

2018 Results & UPC Switzerland Acquisition

28 February 2019

Sunrise

Agenda

Summary

2018 Review

Q4 Financials

Outlook

UPC Switzerland Acquisition

Q&A

Summary

Entering growth mode in 2018, after
stabilization in 2017 – 5% higher
dividends proposed

Olaf Swantee
CEO

Summary

- **FY'18** confirms Sunrise's transformation into Switzerland's quality challenger
 - Growth investments paying off, leading to **strong customer growth**, market share gains, successful B2B transition, and organic adj. **EBITDA growth**
 - Amongst the world's leading mobile networks, with rating 'outstanding'
 - **5% dividend increase** proposed to AGM
- **Q4** with **strong trends**
 - Continued adj. EBITDA growth and highest postpaid net adds since 2010
 - B2B turnaround on-track, with large customer wins including 'Axpo' and Federal Office ITT
- **FY'19 guidance** with revenue and adj. EBITDA **growth**
 - Cash flow volatility due to spectrum and landline access investments, as highlighted previously
 - **Dividend policy confirmed** with 4-6% dividend progression in 2019, supported by normalized eFCF and reduced leverage after tower disposal
- Acquisition of **UPC** Switzerland
 - Creating a **stronger** and more valuable Sunrise
 - Accretive to eFCF per share

2018 Review

Growth investments driving market
share gains and EBITDA growth

Olaf Swantee
CEO

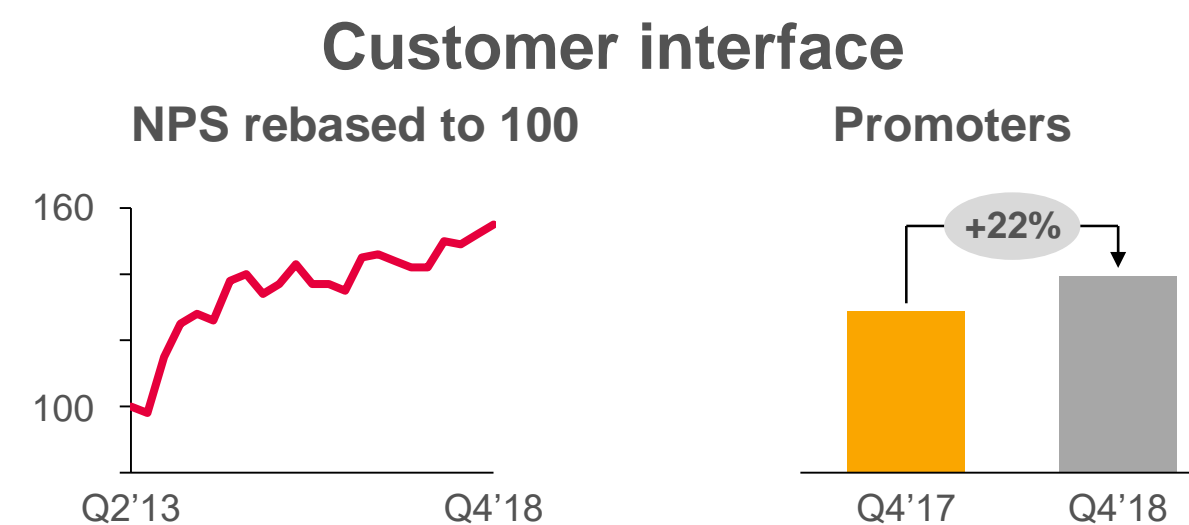
2018: Confirmed quality challenger position by cont'd growth investments ...

- Outstanding mobile network with leading **dropped call ratios**, 43Mbit/s average experienced **download speed**, and 99.9%/96.0% LTE population/geographic coverage covering 64% YoY data growth
- Acquired 5G spectrum
- Landline access via FTTH, xDSL, and MBB



1 of the world's best mobile networks ¹⁾

- **NPS** strongly up since introduction in 2013, evidenced by **No. 1** ranking of 'large providers' in BILANZ category 'Support' ²⁾
- Ongoing shop refurbishment and opening of new shops, supporting lead in 'connect' mobile shop test ³⁾
- Increasing **online** distribution channel share
- Improved **brand** KPIs including Top of Mind Awareness and Purchase Intention



Improving NPS ⁴⁾

- FY'18 with **balanced** mobile tariff refresh and 'more for more' in internet; refresh of Sunrise Young tariff in Q4
- Sunrise amongst **first** European telcos with mobile services on new Apple and Samsung Watch
- Recent Apple collaborations: 'smartphone recycling' and 'lifestyle packs'
- **B2B** with Q4 launch of 'Unlimited Mobile Workplace' product strategy

