Flow method or at historical cost, less any necessary value adjustments.

Loans and receivables are recognized at the depreciated initial cost by means of the effective interest method.

Realized and unrealized profits and losses that result from changes in the fair value of financial assets "affecting the net income at fair value" are recognized in the income statement for the period in which they arise. Unrealized profits and losses that result from changes in the fair value of investments in the category "financial assets available for sale" are included in other income. If these are sold or significant value reductions occur, then the accumulated fair value alterations are reclassified from shareholder equity to the income statement.

Property, plant, and equipment

Property, plant, and equipment are stated at historical cost or manufacturing cost less accumulated depreciation. Depreciation is charged to the income statement on a straight-line basis on the basis of the following estimated useful lives of items of property, plant, and equipment:

- Office equipment and furniture, including EDP, 2 to 5 years
- Shop equipment 5 to 8 years
- Vehicles 3 to 5 years

Intangible assets
Acquired rights, such as contracts with clients, lessors, suppliers, and similar rights that generate financial earnings, are capitalized and amortized over the contractual or estimated useful life of usually 5 years. In the business segment Service Providing customer acquisition costs for fixed-line customers are capitalized and depreciated over a term of 24 months.

Goodwill
In all company mergers, the recognizable assets, liabilities, and contingent liabilities are revaluated at their market values and integrated according to the purchase method. Moreover, new intangible assets are identified and entered separately in the income statement if their market value can be reliably determined. These assets are essentially client lists. The remaining difference between purchase price and net assets is recognized as goodwill. Goodwill will not be depreciated but will be tested annually for impairment.

Goodwill is allocated to those cash-generating units that can be expected to profit from the acquisition.

Impairment
Goodwill items and other intangible assets with an indefinite useful life undergo the annual impairment test in the course of the fourth quarter. The “discounted cash flow” model that is used for the impairment test to calculate use value depends on a number of factors. These include estimates of future cash flow, discount rates, and other variable factors. These estimates are based on the forecast figures for the reporting year as well as on the medium-term planning over four more years. Important assumptions are necessary to arrive at these estimates. Factors such as volumes, selling prices, sales growth, gross margin, labor and operating expenses as well as investments in plant and equipment, market conditions, and other economic factors are based on assumptions the management views as realistic. Impairment of goodwill is immediately entered as depreciation in the income statement and is not re-appreciated in the following periods. The value of plant and equipment and other assets, including intangible assets, is always subject to review when, due to events or changed circumstances, an overvaluation of the book values appears possible. If the book value exceeds the realizable value (the higher of utility value and market value minus sales costs), then it is subject to a special depreciation.

Treasury shares
Treasury shares are included in the shareholders’ equity at historical acquisition cost. Any profits and losses from transactions with treasury shares are treated as not affecting net income and are recognized in the balance sheet profit.

Inventories
Inventories are stated at cost or net realizable value, whichever is lower. The cost of inventories is calculated using the weighted average cost method. Goods with longer storage periods are subject to appropriate value adjustments. Net realizable value is the estimated selling price in the ordinary course of business, less selling expenses. The price of a mobile phone is determined based on whether the product is sold on a stand-alone basis or in conjunction with a provider subscription. Net realizable value therefore takes into account both components. In addition, price protection arrangements with suppliers are also taken into account in determining the need for any value adjustments on inventories.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, current credit bank balances, and current deposits with original maturity of less than three months. Cash and cash equivalents are treated as affecting net income and are stated at fair market value.

Current financial liabilities
Current financial liabilities include trade and other current accounts payable and are stated at depreciated historical cost.

Provisions for liabilities and contingencies

Provisions are set aside for current or future legal or de-facto obligations when, on the balance sheet date, as a result of past events, reasonable estimates regarding the future transfer of economic values are possible and when such a transfer is likely. The provisions are determined based on the best possible estimate of the expected expenditures. In cases of considerable importance, provisions are determined by discounting the expected future cash flow on the balance sheet date at a rate that reflects current market rates and assessments of the risks specific to the liability.

Contingent liabilities are stated in the Notes if a future obligation is possible or if a present obligation exists, but an outflow of funds is not probable or the amount cannot be reliably determined.

Leasing

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease. Revenue-based and other contingent leases are accrued on an estimated basis.

Leasing agreements are recognized in the balance sheet when, upon conclusion of the agreement, the majority of significant risks and rewards of ownership devolve to the Group (Financial Leasing). Lease payments are divided according to the annuity method into interest and principal payments. Leased assets are depreciated over the shorter of either the lease term or the asset's estimated useful life.

Pension benefits

The mobilezone Group has defined-benefit pension plans. The pension benefit expenses and liabilities are calculated periodically by an actuary using the projected unit credit method. The defined benefit obligations are determined on the basis of the cash value of the estimated future cash flows. In this case, the interest rate for unsubordinated, fixed-interest corporate bonds is used. The plan assets are recognized and stated at fair value. Any profits or losses arising from adjustments to figures based on actuarial calculations are included via the average remaining service period of the insured employees in the income statement if they exceed 10 percent of the higher amount of the pension contributions and the plan assets at the beginning of the reporting year.

Revenues

Net sales include all revenues from the sale of goods and services, less reductions in earnings, rebates, discounts, and VAT. Revenues from the sale of goods are included in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. One-time commissions from providers are recognized upon conclusion of the contract. Recurring "airtime" profit-sharing commissions from providers are based on the subscribers' monthly payments of mobile telephone bills to the providers. These amounts are recorded in the income statement based on the providers' invoices on an accrual basis.

Income tax

Current income taxes are calculated based on the taxable income of the year and are recorded in the income statement. Deferred income taxes are calculated using the balance sheet liability method on any temporary differences arising from divergences between the book value of assets and liabilities for financial reporting purposes and the value used for tax purposes. Deferred tax is calculated using tax rates enacted or substantially enacted on the balance sheet date and will be offset in future tax periods. Deferred tax loss carry-forwards and deferred income tax credits are activated only to the extent that it is probable that they will be realized in the future.

2. Estimates and discretionary decisions

The preparation of financial statements in accordance with IFRS requires evaluations, assumptions, and estimates that influence the items in the financial statements as of the balance sheet date. These evaluations, assumptions, and estimates are based on empirical values and other factors that are considered adequate under the given conditions. The actual results may deviate from these estimates. The estimates and the assumptions based on them are subject to continuous revision. Changes to estimates that affect the annual financial statements are included in the reporting period in which the estimate was revised as well as in future reporting periods if they are affected by the revised estimates.

