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Press release

Opfikon, 13 October 2019; 10:00 p.m. CET

Sunrise welcomes Glass Lewis, Ethos and zRating support for the proposed ordinary capital increase and acquisition of UPC Switzerland and comments on ISS report

- **Sunrise is pleased that leading proxy advisors Glass Lewis, Ethos and zRating share its view that the proposed ordinary capital increase and acquisition of UPC Switzerland are in the best interests of Sunrise shareholders**
- **Sunrise believes the ISS report is misleading due to material valuation inconsistencies and factual errors that misrepresent the long-term benefits to Sunrise shareholders**
- **Sunrise reiterates its recommendation that shareholders vote "FOR" the proposed ordinary capital increase for the acquisition of UPC Switzerland at the upcoming Extraordinary General Meeting on 23 October 2019 and "AGAINST" the removal of Peter Kurer and Jens Jesper Ovesen**

Sunrise welcomes the recommendations by leading proxy advisors Glass Lewis, Ethos and zRating in support of the proposed ordinary capital increase to finance the announced acquisition of UPC Switzerland. The Company is pleased that they support the strong strategic and financial rationale – and have recognized that the acquisition is in the best interests of all Sunrise shareholders. All three proxy advisors have expressed their support for the CHF2.8 billion ordinary capital increase and, together with ISS, all recommend against the agenda item to dismiss Chairman Peter Kurer and Director Jens Jesper Ovesen.

Sunrise is also pleased that ISS recognizes that the "deal's rationale is in line with recent convergence deals across Europe" and that the synergies are "realistic". However, the Company disagrees with ISS's recommendation and the revisions made to their report in response to significant errors highlighted by the Company.

ISS's valuation and subsequent changes contain fundamental errors and are misleading

- ISS's initial report pointed to a standalone valuation range for UPC Switzerland of CHF4.6-5.2 billion (the top end is broadly consistent with Sunrise's views and broker estimates for UPC Switzerland standalone valuation)
- ISS's initial report failed to include the significant expected CHF3.1 billion NPV of in-market cost, capex and revenue synergies (which is inconsistent with market practice and precedent transactions e.g., Vodafone/Unitymedia, Deutsche Telekom/UPC Austria, Telia/Get, Vodafone/Kabel Deutschland), even though ISS adjudged the synergies to be "realistic"
- After the Company made ISS aware of how excluding synergies failed to reflect an essential component of the value of the transaction to Sunrise shareholders, ISS issued a revised report which:
    - Included a new reference point lowering UPC Switzerland's standalone valuation to CHF4 billion
    - Lowered the value of expected synergies from CHF3.1 billion to CHF1.85 billion, despite its original statement that these were "realistic"

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ISS's decision to introduce a new, much lower valuation reference point only 24 hours after issuing its original report, and to substantially reduce expected synergies after originally stating that the synergies "appear realistic in comparison to precedent convergence transactions" are problematic.

We would note that if ISS either utilised (a) their original valuation reference range plus ISS's reduced synergy estimate, or (b) their revised valuation reference plus Sunrise management's expected synergies, both scenarios would yield value to shareholders well in excess of the actual UPC Switzerland purchase price. And ISS's original valuation reference of CHF4.6-5.2 billion plus Sunrise management's expected CHF 3.1 billion synergies would yield even greater excess value for Sunrise shareholders (CHF7.7-8.3 billion vs. CHF6.3 billion).

ISS incorrectly states Swisscom's fibre coverage and the transaction's long-term strategic rationale

- ISS's initial report rejected the strategic rationale for the transaction, notwithstanding the strong approval of the Sunrise Board (under which Sunrise has had a track record of total shareholder return outperformance) and of research analysts and other third parties
- ISS agrees that the "deal's rationale is in line with recent convergence deals across Europe". Many large European telecommunications companies have successfully completed such convergence transactions, including Vodafone, Deutsche Telekom and Telia
- ISS's conclusion on the strategic rationale was predicated on the incorrect statement in their report that Swisscom planned to cover 90% of the Swiss population with fibre optic connections by 2021 – and therefore wrongly concluded that UPC Switzerland did not provide Sunrise with a long-term strategic advantage
- Sunrise made ISS aware that this statement is factually incorrect, and that Swisscom plans to cover 90% of the Swiss population with high speed broadband connections by 2021 (link) – with speeds generally up to 100 Mbps. This is entirely different from the speeds achievable with fibre optic coverage. In fact, Swisscom's high-speed broadband delivers only one-tenth of the speeds available through UPC Switzerland's network today (which already covers 75% of households including through its partner networks) (link)
- In other words, Swisscom would need to double its existing coverage or increase the speed of its network by 10x to match what UPC Switzerland offers Swiss consumers and businesses today. Sunrise considers that this is neither feasible nor economically justifiable in the near-, mid- or long-term and that therefore UPC Switzerland provides a significant long term structural competitive advantage to Sunrise
- ISS's revised report acknowledges this initial error, but suggested that it was not changing its view on the transaction's strategic benefits due to its revised conclusion on the valuation of UPC Switzerland. In effect, ISS appears to be relying on what we believe is an unsupportable valuation approach to justify not revisiting their conclusion on the transaction's strategic merit, notwithstanding an admittedly erroneous factual predicate

Sunrise has significant concerns with these two fundamental errors in the ISS report, and the fact that since announcement, ISS has only engaged with Sunrise for one 1.5 hour call to discuss the strategic rationale of the transaction and UPC's valuation, and that after the Company made ISS aware of their material errors, ISS has declined any further engagement.