Innovative converged products

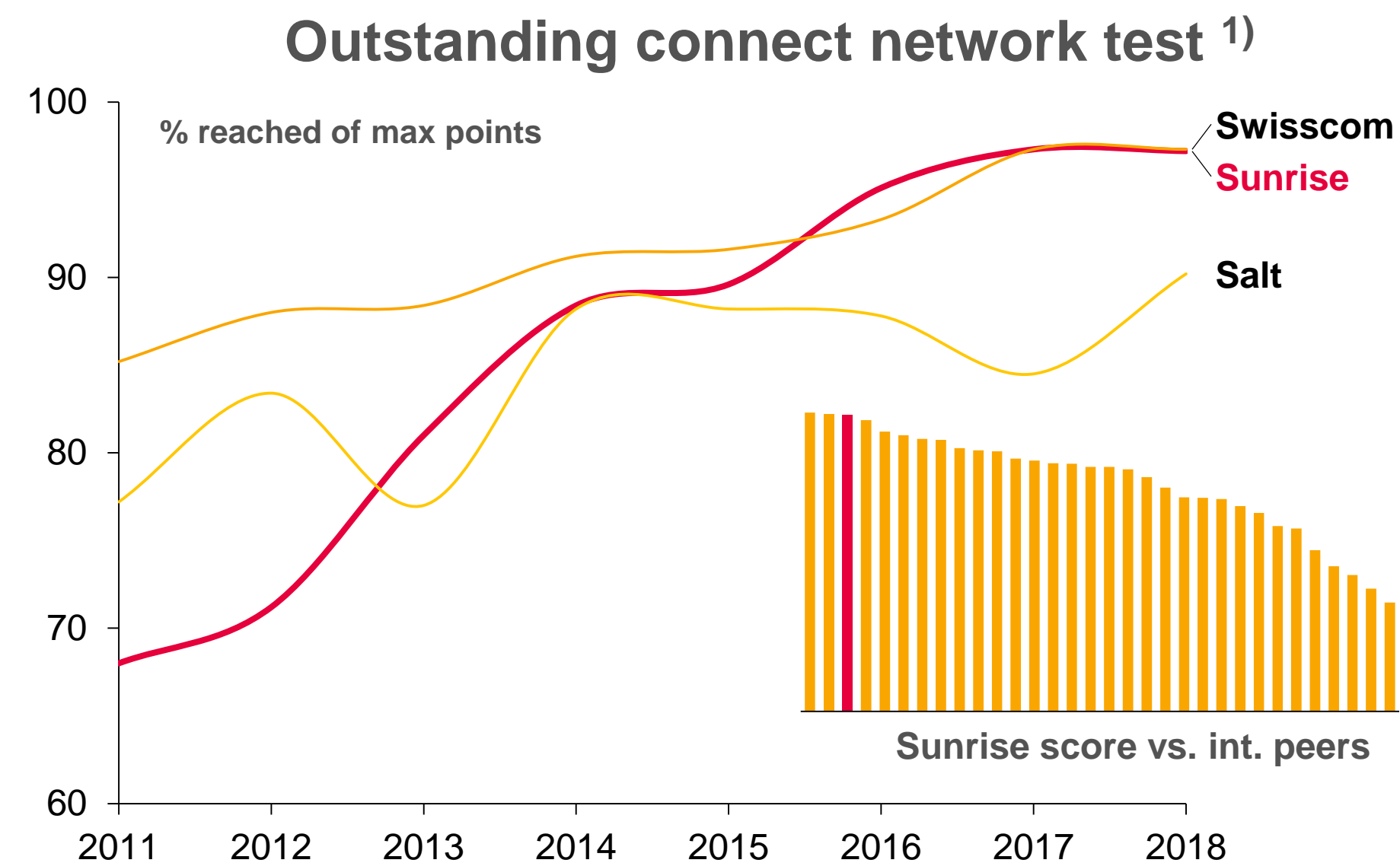
Sunrise ❤️ Freedom



Drive convergence

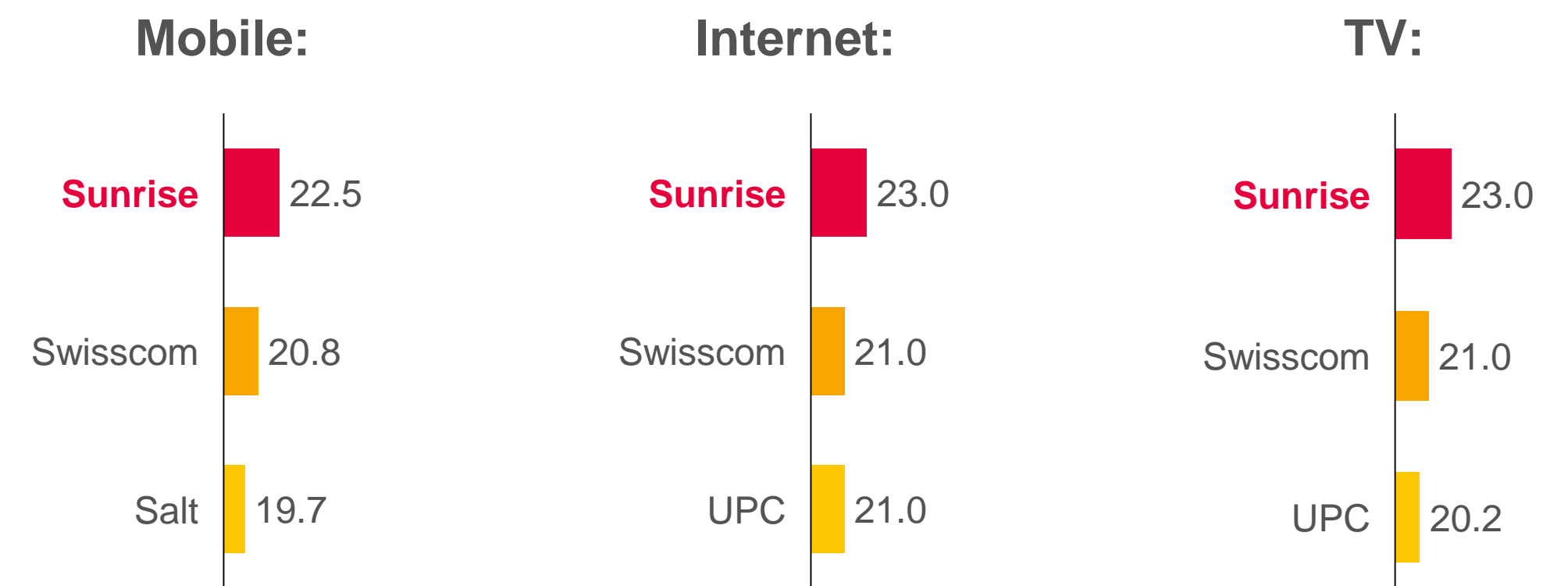
¹⁾ Source: www.connect.de and P3 (see appendix), ²⁾ Source: BILANZ 09 2018; referring to residential results; average rating across Mobile Telephony, TV, and Internet Service Provider except for Salt which is Mobile Telephony only in ranking, ³⁾ Source: Connect 07 2018 ⁴⁾ NPS (net promoter score) based on touchpoints (e.g. shops, call centers); Promoters focus on customer service only

... enabling one of the world's best mobile networks



- Sunrise provides one of the world's best mobile networks with a rating '**outstanding**' ¹⁾ for the third year in a row
- Leading subcategory 'voice' again and the drive test overall
- **43% improvement** since 2011 supported by investments into network quality

Strong BILANZ telecom ranking 2018 ²⁾



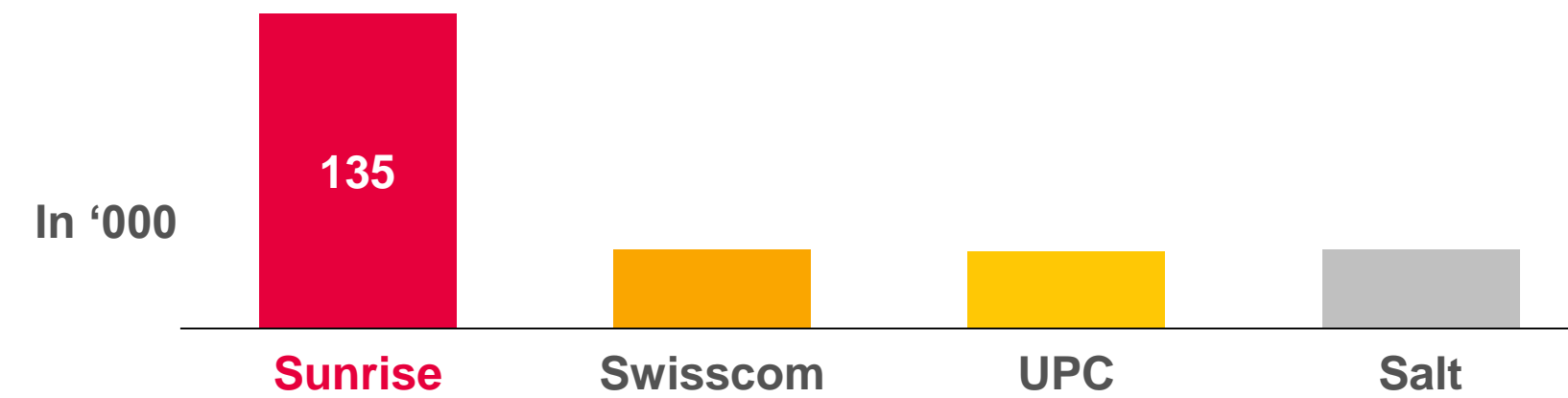
- Sunrise was once more rated the **best universal provider** for mobile, internet, TV and landline voice in residential and SME categories
- **9k telecom users participated** in independent annual survey published by magazine BILANZ

¹⁾ Source: connect 3/2019; www.connect.de; Scores: Swisscom 973, Sunrise 972, Salt 902; Sunrise score vs. international peers see appendix

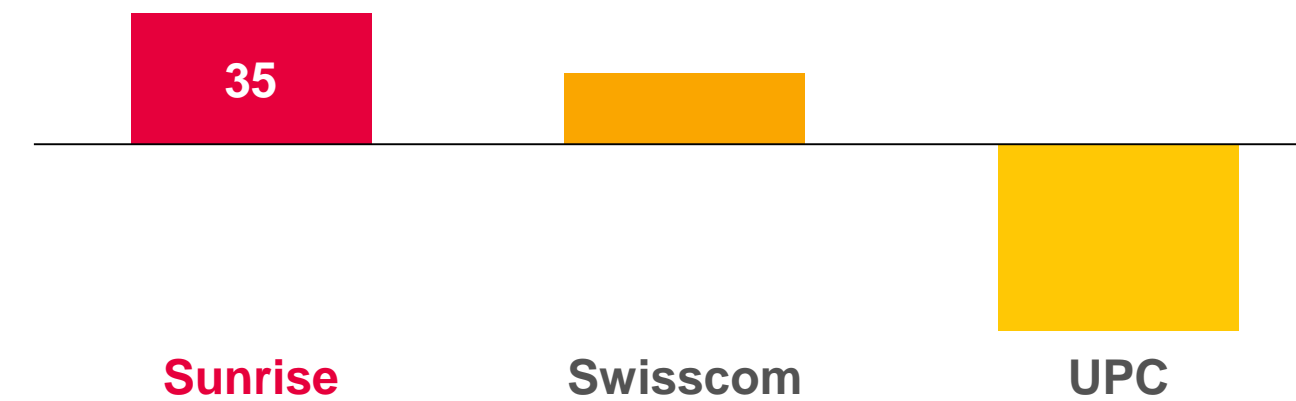
²⁾ Residential results; Source: BILANZ 09 2018