Intangible assets / Goodwill
For acquisitions, the fair value of acquired intangible assets is determined. The acquired intangible assets have a finite useful life and are therefore depreciated. Any residual value (difference between the purchase price and acquired net assets) represents goodwill. Goodwill has an indeterminate useful life and is not depreciated; however, it is subject to annual review for possible impairment. The estimates regarding intangible assets and goodwill therefore affect write-offs. Furthermore, various assumptions are made when testing goodwill for impairment that require medium-term and long-term estimates. This concerns both internal planning data (cash flow, growth rates, etc.) as well as external parameters (discount rate).

Explanations and amounts regarding the impairment test and goodwill can be found in Note 8.

Deferred tax obligations
Active deferred taxes are calculated primarily on the basis of temporary differences and, in individual cases, also on the basis of loss carry-forwards, in as far as realization seems probable. The recoverability therefore depends on whether future prognoses concerning the relevant tax object materialize over a period of several years. Should these future prognoses prove to be incorrect, then this could lead to value impairment. Explanations and amounts regarding deferred tax obligations can be found in Note 6.

Employee benefits
The mobilezone Group has defined-benefit pension plans. This status is based on actuarial assumptions, some of them long-term, that may deviate from reality. Actuarial differences above the so-called 10-percent corridor are amortized over the average remaining period of service of the employees. Both the determined status and the amortization of a difference contain estimated values that may affect the company's position in regard to assets and revenue. Explanations and amounts regarding pension benefits can be found in Note 16.

3. Type and scope of financial risks

3.1 Financial risk management

The financial instruments of mobilezone Group predominantly include cash and cash equivalents to provide sufficient funds for the business activities of the Group companies. The Group has various other financial instruments at its disposal, such as trade accounts payable and receivable resulting directly from business activities. The main risks arising from these financial instruments include liquidity risk and risk of loss of receivables. Regarding other financial assets, such as securities and other receivables, the maximum financial risk in the event of a failure of the counterparty corresponds to the book value of these instruments. In the fiscal years ending on December 31, 2011, and December 31, 2010, the mobilezone Group did not use any hedge accounting.

3.2 Foreign currency risk

The revenues in the retail business and in the service providing business are all denominated in Swiss francs. Approximately 36 percent (2010: 51 percent) of purchases in the retail business in 2010 were denominated in Euro. The currency volatilities of the Euro have no significant impact on mobilezone's operating profits and shareholders' equity. The Group decided generally not to hedge against the currency risk on purchases due to the short-term nature of payments in Euro (7–14 days) and the high inventory turnover. In the reporting year, the Group used only a few future exchange transactions with a short maturity. Any contracts open at the balance sheet date are valued at fair market value with any changes in fair market value recognized in the income statement. As of December 31, 2011, or December 31, 2010, there were no open future exchange transactions.

3.3 Credit risk/risk of loss of receivables

The Group is exposed to credit risks arising from its ordinary business activity. Due to the peculiarities of this business sector – a large portion of retail sales is made in cash – the business activity results in relatively few outstanding accounts receivable, compared to total sales. As the number of network operators in Switzerland is limited by law, these accounts receivable in the segment Trade are due from only a small number of counterparties. In 2011, 61 percent (2010: 61 percent) of the net sales revenue in the segment Trade was achieved with the three largest clients (network operators). The company meets this risk by negotiating short terms of payment. To counteract the significantly higher risk of loss of receivables in the segment Service Providing, mobilezone Group employs predetermined hedging strategies, such as appraisal of creditworthiness and the sale of the overdue receivables to a debt collection agency. Limiting and controlling the outstanding receivables also minimize risk. Current bank credit balances and deposits are held exclusively at financial institutions. This risk of default is minimized by maintaining business relationships with several banks and other financial institutions and by continuously monitoring the credit risk.

3.4 Interest rate risk

As there are currently no bank loans, current bank liabilities, and other interest-bearing liabilities, there is no interest rate risk.

3.5 Liquidity risk

Currently, mobilezone Group bears no liquidity risk as its financial position features a large amount of cash and cash equivalents. Furthermore, there are sufficient credit lines (CHF 10 million) to satisfy peak demands on net current assets.

3.6 Investment control

The primary objective of mobilezone Group's investment control is to ensure that the Group maintains a high degree of creditworthiness and an advantageous proportion of shareholders' equity in order to support its business activities. Capital includes the shareholder's equity items capital stock, treasury shares, capital reserves, and retained earnings. For the purposes of adjusting or maintaining its capital structure, the Group may adjust dividend distributions to shareholders, issue new shares, or borrow capital. As of December 31, 2011, or December 31, 2010, no changes were made to the objectives and guidelines.

Notes to the consolidated income statement

1

Net sales (CHF 000)	**2011**	**2010**
Sales mobile communication products	111 715	108 971
One-time commissions and recurring		
“Airtime” of providers	180 773	176 457
Revenue from mobile and fixed-net subscriptions	13 136	14 523
Total net sales	**305 624**	**299 951**

2

Personnel costs (CHF 000)	**2011**	**2010**
Wages and salaries	35 147	35 493
Social security costs	3 072	2 971
Pension costs	1 444	1 305
Other personnel costs	1 257	421
Total personnel costs	**40 920**	**40 190**

Number of full-time employees as of December 31	548	556

3

Other operating costs (CHF 000)	**2011**	**2010**
Operating lease costs	11 192	10 859
Advertising	8 322	11 367
Repair & maintenance, general and administrative costs	7 727	7 687
less: contributions received from third parties	–7 681	–10 687
Total other operating costs	**19 560**	**19 226**

Advertising costs are essentially covered through cost contributions from business partners.

4

Financial income (CHF 000)	**2011**	**2010**
Income from interest	428	398
Total financial income	**428**	**398**

5

Financial expense (CHF 000)	**2011**	**2010**
Expense of interest	6	56
Other financial expense	76	116
Total financial expense	**82**	**172**

The item “other financial expense” includes the current year's securities price losses and the previous year's total adjustment of the share value of the corporation Peoplefone AG, Zurich. mobilezone holds 2,9 percent of the shares of this corporation.

6 Income tax expense (CHF 000)	2011	2010
Current income taxes	4 428	5 190
Deferred income taxes	–347	271
Total income tax	**4 081**	**5 461**

Current income taxes are based solely on the profit in the reporting year. Deferred income taxes are based solely on the changes in temporary differences and the recognition of future tax loss carry-forwards. Taxes on capital are included under “Other operating costs”.

Income tax reconciliation (CHF 000)	**2011**	2010
Profit before taxes	24 743	30 616
Average applicable tax	16.28%	17.80%
Expected tax expense	4 029	5 448
Impact on tax expense from effect of tax rate changes	52	13
Effective income tax expense	**4 081**	**5 461**

The average tax rate is the weighted average of the tax rates of the individual Group companies and can thus vary from one year to the next.