Sunrise strongly believes that these errors should be corrected and warrant reconsideration of ISS's recommendation, which we believe is misleading for Sunrise shareholders.

Sunrise's Board and management team continue to strongly recommend that shareholders vote "FOR" the proposed ordinary capital increase and acquisition of UPC Switzerland

Sunrise believes that the acquisition of UPC Switzerland is of enormous strategic importance to Sunrise and will create a stronger and more valuable company with significant near-, mid- and long-term value for Sunrise shareholders.

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- Together, Sunrise and UPC Switzerland will own the best next-generation high-speed broadband infrastructure in Switzerland, with the potential to provide 90% of Swiss households (excluding vacation homes) with internet speeds of 1 Gbit/s and beyond
- The acquisition more than doubles Sunrise's current customer base, providing it with the necessary scale to compete, innovate and continue to grow in a highly competitive and evolving market
- The transaction is financially compelling and will create an expected CHF3.1 billion NPV of synergies, of which Sunrise shareholders will retain in excess of 60%, which is above market precedents
- The enhanced structure and significantly reduced CHF2.8 billion ordinary capital increase broadly doubles FCF/share accretion to Sunrise shareholders vs. original announcement of the transaction
- New Sunrise remains committed to a prudent capital structure (3.6x pro forma leverage including cost synergies), a clear path to deleveraging and retaining its progressive dividend policy

Sunrise management and its Board have a proven track-record of delivering for its shareholders having returned 44%, compared to (9)% for the STOXX Europe 600 Telecom index since the company's IPO[1]. Moreover, Sunrise has a demonstrated track record of growing its dividend per share ("DPS") each year since IPO, with an absolute DPS growth of 40% since 2015.

The Extraordinary General Meeting to vote on the Ordinary Capital Increase and Director proposals is scheduled to take place on 23 October 2019

All shareholders of record of Sunrise common stock as of the close of business on 17 October 2019 will be entitled to vote their shares either in person or by proxy at the stockholder meeting. Sunrise Communications expects the transaction to close by the end of November 2019, subject to approval by Sunrise Communications shareholders and the satisfaction of customary closing conditions.

If Sunrise shareholders have any questions or require assistance in voting their shares of Sunrise Communications stock for the Extraordinary General Meeting, they should call Sunrise Investor Relations at +41 58 777 96 86.

Select Quotes from Glass Lewis, Ethos and Inrate[2]

Glass Lewis:

- "We find the proposed acquisition both strategically and financially compelling, structured in a reasonable manner from a valuation and risk/reward standpoint for existing Sunrise shareholders"
- "When compared to precedent transactions, the valuation that Sunrise is paying for UPC appears to be reasonable, based both on trailing multiples and forward multiples, before factoring in expected synergies. After factoring in expected synergies, the proposed transaction values UPC at 7.7x 2018 EBITDA and 8.5x 2019E EBITDA, both of which fall below the average synergy-adjusted EBITDA multiple of 9.1x EBITDA observed in the precedent transactions"
- "Given the size and nature of the planned acquisition, we find that the revised capital structure of the transaction strikes a reasonable balance between equity dilution and increased leverage, insofar as existing Sunrise shareholders are concerned, and should make the acquisition more palatable for investors who may have disliked the original structure"
- "The board appears to have thoroughly considered the Company's strategic and transaction alternatives in the converging telecom environment in Europe and Switzerland particularly, taking into account both the capabilities and limitations of various technologies including cable, fiber and 5G. Broadly speaking, we agree with the strategic and financial merit of the UPC transaction, and we believe management has presented a convincing case for the proposed combination in the face of criticism"

1 As of 11 October 2019
2 Permission to use quotes was neither sought nor obtained. Quotes not originally in English have been translated

- "[…] we see a reasonable basis for Sunrise's pursuit of this transformative combination with UPC as being the best alternative for enhancing shareholder value at this time"

Ethos:

- "We consider the purchase price as justified. With the two independent Fairness Opinions, Sunrise has supported the price"
- "We support our Opinion on the assessment of various experts and market players"
- "Given the current market conditions and the concrete debt relief plan, we consider the temporarily rising level of debt as sustainable"

Inrate:

- "With regard to a proper capital increase, zRating analyzes the economic justification as well as the intended use…. From a long-term perspective and taking these factors into consideration, zRating considers the intended use as meaningful. zRating recommends the adoption of this agenda item"
- "zRating recommends rejecting [Axxion's] two candidates. Peter Kurer is the only member of the Board of Directors with the competence of law. Jens Jesper Ovesen also brings important skills and chairs the Audit Committee"
- "[…] management has so far been successful in implementing Sunrise, has demonstrated good corporate governance and has thus gained confidence"

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