... driving market share gains in 2018

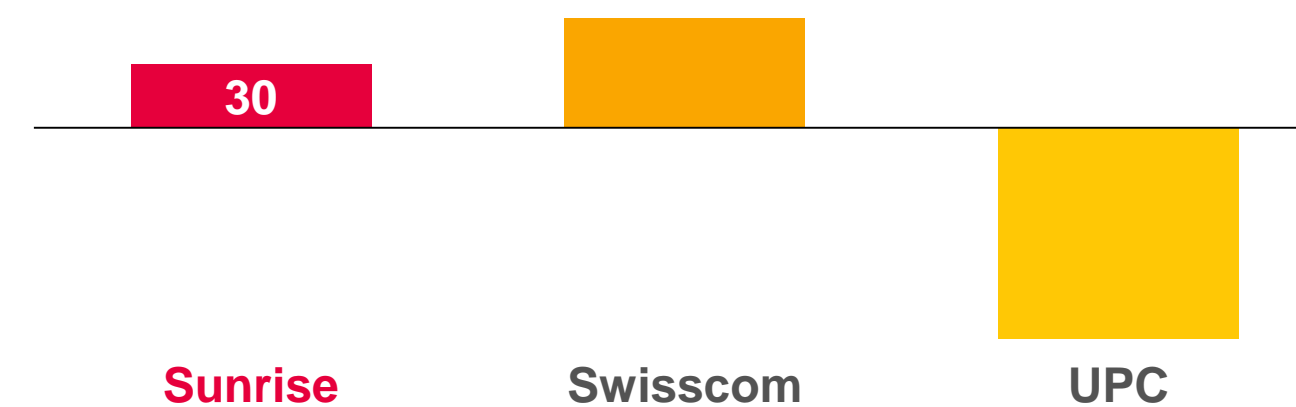
Mobile Postpaid net adds 2018 ¹⁾



Internet net adds 2018 ¹⁾



TV net adds 2018 ¹⁾



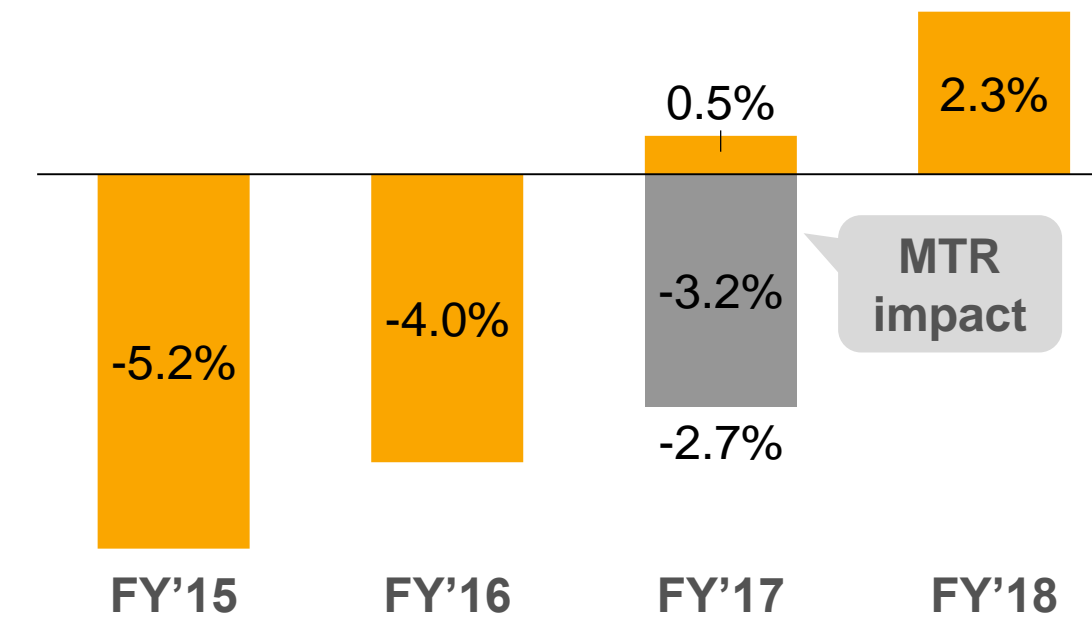
¹⁾ Salt: no internet/ TV net adds published by Salt; Salt and UPC net adds are based on actuals (Q1-Q3) and estimate (Q4)

Sunrise with EBITDA and dividend growth

Service revenue growth

1

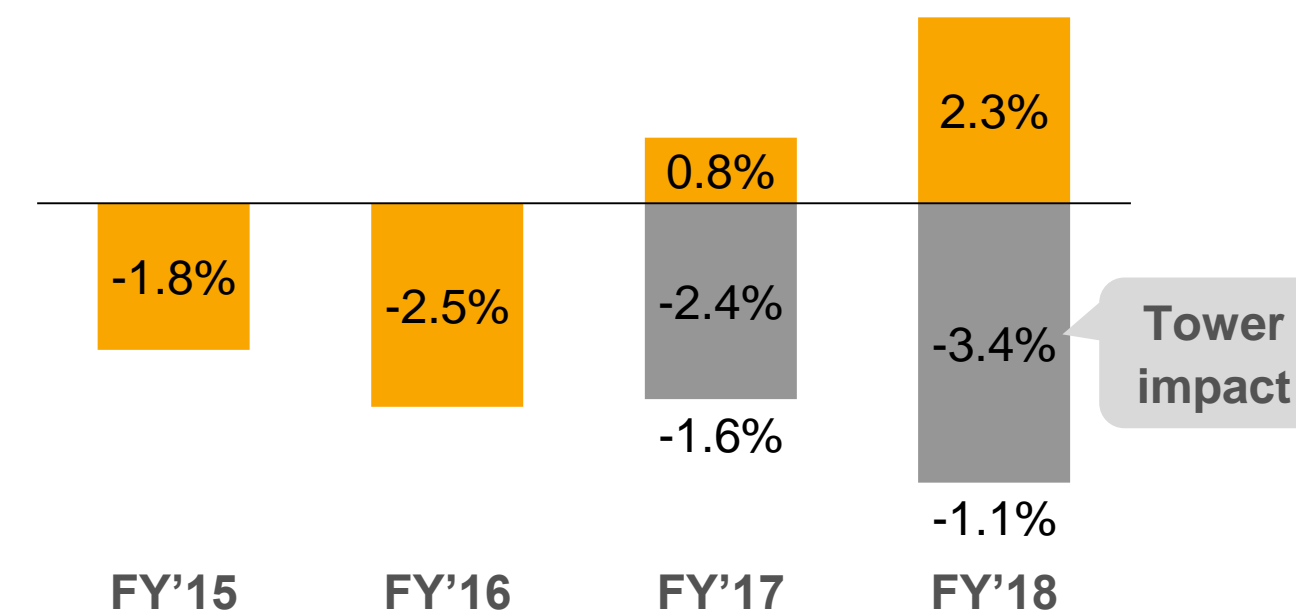
Strong B2B and customer **momentum** driven by growth investments, now able to over compensate for lower ARPUs



Adj. EBITDA growth

2

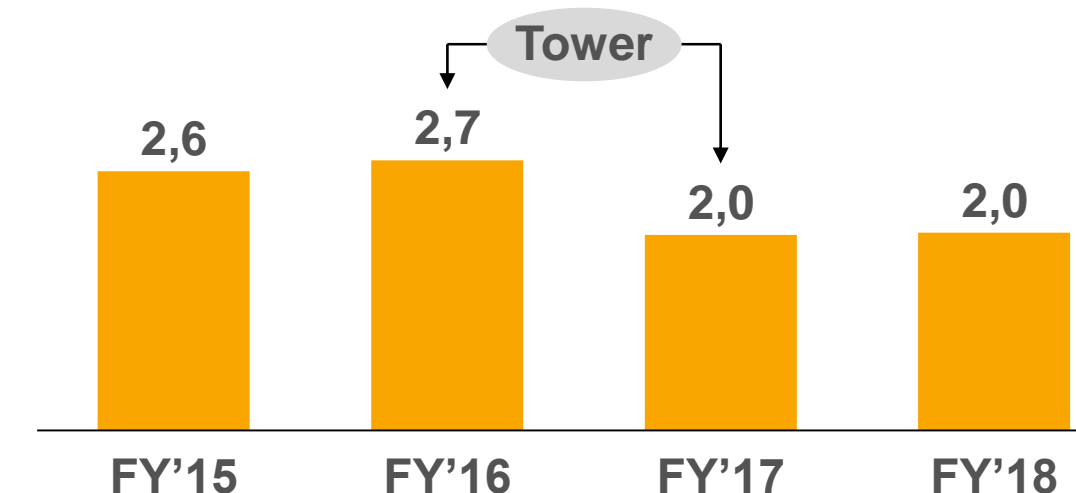
Reached organic **growth** with gross profit partly reinvested into key priorities