Deferred tax assets (CHF 000)	**2011**	2010
Tax benefits from loss carry-forwards	1	16
Total deferred tax assets	**1**	**16**

The amount of CHF 1 000 (previous year: CHF 11 000) of the recognized loss carry-forwards relates to mobilezone crm ag and CHF 0 (previous year: CHF 5 000) relate to mobilezone net ag, which was merged with mobilezone ag in December 2011.
Based on the available realistic budget figures, it is likely that these loss carry-forwards can be offset in the coming years.

Deferred tax liabilities (CHF 000)	**2011**	2010
Inventories	1 398	1 646
Trade accounts receivable	668	734
Other receivables	2	50
Total deferred tax liabilities	**2 068**	**2 430**

As in the previous year, no taxes on earnings were recognized directly in shareholders’ equity or in other profit or loss.

Notes to the consolidated statement of financial position

7 **Property, plant & equipment** (CHF 000)

	Shop equipment	Other property, plant & equipment	Total
Acquisition costs			
At December 31, 2009	**24 559**	**5 249**	**29 808**
Additions	3 069	1 034	4 103
Disposals	0	–283	–283
At December 31, 2010	**27 628**	**6 000**	**33 628**
Additions	2 244	3 789	6 033
Disposals	–536	–592	–1 128
At December 31, 2011	**29 336**	**9 197**	**38 533**
Accumulated depreciation			
At December 31, 2009	**15 887**	**3 420**	**19 307**
Additions	3 417	911	4 328
Disposals	0	–206	–206
At December 31, 2010	**19 304**	**4 125**	**23 429**
Additions	3 442	1 165	4 607
Disposals	–534	–389	–923
At December 31, 2011	**22 212**	**4 901**	**27 114**
Book value:			
At December 31, 2010	**8 324**	**1 875**	**10 199**
At December 31, 2011	**7 124**	**4 296**	**11 420**

		2011	2010
Fire insurance value of property, plant & equipment		**12 000**	**12 000**
Fire insurance value of inventories		**25 000**	**25 000**

8 **Intangible assets** (CHF 000)	Customer acquisition costs	Acquired shop location	Goodwill	Total
Acquisition costs				
At December 31, 2009	**21 288**	**6 579**	**5 753**	**33 620**
Additions	3 715	15	0	3 730
Disposals	0	0	0	0
At December 31, 2010	**25 003**	**6 594**	**5 753**	**37 350**
Additions	4 354	0	30	4 354
Disposals	–8 573	–41	0	–8 614
At December 31, 2011	**20 784**	**6 553**	**5 753**	**33 090**
Accumulated amortization				
At December 31, 2009	**17 489**	**5 613**	**0**	**23 102**
Additions	3 894	558	0	4 452
Disposals	0	0	0	0
At December 31, 2010	**21 383**	**6 171**	**0**	**27 554**
Additions	3 808	327	0	4 135
Disposals	–8 573	–41	0	–8 614
At December 31, 2011	**16 618**	**6 457**	**0**	**23 075**
Book value:				
At December 31, 2010	**3 620**	**423**	**5 753**	**9 796**
At December 31, 2011	**4 166**	**96**	**5 753**	**10 015**

Testing goodwill for impaiment

In accordance with IAS 36, goodwill is to be tested for impairment at least once a year, and if there are any indications at any time of impairment, such a test is to be carried out immediately. At mobilezone Group, the annual test for impairment is carried out in the course of the fourth quarter. The test of goodwill is done for each cash-generating unit (CGU) on the basis of utility value calculations. The utility value corresponds to the cash value of the discounted cash flow. In this case, the forecast estimates for 2011 and the planning data for the years 2012–2015 were used. The assumptions used in the calculations correspond to the average long-term expected growth rates of the operating business in the relevant CGU. For the impairment tests the growth in sales and operating result (EBIT) are decisive. Even if zero growth formed the basis for the cash-flow prognoses per CGU, the book value would not exceed the calculated utility values. Even an increase of the discount rate by two percentage points would not result in the book value of the goodwill per CGU exceeding the calculated utility values in question.

The gross profit margin in the planning period is based on empirical figures. The “risk-free” interest rate of longterm government bonds serves as the basis of the pre-tax discount rate, which is increased in the case of specific market and product risks. The growth rate of the planning period is calculated on the basis of mediumterm planning.

The value of the growing perpetuity at the end of the planning period (terminal value) is calculated on the basis of a growth rate of 1 percent or 0 percent, respectively, and is discounted as of the date of evaluation. On the basis of the company values calculated using the DCF method, mobilezone does not have to untertake any value adjustments for the goodwill items.

Goodwill can be assigned to the following CGU:

Goodwill 2011 (CHF 000)	Trade Shops	Trade B2B	Service Providing Fixed-line	Total
Book value Goodwill	3 047	1 792	914	**5 753**
Discount rate	7.1%	7.1%	7.1%	
Sales growth forecast/anticipated	1.1%	16.0%	0.7%	
Sales growth terminal value	1%	1%	0%	

Goodwill 2010 (CHF 000)				
Book value Goodwill	3 047	1 792	914	**5 753**
Discount rate	8.9%	8.9%	8.9%	
Sales growth forecast/anticipated	2.7%	18.8%	0.6%	
Sales growth terminal value	1%	1%	0%	

9

Securities (CHF 000)	**2011**	2010
Total securities	**894**	**0**

The securities include a bond quoted at the stock exchange in the amount of CHF 894 000 (market value).

10

Inventories (CHF 000)	**2011**	2010
Inventories, gross	21 582	24 923
less value adjustments	–1 578	–1 250
Total inventories	**20 004**	**23 673**

The gross value of inventories carried at fair value less costs to sell amounted to CHF 3 569 000 (2010: CHF 7 630 000). In the reporting year value adjustments in the costs of goods and materials were formed in the amount CHF 328 000. In the previous year value adjustments in the costs of goods and materials were dissolved in the amount of CHF 831 000.

11

Trade accounts receivable (CHF 000)	2011	2010
Accounts receivable, gross	22 272	23 592
less value adjustments	–179	–376
Total trade accounts receivable	**22 093**	**23 216**

Trade accounts receivable are interest-free and are usually payable within 30 days.

As of December 31, 2011, receivables in the amount of CHF 17.6 million (previous year: CHF 16.9 million) were outstanding from the company's three biggest customers (mobile phone providers).

As of December 31, 2011, mobilezone Group's accounts receivable amounted to CHF 22.3 million (2010: CHF 23.6 million), of which CHF 0.9 million (2010: CHF 0.8 million) are due and not subject to value adjustments. In terms of maturity, this balance of overdue receivables breaks down as follows: CHF 0.8 million (2010: CHF 0.7 million) due within 30 days, CHF 0.1 million (2010: CHF 0.1 million) due in 31 to 60 days. There are no receivables outstanding that are due in more than 60 days.

Value adjustments (CHF 000)	2011	2010
At January 1	**376**	**272**
Allocations	281	650
Usage	–342	–443
Dissolutions	–136	–103
At December 31	**179**	**376**

12

Other accounts receivable (CHF 000)	2011	2010
Accruals	12 239	16 234
Other accounts receivable	261	246
Total other accounts receivable (current)	**12 500**	**16 480**

As of December 31, 2011, of the accruals the amount of CHF 9.4 million (2010: CHF 14.1 million) is related to receivables from the three largest accounts receivable.

13

Cash & cash equivalents (CHF 000)	2011	2010
Cash on hand and current bank balances	30 998	31 519
Total cash & cash equivalents	**30 998**	**31 519**

Cash & cash equivalents are not subject to any restrictions on disposal. The Group has unutilized lines of credit in the amount of CHF 10 million.

14 **Share capital** (bearer shares at CHF 0.01 par value)

	Number
Number of shares issued at January 1, 2010	35 772 996
less treasury shares:	
held for trading purposes	0
Number of shares outstanding at December 31, 2010	35 772 996
less treasury shares:	
held for trading purposes	-150 000
Number of shares outstanding at December 31, 2011	**35 622 996**

The treasury shares do not have any dividend or voting rights at the annual general meeting.
All other shares are equally entitled to dividends and voting.

Details regarding treasury shares and contingent and authorized capital are included in Note 3 to the financial statements of mobilezone holding ag on page 59.

Calculations of earnings per share		**2011**	2010
Consolidated net profit	CHF	20 662 000	25 153 000
Weighted average number of shares outstanding	Pieces	35 671 489	35 766 245
Earnings per share	CHF	**0.58**	**0.70**
Consolidated net profit	CHF	20 662 000	25 153 000
Weighted average number of outstanding and potential shares	Pieces	35 671 489	35 766 245
Earnings per share – diluted	CHF	**0.58**	**0.70**

In April 2011 a dividend of CHF 0.70 per share (2010: CHF 0.55) was paid to the shareholders.

15 **Other current liabilities** (CHF 000)

	2011	2010
Deferrals		
Wages and salaries	1 757	2 150
Social security costs	131	158
Other	2 391	1 826
Other liabilities		
VAT	1 586	1 744
Social security costs	624	920
Other	512	350
Total other current liabilities	**7 001**	**7 148**

16 **Employee benefit plans**

The mobilezone Group has several pension plans, wich contain insurance agreements and which have been prepared for the majority of employees for the period after retirement. The pension plans qualify as defined benefit plans in accordance with IAS 19. The obligations and the assets to cover them are examined and revaluated at least once a year by an independet expert (actuary).

The basic assumptions relevant for the calculations were determined as follows:

	2011	2010
Discount interest rate	2.5%	3.0%
Expected yield on investment	3.0%	3.0%
Expected wage growth	up to 1%	up to 1%

The changes to the cash value of the liabilities are as follows:

(CHF 000)	2011	2010
Employee benefit obligations as of January 1	17 203	16 195
Current service cost	1 321	1 254
Interest expense	478	490
Employee contributions	946	946
Actuarial profits	551	–1 013
Benefits paid	–2 525	–669
Employee benefit obligations as of December 31	**17 974**	**17 203**

The changes to the current market value of the planning assets are as follows:

(CHF 000)	2011	2010
Cash value of plan assets as of January 1	15 423	14 271
Expected yield from plan assets	456	451
Actuarial profits	–736	–802
Employer contributions	1 113	1 227
Employee contributions	946	945
Benefits paid	–2 525	–669
Cash value of plan assets as of December 31	**14 677**	**15 423**

The expected estimated employer contributions for the fiscal year 2012 amount to CHF 1.4 million.

Amounts recognized in the statement of financial position:

(CHF 000)	2011	2010
Cash value of the defined benefit plan obligation as of December 31	17 974	17 203
Cash value of plan assets as of December 31	14 677	15 423
Deficit	**3 297**	**1 780**
Balance of the actuarial profits not yet posted	–3 307	–2 058
Asset from retirement benefit plan	**–10**	**–278**

Composition of retirement benefit plan expenses:

(CHF 000)	2011	2010
Current service cost	1 321	1 255
Interest expense	478	490
Expected yield from plan assets	–456	–451
Recognized actuarial losses	38	83
Total retirement benefit plan expenses	**1 381**	**1 377**
Actual yield from plan assets	–280	–352

The plan assets are concerned exclusively with asset values as a component of the insurance solutions.

Data for the current reporting period and the three previous reporting periods:

(CHF 000)	**2011**	2010	2009	2008	2007
Cash value of benefit obligations	17 974	17 203	16 195	15 392	9 132
Cash value of plan assets	–14 677	–15 423	–14 271	–13 790	–9 316
Deficit (Surplus)	**3 297**	**1 780**	**1 924**	**1 602**	**–184**
Empirical value adjustment to benefit obligations	–939	1 013	1 515	–659	–402
Empirical value adjustment to plan assets	–736	–802	–1 439	20	66
Adjustment of obligations due to changes in the basic assumptions	388	0	0	0	0

17 **Financial instruments**

The financial assets and liabilities can be assigned to the following categories:

2011 (CHF 000) Book value	Loans and Receivables	Financial assets affecting net income at fair value	Financial liabilities stated at amortized cost
Assets			
Securities	0	894	
Other accounts receivable	9 466	0	
Trade accounts receivable	22 093	0	
Cash & cash equivalents	30 998	0	
Liabilities			
Trade accounts payable			17 120
Other current accounts payable			512
Total	**62 557**	**894**	**17 632**

2010 (CHF 000) Book value	Loans and Receivables	Financial assets affecting net income at fair value	Financial liabilities stated at amortized cost
Assets			
Securities	0	0	
Other accounts receivable	14 198	0	
Trade accounts receivable	23 216	0	
Cash & cash equivalents	31 519	0	
Liabilities			
Trade accounts payable			17 508
Other current accounts payable			350
Total	**68 933**	**0**	**17 858**

Due to their short-term maturity, the book values of the financial instruments correspond roughly to their market value.

The difference to the book values in the balance sheet items “Other accounts receivable” and “Other current liabilities” concern, above all, accruals and expenses that are not financial instruments according to IFRS.