Leverage ratio stable

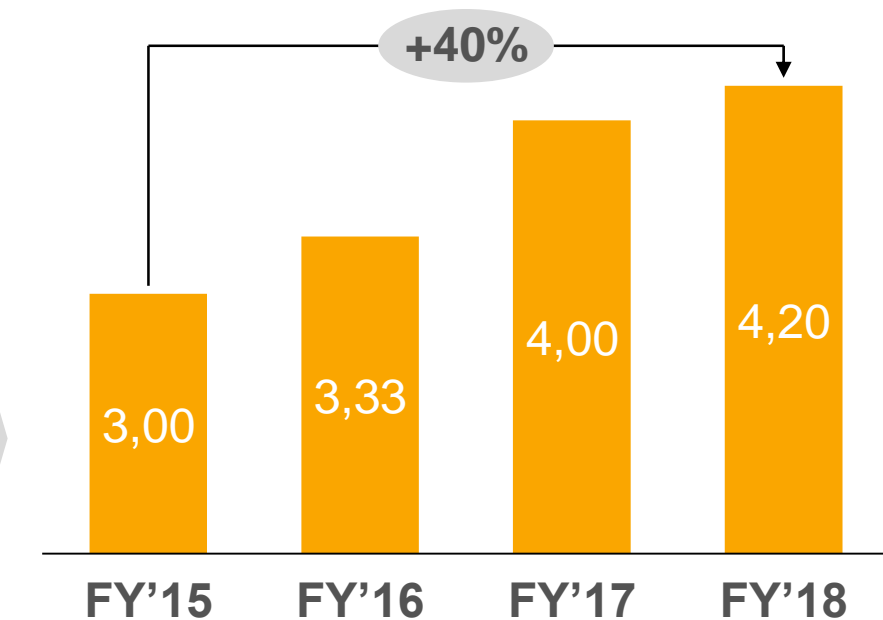
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Net debt/adj. EBITDA stable



4

Dividend per share



¹⁾ Recommended by the BoD to the AGM

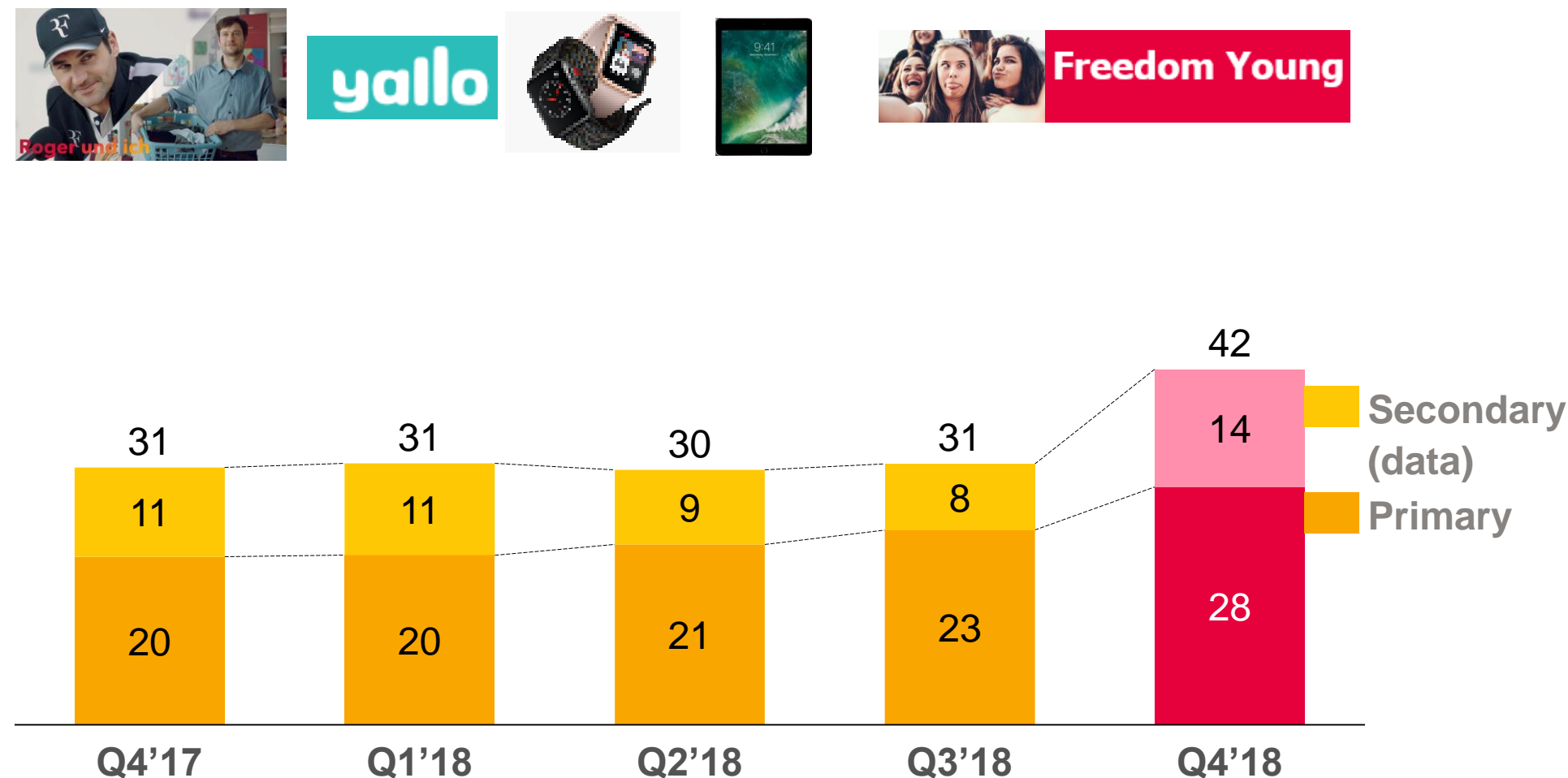
Q4 Financials

Adjusted EBITDA growth and highest
postpaid net adds since 2010

André Krause
CFO

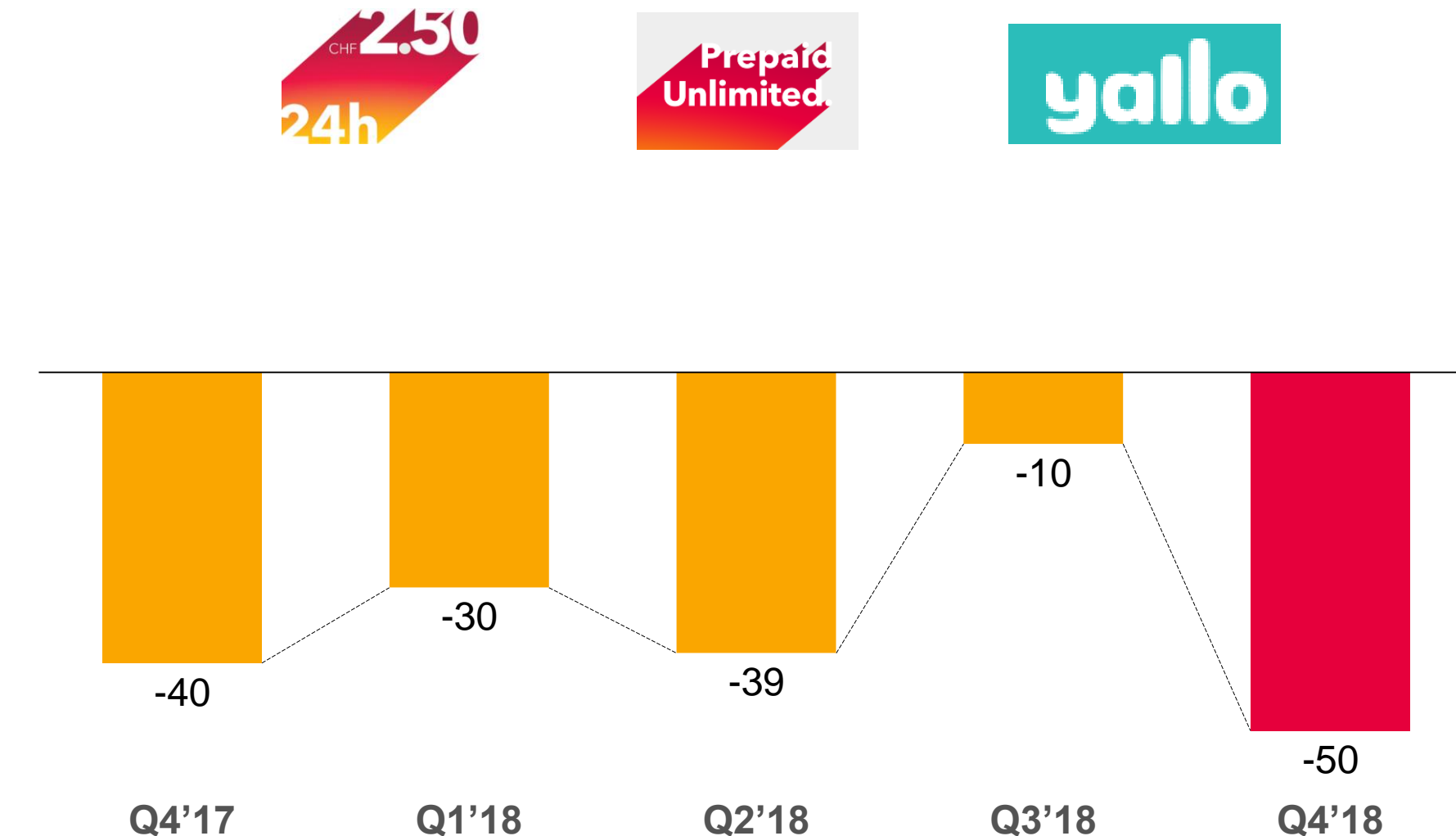
Strongest postpaid net adds since 2010

Postpaid mobile net adds ('000)



- **Postpaid** with strongest net adds since 2010, leading to 1.73m total subscriptions (+8.5% YoY)
- Primary SIMs driven by all segments, strong network quality, broad product offering with attractive price performance ratio, diversified distribution channels, as well as increased commercial and promotional intensity
- Secondary data SIMs supported by demand for mobile broadband and Apple Watch

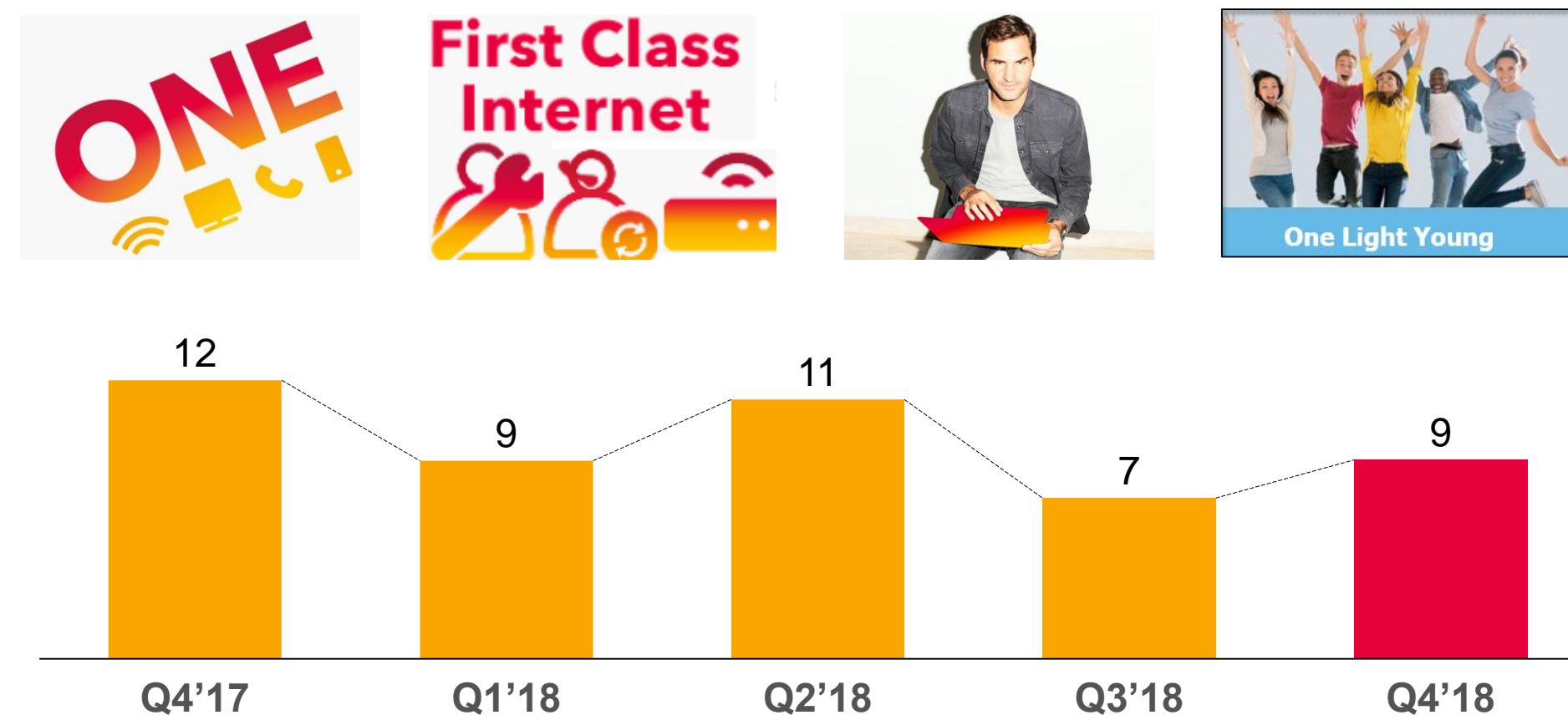
Prepaid mobile net adds ('000)



- **Prepaid** with ongoing pre- to postpaid migration, leading to 628k total subscriptions
- Q4 negatively impacted by seasonality as in previous years
- Sunrise brand solid; ethnic segment with pre- to postpaid migration and customer losses related to migration after reduction from two to one ethnic brand
- Focus on valuable customer in-take maintained

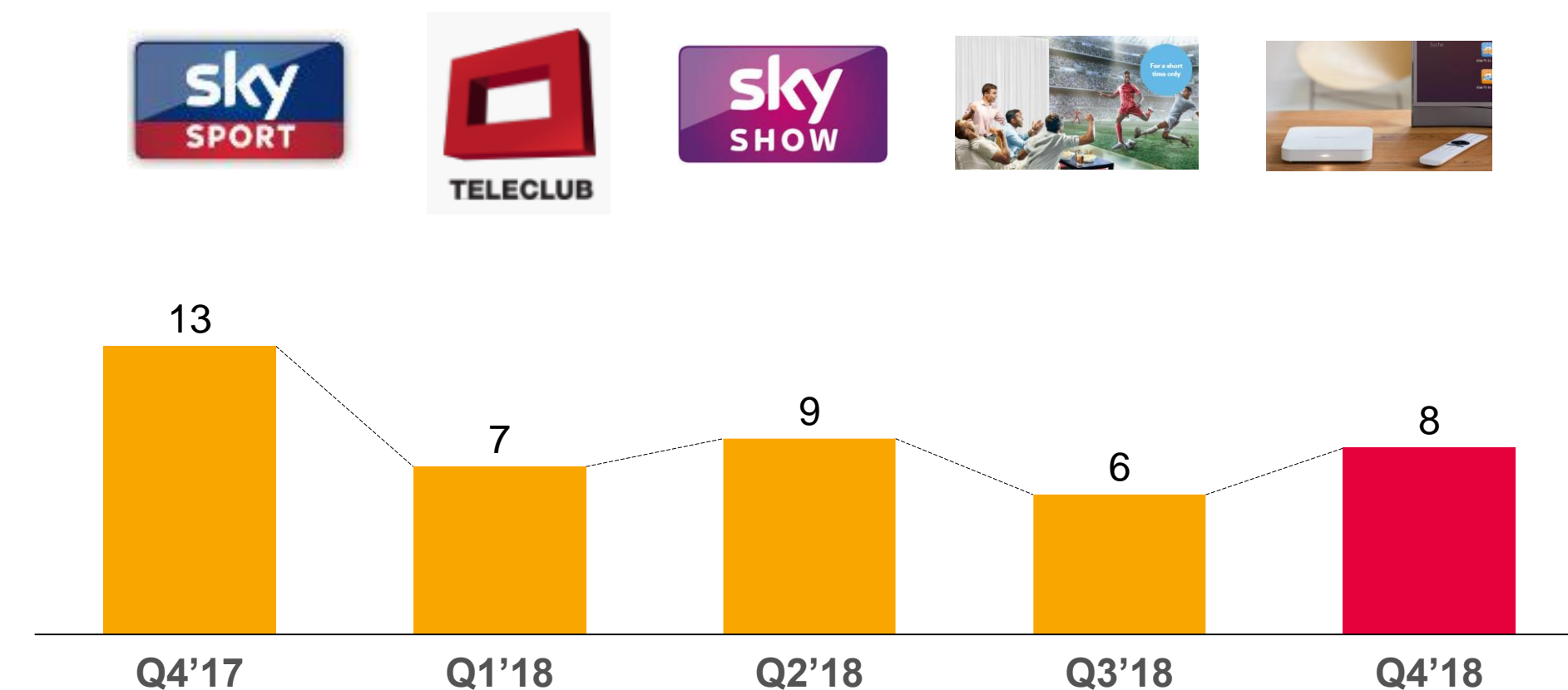
Growing internet and TV customer base

Internet net adds ('000)