18 **Maturity profile of financial obligations**

All financial obligations of mobilezone are payable within one year. As of December 31, 2011 (2010: CHF 0), mobilezone has no interest-bearing obligations.

19 **Operative Leasing**

As of December 31, 2011, mobilezone Group operated in 140 shops (2010: 141) all across Switzerland, all of wich were leased. Leases typically have a fixed term of 5 years, with an option to renew for several years.

As of the balance sheet date, future payments for shops and other long-term contracts with fixed term are coming due as follows:

2011			
(CHF 000)	Shops	Other	**Total 2011**
Less than 1 year	10 143	226	10 369
Between 1 and 5 years	25 287	102	25 389
More than 5 years	4 079	0	4 079
Total	**39 509**	**328**	**39 837**

2010			
(CHF 000)	Shops	Other	**Total 2010**
Less than 1 year	10 196	210	10 406
Between 1 and 5 years	29 603	4	29 607
More than 5 years	2 615	0	2 615
Total	**42 414**	**214**	**42 628**

In the reporting year the amount of CHF 11 192 000 (2010: CHF 10 859 000) was recognized as an expense from operating leases in the income statement. These expenses included revenue-based rents, less the minimum rent, amounting to CHF 56 000 (2010: CHF 41 000).

The expected lease income from sublease agreements amounts to CHF 538 000 (2010: CHF 545 000).

20 **Contingent liabilities and future commitments, capital commitments, and restrictions of ownership**

As of December 31, 2011, and December 31, 2010, no items had to be reported under this heading.

21 **Risk assessment**

As the parent company of the mobilezone Group companies, mobilezone holding ag is deeply involved in the risk assessment process across all group companies. The risk assessment process is integrated into the Group's annual strategy process. The aim is not to avoid all risk but rather to create options that are intended to help the Group companies to consistently take advantage of existing opportunities and to increase their business success. Risk management supports the companies in reaching their business goals by providing transparency regarding the risk situation (as a basis for strategic and operating decisions), by recognizing potential threats to the Group's net assets, financial position, and results of operations, and by taking measures to reduce risks to an acceptable level.

In connection with risk assessment process, the Board of Directors of mobilezone holding ag is kept informed about any observed risks and opportunities.

22 **Relationship with related parties and companies**

Related parties are members of the Board of Directors, Group Management, their close relatives, and key shareholders, including companies controlled by them.

Hans-Ulrich Lehmann, a member of the Board of Directors, is a co-owner of Immoplaza AG. This company rents the central warehouse and the administrative building in Regensdorf to mobilezone ag. Hans-Ulrich Lehmann is also a co-owner of mobiletouch ag, which was sold to mobilezone holding ag effective January 1, 2012. mobiletouch primarily repairs mobile phones. Hans-Ulrich Lehmann is owner of autronic ag, mobile solutions ag, and monzoon networks ag. autronic ag is a distributor of mobile telephones in Switzerland. mobile solutions ag develops content for mobile phone applications. mobile solutions ag was merged with autronic ag in January 2012. monzoon networks ag is a provider of public wireless Internet access and services. All transactions take place at market values.

Transactions and balances with related parties and companies (CHF 000)	**2011**	2010
Service revenue from autronic ag	50	50
Service revenue from monzoon networks ag	0	1
Service revenue from mobile Solutions ag	0	37
Service revenue from mobiletouch ag	118	144
Service revenue from Immoplaza AG	202	60
Sales of goods to autronic ag	1 866	323
Sales of goods to mobile solutions ag	2	1
Sales of goods to mobiletouch ag	102	0
Sales of goods to autronic ag	1 677	4 319
Sales of goods to mobile Solutions ag	17	0
Sales of goods to mobiletouch ag	2 242	1 040
Expense of services from Immoplaza AG	389	424
Expense of services from mobile solutions ag	37	134
Expense of services mobiletouch ag	3	0
Expense of services mobiletouch austria gmbH	6	0
Accounts receivable autronic ag	0	1 327
Accounts receivable mobiletouch ag	0	15
Accounts receivable mobile solutions ag	47	24
Accounts receivable Immoplaza AG	18	0
Accounts payable autronic ag	0	3
Accounts payable mobile solutions ag	4	26
Accounts payable mobiletouch ag	357	187
Accounts payable mobiletouch austria gmbH	6	0

The shares in mobilezone ag are broadly distributed. Significant shareholders are listed in the Notes to the financial statements of mobilezone holding ag on page 59.

23 **Compensation to Members of the Board of Directors and the Group Management**	**2011**	2010
Current benefits payable	2 154	2 216
Occupational pension contributions, social security contributions, and insurance premiums	413	438
Total	**2 567**	**2 654**

The item “Current benefits payable” includes the fixed compensation as well as the profit-related variable portion of the total compensation. The amount under “Occupational pension contributions, social security contributions, and insurance premiums” includes the employer's contribution.

Additional Information regarding the compensation paid to and the shares held by the members of the Board of Directors and the management are provided in the Notes to the income statement of mobilezone holding ag on pages 60 and 61.

24 Events following the balance sheet date

As of January 1, 2012, mobilezone holding ag took over 100 percent of the shares of mobiletouch ag, Zweideln. mobiletouch ag has two wholly-owned subsidiaries (mobiletouch austria gmbH, Vienna, and handyclinic ag, Winterthur). mobiletouch ag and its subsidiaries are active in Switzerland and Austria in the area of mobile phone repair and logistics. The assets and liabilities will be consolidated in fiscal year 2012 as of the acquisition date. The purchase price was CHF 10.9 million. The purchase price allocation was not yet done as of the reporting date.

No other significant events have occurred after the balance sheet date. On March 5, 2012, the Board of Directors approved the consolidated financial statements for publication. The proposal of the Board of Directors to the General Meeting to be held on April 5, 2012, is to approve these consolidated financial statements and to distribute from the available retained earnings of mobilezone holding ag a dividend of CHF 0.60 per bearer share.

Report of the Statutory Auditor

Report of the Group Auditors on the consolidated financial statements to the General Meeting of mobilezone holding ag, Regensdorf

As group auditors, we have audited the consolidated financial statements presented on pages 30 to 54 of this report – statement of financial position, income statement, statement of cash flows, statement of changes in equity, and notes – of mobilezone holding ag, Regensdorf, for the fiscal year ended on December 31, 2011.

Responsibility of the Board of Directors

The Board of Directors is responsible for drawing up the consolidated financial statements in compliance with International Financial Reporting Standards (IFRS) and with legal requirements. This responsibility includes the creation, implementation, and maintenance of a system of internal control regarding the preparation of a consolidated financial statement that is free of material misstatements caused by violations or errors. Furthermore, the Board of Directors is responsible for selecting and using appropriate accounting methods as well as for providing appropriate estimates.