- **Internet continues to grow customer base:** Sunrise now has 457k internet subscriptions
- Q4 with attractive B2B internet customer wins and new 3P offering for customers below 30 years old
- ~53% of Q4 internet net adds on fiber; increased online distribution channel share
- Converged tariff 'Sunrise ONE' supported growth
- Focus on service excellence including hassle-free switching

TV net adds ('000)

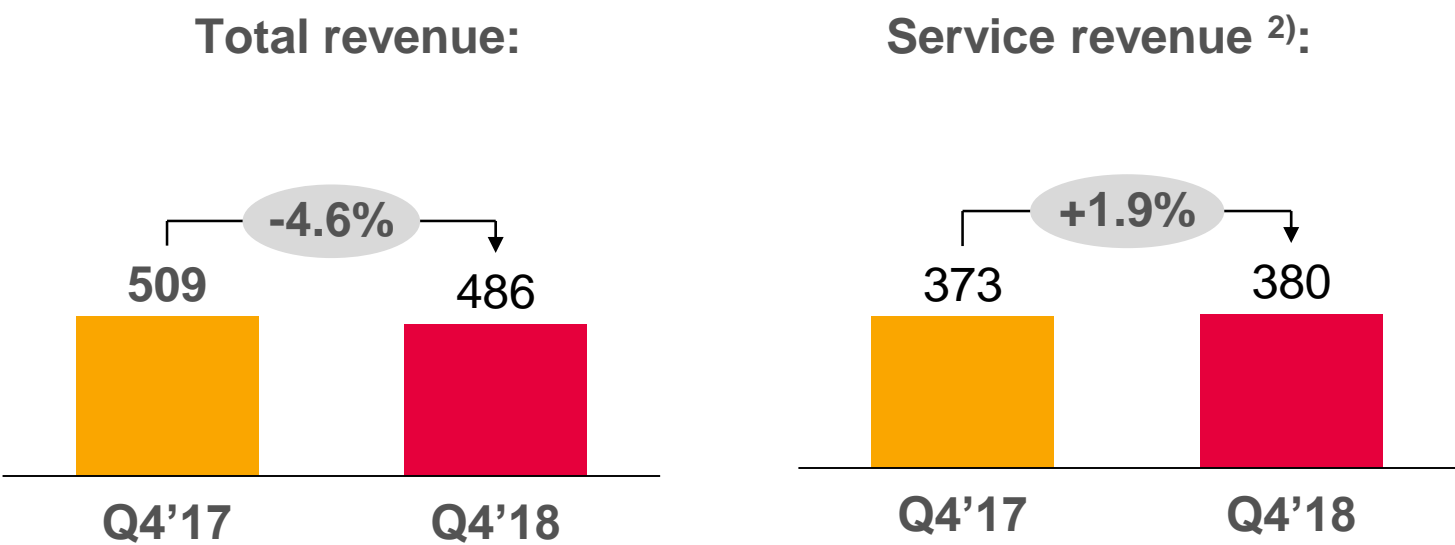


- **TV with solid growth:** Sunrise now has 244k TV subscriptions
- Supported by attractive Sunrise TV offering and improved TV sports content with Sky and Teleclub
- 19% YoY increase in 4P billed customer base

Financial Overview Q4 *excl. IFRS 15* ¹⁾

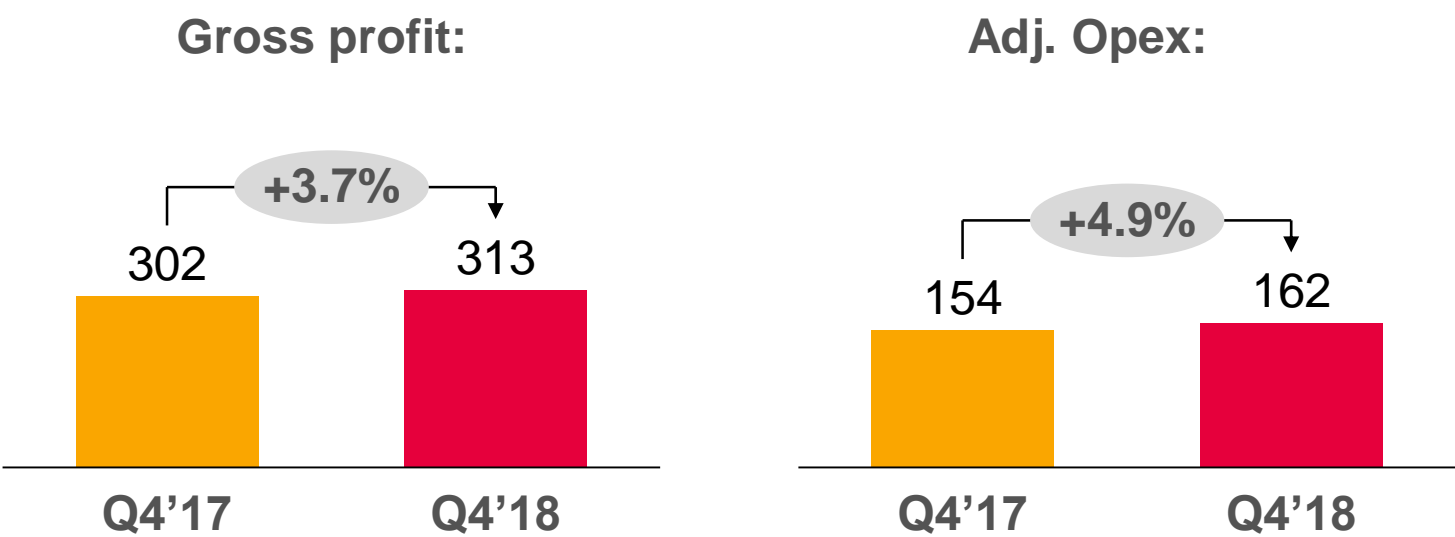
Revenue (CHFm)

- **Revenue down** -4.6% due to hardware and hubbing (both low margin)
- **Service revenue up** +1.9% driven by customer growth in postpaid and internet/TV; Q4 above Q3 run rate (+1.4% YoY), as latter was impacted by summer roaming promotions



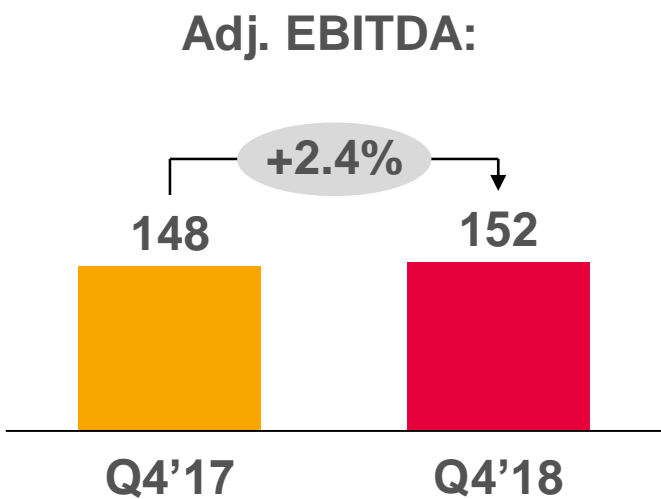
GP & adj. Opex (CHFm)

- **Gross profit growth** of +3.7% (Q3: +1.4%), driven by service revenue and service gross margin expansion
- Adj. Opex up +4.9% (Q3 tower adj.: +1.5%) due to growth expenses supporting momentum



Adj. EBITDA (CHFm)

- **Adj. EBITDA up** +2.4% driven by gross profit
- Run rate above tower adj. Q3 (+1.3%) which was affected by summer roaming promotions