Responsibility of the Auditors

We are responsible for providing an audit report on the consolidated financial statements based on our audit. We have conducted our audit in compliance with Swiss law and with Swiss auditing standards, as well as with the International Standards on Auditing. According to these standards, we must so plan and perform the audit that we can be reasonably certain that the consolidated financial statements are free of any material misstatements.

Performing an audit requires carrying out audit procedures so as to examine audit evidence supporting the valuations and other disclosures in the consolidated financial statements. The audit procedures are chosen by the auditor according to his or her best judgment. This includes assessing the risk of material misstatements in the consolidated financial statements as a result of violations or errors. In assessing these risks, the auditor will examine the internal control system to the extent it is relevant for the preparation of the consolidated financial statements in order to select auditing methods and procedures best suited to the case. However, the auditor will not issue an assessment of the effectiveness of the internal control system. In addition, the audit includes assessing the adequacy of the accounting methods used, the plausibility of the estimates made, and an appraisal of the overall presentation of the consolidated financial statements. We believe that the evidence we have obtained provides a reasonable and adequate basis for our professional audit opinion.

Professional opinion

In our opinion, the consolidated financial statements for the fiscal year ended on December 31, 2011, provide a true and fair picture of the Group's net assets, financial position, and results of operations in accordance with IFRS and in compliance with Swiss law.

Reporting on the basis of additional legal regulations

We hereby confirm that we meet the legal requirements regarding accreditation according to the Audit Supervisory Law (RAG) and regarding independence (Art. 728 OR and Art. 11 RAG), and that there are no circumstances or facts that are incompatible with our independence.

In accordance with Art. 728a Section 1 Point 3 OR and with Swiss Auditing Standard 890, we confirm that a system of internal control for the preparation of the consolidated financial statements exists and is set up in accordance with the Board of Directors' instructions.

We recommend that the present consolidated financial statements be approved.

Ernst & Young AG

Michael Bugs
Swiss Certified Accountant
(Lead Auditor)

Stefanie Walter
Swiss Certified Accountant

Zurich, March 5, 2012

Income statement

January 1 to December 31 (CHF 000)	**2011**	2010
Financial income	18 796	58 581
Income from services provided and other income	4 732	3 178
Total Income	**23 528**	**61 759**
Administrative expenses	3 361	3 181
Financial expenses	151	195
Total Expenses	**3 512**	**3 376**
Net profit	**20 016**	**58 383**

Statement of financial position before appropriation of available earnings

At December 31 (CHF 000)	Notes	**2011**	2010
Assets			
Cash & cash equivalents		10 330	9 798
Treasury shares		1 425	0
Accounts receivable from			
Third parties		227	61
Group companies		83 831	87 413
Current assets		**95 813**	**97 272**
Investments	2	28 917	28 917
Securities		894	0
Fixed assets		**29 811**	**28 917**
Total Assets		**125 624**	**126 189**
Liabilities & shareholders' equity			
Current accounts payable to			
Third parties		747	743
Group companies		8 767	4 183
Accruals and deferrals		1 120	1 248
Current liabilities		**10 634**	**6 174**
Share capital	3	358	358
General reserves		131	131
Reserve for own shares	3	1 500	0
Free reserves		4 562	6 062
Available earnings			
Balance brought forward		88 423	55 081
Net profit		20 016	58 383
Shareholders' equity		**114 990**	**120 015**
Total liabilities & shareholders' equity		**125 62**	**126 189**

Notes to the financial statements

Except for the comments that follow, there are no further facts that require disclosure in accordance with Art. 663b OR.

1	**Contingent liabilities/subordinated claims**	**31.12.2011**	**31.12.2010**
	Joint and several liability from VAT – Group taxation	p.m.	p.m.
	Guarantee furnished to a bank for a subsidiary	11 000 000	11 000 000

2	**Significant investments in subsidiaries and associates**		**31.12.2011**	**31.12.2010**
		Equity capital (CHF 000)	Shares in the company %	Shares in the company %
	mobilezone ag, Regensdorf	2 850	100	100

The companies mobilezone business ag, Europea Trade AG, mobilezone net ag, mobilezone com ag, and mobilezone crm ag were sold to mobilezone ag in July 2010 as part of an internal restructuring. mobilezone net ag was merged with mobilezone ag in December 2011.

3 Share capital, authorized and conditional share capital

As of December 31, 2011 capital stock consists of 35 772 996 bearer shares at a par value of CHF 0.01 each. As of the balance sheet date, there was no authorized share capital (2010: CHF 0) and no conditional share capital (2010: CHF 0).

Change in number of treasury shares	Number of bearer shares	Maximum	Price in CHF Average	Minimum	Total (CHF 000)
At January 1, 2010	**14 000**				**109**
Purchases at cost					
Disposals at sale prices	–14 000	9.19	9.16	9.15	–128
Income from stock price					19
At December 31, 2010	**0**				**0**
Purchases at cost	150 000	10.50	10.00	9.00	1 500
Disposals at sale prices					
Income from stock price					–75
At December 31, 2011	**150 000**				**1 425**

Significant shareholders

As of December 31, 2011, the company knew of the following shareholders controlling 3 percent or more of capital/votes of the Group companies:

in %	**2011**	2010
Patinex AG, Wilen	21.5	15.4
The Capital Group Companies, Inc., Los Angeles	5.0	n.a.
Total	**26.5**	**15.4**

4 **Compensation to members of the Board of Directors and Group management** (CHF 000)

		Fee Salary fixed	Fee Salary variable	Pension and social security contributions	Health and accident insurance contribution	Total
Board of Directors						
Urs T. Fischer	2011	100	0	6	0	106
	2010	100	0	6	0	106
Hans-Ulrich Lehmann	2011	75	0	5	0	80
	2010	75	0	5	0	80
Cyrill Schneuwly	2011	75	0	5	0	80
	2010	75	0	5	0	80
Total Board of Directors	**2011**	**250**	**0**	**16**	**0**	**266**
	2010	**250**	**0**	**16**	**0**	**266**
Group Management						
Martin Lehmann	2011	300	219	100	3	622
	2010	288	221	97	4	610
Other members of the Management	2011	816	569	283	11	1 679
	2010	804	653	308	13	1 778
Total Group Management	**2011**	**1 116**	**788**	**383**	**14**	**2 301**
	2010	**1 092**	**874**	**405**	**17**	**2 388**