¹⁾ Incl. IFRS 15: Q4 revenue -4.6%, service revenue +1.8%; GP +3.4%, adj EBITDA +3.6%
²⁾ Service revenue is total revenue excluding hubbing and mobile hardware revenue, which are low margin

Outlook



Growing EBITDA and taking it to the next level with 5G

Olaf Swantee
CEO

2019 outlook

2018 achievements

Operational

- Market share gains confirmed Sunrise as the **quality** challenger; achieved balanced mobile tariff refresh despite competitive environment
- Amongst the world's leading mobile networks; first 5G trial networks launched
- Renewed **landline access** agreement with Swisscom; entered into LT agreements with utilities
- **B2B** transition on-track, including GP turnaround

Financial

- B2B and customer momentum led to revenue and **GP growth**, after stabilization in 2017
- Accelerated organic **EBITDA growth**, supported by reinvestments into operational momentum
- Leverage remained stable; refinanced debt
- 5% **dividend** increase proposed to AGM

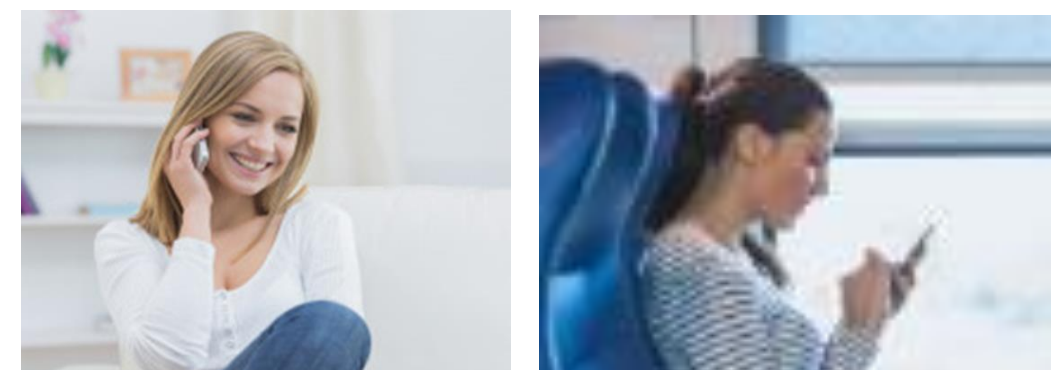
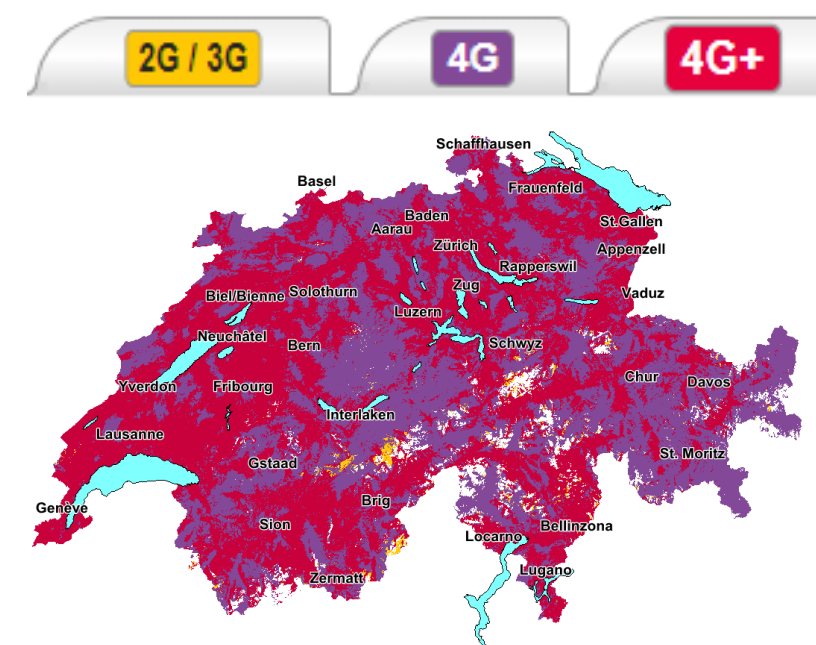
2019 objectives

- Use acquired spectrum to roll out **5G**
- Further diversify landline access via **MBB**, which has attractive margins as on own network
- Innovate and invest into network and service **quality**, to become the most loved telco in the eyes of our customers
- Confirm **B2B** momentum, supported by refreshed product strategy and testimonials of recent wins

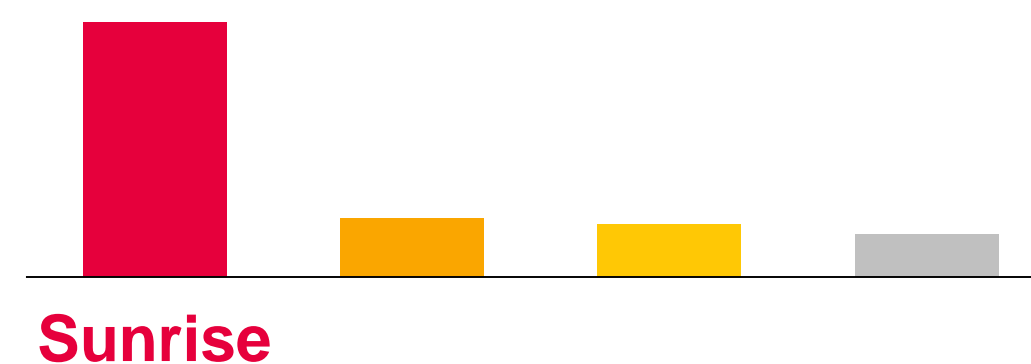
- Drive customer **momentum** by continued execution of 2018 achievements
- **Reinvest** GP and cost savings into operational momentum (commercial expenses, shops, B2B)
- Continue with **EBITDA growth**
- Spectrum and Swisscom landline access payments to create **eFCF volatility** in 2019

Taking it to the next level with 5G

4G leadership led to great momentum



Net adds 2018 postpaid



- **Record** breaking 96% 4G area coverage
- Solid base for 5G

- **Success** rate: VoLTE 99.9%, mobile internet 99.8%
- Download speed average >40 Mbit/s

- Solid market share **growth**

Continue success story with 5G



- **Dec 17:** speed record 5G demo
- **Jun 18:** 1st Swiss 5G trial live network
- **Nov 18:** 1st ski resort live with standardized 5G
- **31 Mar 19:** 5G in 150 cities /villages

Enhanced MBB Capacity



- Gigabytes in second: 5G with ~6x more capacity
- **Fixed wireless substitution** outside FTTH areas (MBB)
- ... and 4K/3D video, virtual reality, smart industry, autonom. cars, ...