5 Shares held by the Board of Directors and by the Group management

Name	Position	Year	Number of shares
Urs T. Fischer	President of the Board of Directors	2011	1 000
		2010	1 000
Hans-Ulrich Lehmann	Member of the Board of Directors	2011	100 000
		2010	100 000
Cyrill Schneuwly	Member of the Board of Directors	2011	2 000
		2010	2 000
Martin Lehmann	Chief Executive Officer	2011	1 062 033
		2010	1 062 033
Markus Bernhard	Chief Financial Officer	2011	28 000
		2010	18 000
Dino Di Fronzo	Sales Director	2011	0
		2010	0
Fritz Hauser	Chief Information Officer	2011	0
		2010	0
Werner Waldburger	Chief Marketing Officer	2011	0
		2010	0

Risk assessment

As the parent company of the mobilezone Group companies, mobilezone holding ag is deeply involved in the risk assessment process across all Group companies. The risk assessment process is integrated into the Group’s annual strategy process. The aim is not to avoid all risk but rather to create options that are intended to help the Group companies to consistently take advantage of existing opportunities and to increase their business success. Risk management supports the companies in reaching their business goals by providing transparency regarding the risk situation (as a basis for strategic and operating decisions), by recognizing potential threats to the Group’s net assets, financial position, and results of operations, and by taking measures to reduce risks to an acceptable level.

In connection with risk assessment process, the Board of Directors of mobilezone holding ag is kept informed about any observed risks and opportunities.

Proposal by the Board of Directors

Appropriation of available earnings	**2011**	2010
Balance brought forward	88 423 428	55 081 441
Net profit	20 015 784	58 383 324
Available earnings at the disposal of the Annual General Meeting	**108 439 212**	**113 464 765**

The proposal of the Board of Directors of mobilezone holding ag to the Annual General Meeting to be held on April 5, 2012, is to dispose of the available earnings as follows:

Distribution of a dividend of CHF 0 (2010: 0.22426) per bearer share entitled to dividends (based on contributions of capital recognized by the Federal Tax Administration (Eidgenössische Steuerverwaltung) in accordance with Art. 5 para. 1^{bis} VStG).	0	8 022 452
Distribution of a dividend of CHF 0.60 (2010: CHF 0.47574) per bearer share entitled to dividends.	21 463 798	17 018 645
Transfer of the difference between the contributions of capital recognized by the Federal Tax Administration and the effective distribution of profit brought forward or the free reserves, respectively, to the statutory reserves from contribution to capital.	0	240
To be carried forward	86 975 414	88 423 428
Total	**108 439 212**	**113 464 765**

Report of the Statutory Auditor

Report of the Group Auditors to the General Meeting of mobilezone holding ag, Regensdorf
As group auditors, we have audited the financial statements presented on pages 56 to 62 and consisting of statement of financial position, income statement, and notes for mobilezone holding ag for the fiscal year ended on December 31, 2011.

Responsibility of the Board of Directors
The Board of Directors is responsible for drawing up the financial statements in compliance with legal requirements and with the Articles of Association. This responsibility includes the creation, implementation, and maintenance of a system of internal control regarding the preparation of a financial statement that is free of material misstatements caused by violations or errors. Furthermore, the Board of Directors is responsible for selecting and using appropriate accounting methods as well as for providing appropriate estimates.

Responsibility of the Auditors
We are responsible for providing an audit report on the financial statements based on our audit. We have conducted our audit in compliance with Swiss law and with Swiss auditing standards. According to these standards, we must so plan and perform the audit that we can be reasonably certain that the financial statements are free of any material misstatements.

Performing an audit requires carrying out audit procedures so as to examine audit evidence supporting the valuations and other disclosures in the financial statements. The audit procedures are chosen by the auditor according to his or her best judgment. This includes assessing the risk of material misstatements in the financial statements as a result of violations or errors. In assessing these risks, the auditor will examine the internal control system to the extent it is relevant for the preparation of the financial statements in order to select auditing methods and procedures best suited to the case. However, the auditor will not issue an assessment of the effectiveness of the internal control system. In addition, the audit includes assessing the adequacy of the accounting methods used, the plausibility of the estimates made, and an appraisal of the overall presentation of the financial statements. We believe that the evidence we have obtained provides a reasonable and adequate basis for our professional audit opinion.

Professional opinion
In our opinion, the financial statements for the fiscal year ended on December 31, 2011, are in compliance with Swiss law and with the Articles of Association.

Reporting on the basis of additional legal regulations
We hereby confirm that we meet the legal requirements regarding accreditation according to the Audit Supervisory Law (RAG) and regarding independence (Art. 728 OR and Art. 11 RAG), and that there are no circumstances or facts that are incompatible with our independence.

In accordance with Art. 728a Section 1 Point 3 OR and with Swiss Auditing Standard 890, we confirm that a system of internal control for the preparation of the financial statements exists and is set up in accordance with the Board of Directors' instructions.

Furthermore, we confirm that the proposed appropriation of the balance sheet profit complies with Swiss law and with the Articles of Association, and we recommend that the financial statements be approved.

Ernst & Young AG

Michael Bugs
Swiss Certified Accountant
(Lead Auditor)

Stefanie Walter
Swiss Certified Accountant

Zurich, March 5, 2012

Shops

AARAU Bahnhofstrasse 11 AIGLE MMM Chablais Centre, Chemin sous le Grand Pré 4 ALTDORF Lehnplatz 20 ARBON Zentrum Novaseta, St. Gallerstrasse 17 AVRY-SUR-MATRAN EKZ Avry-Centre, Route de Matran 9 BADEN Badstrasse 7 BALERNA Centro Breggia, Via S. Gottardo 56a BASEL Greifengasse 10 | RailCity Basel, Güterstrasse 115 | Clara-Huus Center, Webergasse 34 | Gerbergasse 70 | St. Jakob Park, St. Jakob-Strasse 397 | Freie-Strasse 20 | Steinenvorstadt 2 | EKZ Stücki, Hochbergerstrasse 70, Postadresse: Badenstrasse 5 BELLINZONA Viale Stazione BERN Waaghaus-Passage 8 | c/o Loeb Warenhaus, Spitalgasse 47–51 | EKZ Westside, Gilberte-de-Courgenay-Platz 4 | EKZ Wankdorf, Papiermühlestrasse 85 BIASCA Via Lucomagno 17 BIEL Centre Boujean, Zürichstrasse 24 | Unionsgasse 20, Nidaugasse 18 | Bahnhofstrasse 6 BREMGARTEN EKZ Sunne-Märt, Sonnengutstrasse 2 BRIG Bahnhofstrasse 4 BRUGG Neumarktplatz 5 BUCHS AG EKZ Wynecenter, Bresteneggstrasse 9B BUCHS SG Bahnhofstrasse 28 BÜLACH-SÜD EKZ Migros Center Bülach-Süd, Feldstrasse 85 BULLE Grand Rue 30 BURGDORF EKZ Neumarkt 1.OG, Lyssachstrasse 27 CHIASSO Polaris Shopping Center, Via Pietro e Luisita Chiesa 2 CHUR Quaderstrasse 8, EKZ City Shop Chur COLLOMBEY CC Parc du Rhône, rte du Montagnier CRISSIER MMM Centre Crissier, Ch. de Closalet 7 DELÉMONT Avenue de la Gare 42 DIETLIKON EKZ Coop Megastore, Industriestrasse 28 ECUBLENS Centre commercial du Croset 1 EFFRETIKON EKZ Effi-Märt, Märtplatz 5 EGERKINGEN Gäupark, Hausimollstrasse 1, Pavillon EMMENBRÜCKE Emmen-Center FRAUENFELD EKZ Passage, Bahnhofstrasse 70 FRIBOURG EKZ Fribourg-Centre, Avenue de la Gare 10 GENÈVE Rue de Jargonnant 3 | CC Eaux-Vives 2000 | CC Planète Charmilles 11, Promenade de l'Europe | CC Les Cygnes, Rue des alpes 22 | Rue de Carouge 18 | Rue du Mont-Blanc 17 | CC La Praille, Route des Jeunes 10 | CC Balexert, Avenue Louis-Casaï 27 | Genève Bel-Air, Rue de la Confédération 3, Bel-Air | Genève CRM, Rue de Lausanne 45a–47a GENÈVE-THÔNEX Thônex Centre Commercial, Rue de Genève 106 GLARUS Schweizerhofstrasse 7 GLATTZENTRUM Einkaufszentrum Mittlere Verkaufsebene GOSSAU St. Gallerstrasse 17 GRANCIA Parco Commerciale Grancia HEIMBERG EKZ Coop Megastore, Blümlisalpstrasse 61 HINWIL EKZ Coop Megastore, Wässeristrasse 38 IBACH EKZ Mythen-Center, Mythencenterstrasse 18 INTERLAKEN Rugenpark, Rugenparkstrasse 1 KÖNIZ EKZ Bläuacker, Bläuacker 10 KREUZLINGEN Hauptstrasse 49a KRIENS EKZ Pilatus-Markt, Ringstrasse 19 LA CHAUX-DE-FONDS Avenue Léopold-Robert 33 | CC des Eplatures; Bd. des Eplatures 20 | CC Les Entilles, Avenue Léopold-Robert 151 LANGENDORF Ladedorf Langendorf, Fabrikstrasse 6 LANGENTHAL Bärenplatz, Marktgasse 12–14 LAUSANNE CC Métropole 2000, Rue de Terreaux 23 | Rue Haldimand 5 | Rue Mauborget 12 LENZBURG-STAUFEN EKZ Lenzopark, Aarauerstrasse 21 LOCARNO Largo Zorzi 8 LUGANO Palazzo Ransila, Via Pretorio 9, Corso Pestalozzi 3 LUZERN Kapellgasse 7 | Kramgasse 5 | Pilatusstrasse 7 | Shoppingcenter Schönbühl, Langensandstrasse 23 LYSS Hirschenplatz 1A MANNO Via Cantonale 43 MARIN Avenue Champs-Montants, CC Manor MARTIGNY Centre Commercial Manoir MELS Pizol Center, Grossfeldstrasse 63 MEYRIN CC de Meyrin, Avenue de Feuillasse 24 MONTREUX Centre Forum, Place du Marché 6 NEUCHÂTEL Rue de Seyon 6 | CC La Maladière, Rue Pierre-à-Mazel 10 NYON CC La Combe, Rue de la Morâche 6 OFTRINGEN Perry-Center, Bernerstrasse OFTRINGEN A1 EKZ A1, Spitalweid 2 OLTEN Baslerstrasse 60 PFÄFFIKON EKZ Seedamm-Center Passage PRATTELN EKZ Grüssen Pratteln, Grüssenweg RAPPERSWIL Obere Bahnhofstrasse 44 REGENSDORF Einkaufs-zentrum Regensdorf | Riedthofstrasse 124 RENENS CC Migros Métropole | Rue de la mèbre 9 RORSCHACH Hauptstrasse 67 SARNEN EKZ-MM Sarnen-Center, Nelkenstrasse 5 SCHAFFHAUSEN EKZ Herblinger-Markt, Stüdliackerstrasse 10 | Vordergasse 41 SCHÖNBÜHL EKZ Coop, Sandstrasse 8 | Shoppyland, Industriestrasse 20 SIERRE Noës Centre Commercial SIGNY-CENTRE Rue de Fléchères SION Rue de la Porte-Neuve 26 SOLOTHURN Marktplatz 45 SPREITENBACH EKZ Shoppi-Tivoli, Center Mall, Laden 18 ST. GALLEN EKZ Shopping Arena, Zürcherstrasse 462 | EKZ Neumarkt 1, St.-Leonhardstrasse 35 | Multergasse 31 ST. MARGRETHEN EKZ Rheinpark STANS EKZ Länderpark, Bitzistrasse 2 STEINHAUSEN Einkaufszentrum Zugerland SURSEE EKZ Surseepark, Bahnhofstrasse 28 THALWIL Gotthardstrasse 44 THUN Bälliz 62 | EKZ Oberland, Thun Süd USTER EKZ Illuster, Zürichstrasse 14 UZWIL EKZ Mühlehof, Bahnhofstrasse 82 VERNIER CC Coop Blandonnet, Route de Meyrin 171 VEVEY CC St. Antoine, Avenue du Général-Guisan 15 VILLARS-SUR-GLÂNE CC Moncor, Route de Moncor 1 VISP Bahnhofstrasse 2 VOLKETSWIL Volkiland, Industriestrasse 1 WEINFELDEN Zentrum-Passage WIL Obere Bahnhofstrasse 21 WINTERTHUR Untertor 13 | EKZ Rosenberg, Schaffhauserstrasse 152 WOHLEN Bahnhofstrasse 5 YVERDON Rue du Lac 24 ZUG Baarerstrasse 16, EKZ Metalli ZÜRICH EKZ Neumarkt, Hofwiesenstrasse 350 | MMM Altstetten, Altstetterstrasse 145 | EKZ Letzipark, Baslerstrasse 50 | Bahnhofstrasse 87 | Sihlcity, Kalanderplatz 1 | City Shopping, Löwenstrasse 35 | Bellevue, Theaterstrasse 12 | Löwenstrasse 56

Companies

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