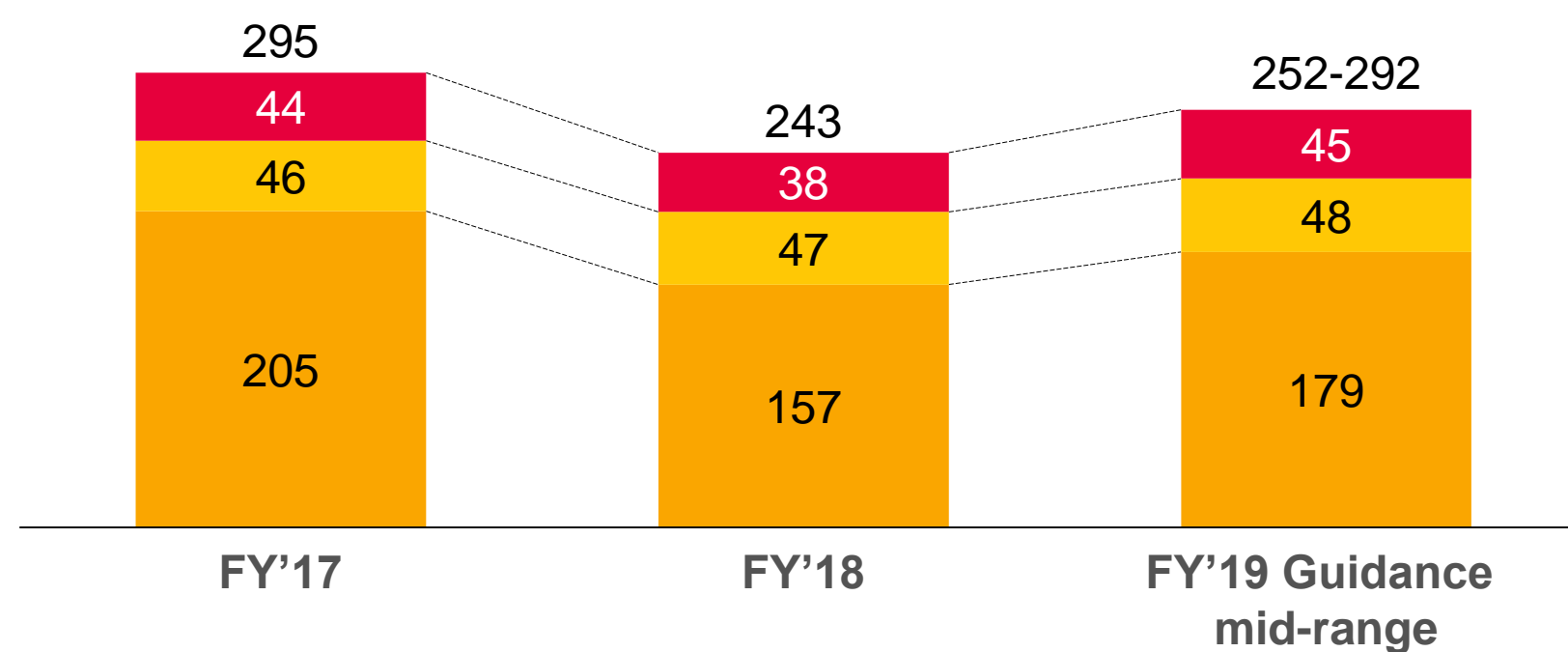
Massive IoT Connectivity

Low Latency Ultra-High Reliability

5G financial impact

2019 Capex driven by accelerated 5G roll-out

CHFm; Capex excl. spectrum and landline access ¹⁾



- **Customer growth** mainly related to B2B customer project investments and internet/TV growth triggering capitalization of routers/set-top boxes; **5G** MBB set-top boxes currently more expensive as not yet standardised
- **Innovation & Development** investments to drive innovation, digitalization, and process improvements
- **Infrastructure** includes Capex into **5G** roll-out as well as into IT, shops and facility management

5G monetization

- Customer **momentum** driven by network leadership
- 5G smartphone customers will be charged an **extra fee**
- **Mobile broadband** (MBB) roll-out
- 5G to support refreshed **B2B** offering around unlimited mobile workplace
- 5G with more capacity and **efficiency**

Focus on 5G MBB

- MBB attractive for rural areas where no FTTH; while strategic focus will remain on landline access deals in urban areas
- **MBB yields higher gross margin** as on own network instead of wholesale access
- Expect low-single digit CHFm **EBITDA contribution** from 5G MBB in 2020 to double in 2021; offsetting short-term 5G investments over time

¹⁾ FY'19 guidance: CHF 91m spectrum and CHF 77m upfront investments (CHF61m to Swisscom, CHF 16m to utilities) (see also investor presentation Q2'18 p.14 (Swisscom access renewal) and Q4'17 p.19 (extension of initial scope at utilities beyond 2018; NPV accretive))

Financial outlook 2019

Higher revenue

- Service revenue supported by **B2B** and cont'd **customer momentum** in mobile postpaid, internet, and TV
- Revenues of low-margin hardware and hubbing to remain volatile

Higher adj. EBITDA

- Use **GP upside** for **growth investments**
- While maintaining cost control

Near-term CF volatility

- **Spectrum** and **landline access** payments to create eFCF volatility
- **5G** roll-out to drive network quality and **MBB**
- 2018-20 dividend guidance supported by normalized eFCF and reduced leverage

FY'19 guidance ¹⁾

- Revenue CHF 1,860 - 1,900m
- Adj. EBITDA CHF 608 – 623m
- Capex CHF 420– 460m
 - Spectrum CHF 91m
 - Landline access CHF 77m
 - Base Capex CHF 252-292m

Dividend guidance confirmed

- **Dividends 2018-20:** 4-6% dividend growth p.a.: Upon meeting guidance a dividend of CHF 4.35-4.45 per share is expected to be proposed to the AGM
- **Confirm long-term dividend policy:** at least 65% of eFCF dividend pay-out; targeting 85% if net debt/adj. EBITDA is below 2.0x

¹⁾ Guidance is excluding IFRS 16 impact and including IFRS 15 impact, the latter is expected to have a low-single digit negative CHFm impact on adj. EBITDA YoY; Does not include extraordinary gain from sale of additional 133 towers to Swiss Towers AG in the range of CHF 20-25m in January 2019 (see IFRS report); Spectrum Capex includes CHF 2m additional capitalizable costs to obtain spectrum

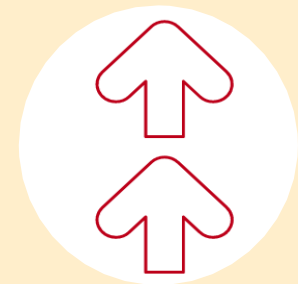
UPC Switzerland Acquisition

Creating a stronger and more valuable
Sunrise

Olaf Swantee, CEO
André Krause, CFO

Transaction highlights

Sunrise to acquire UPC Switzerland for CHF6.3 billion



Clear #2 player in mobile, TV, fixed broadband and fixed voice strengthening position as the leading converged challenger and true Swiss champion



Secures superior next generation fixed network infrastructure to drive enhanced customer experience and complements Sunrise's "5G for People strategy"



Significant potential value creation, with ~CHF2.8 billion (~85% cost & capex) NPV¹⁾ of estimated cost, capex and revenue synergies



Commitment to maintain prudent capital structure (2.7x²⁾ net debt / EBITDA post run-rate cost synergies) and progressive dividend policy with proposed DPS of CHF4.20 for 2018 and CHF4.35-4.45 for 2019, and annual 2018-20 growth rate of 4-6%³⁾

¹⁾ Post integration costs

²⁾ Based on leverage as of Dec-18 post rights issue and adjusted for spectrum payment and run-rate cost synergies

³⁾ Before taking into account the bonus element of the rights issue

Compelling value enhancing in-market combination

1	Reinforces Sunrise's position as the leading converged challenger	<ul style="list-style-type: none"> Create a fully converged challenger nationwide with scale across all elements of the 4P bundle #2 player in mobile, TV, fixed broadband and fixed voice with the scale to drive innovation, invest in new services and pursue growth by providing innovative and competitively priced offers Increased combined customer base¹⁾: 1.8 million mobile post-paid (~24% share), 1.2 million broadband (~30% share) and 1.4 million TV (~31% share) customers
2	Secures superior next generation internet infrastructure	<ul style="list-style-type: none"> Ownership of an advanced cable network, securing access to 2.3 million homes²⁾ (~60% of Swiss households) on own high-quality next generation internet infrastructure complementing Sunrise's leadership in 4G and 5G, and our FTTH partnerships Clear roadmap to 1Gbps speed via DOCSIS 3.1 upgrade (up to 10Gbps over time)
3	Augments differentiated convergent offers for both B2C and B2B	<ul style="list-style-type: none"> Strong TV offering underpinned by new UPCTV video platform with enriched user experience and proprietary content Scale in B2B with ability to cross-sell mobile and fixed, delivering superior customer experience
4	Demonstrable value creation from in-market cost & capex synergies	<ul style="list-style-type: none"> In-market transaction giving good degree of visibility to synergies Cost and capex synergies with run-rate of ~CHF190 million by the third full year post completion Net present value: ~CHF2.4 billion³⁾
5	Significant potential for further growth	<ul style="list-style-type: none"> Revenue synergies from acceleration of transformation and cross-selling to the combined customer base Revenue synergies with run-rate of CHF45 million by the fourth full year post completion Net present value: ~CHF0.4 billion
6	Financially attractive transaction	<ul style="list-style-type: none"> Favourable multiple relative to precedent convergence transactions despite low Swiss interest and tax rates <ul style="list-style-type: none"> CY2018A post synergies multiples⁴⁾: 10.9x adj. OpFCF⁵⁾ and 8.0x adj. EBITDA⁵⁾ CY2018A pre synergies multiples: 16.1x adj. OpFCF⁵⁾ and 9.9x adj. EBITDA⁵⁾ Accretive to Sunrise's equity free cash flow per share from the first year post completion⁴⁾ The returns from the Transaction are expected to exceed the weighted average cost of capital of UPC Switzerland by the third full year from completion

Source: Company information

¹⁾ As per Q3 2018

²⁾ Excluding Partner Networks

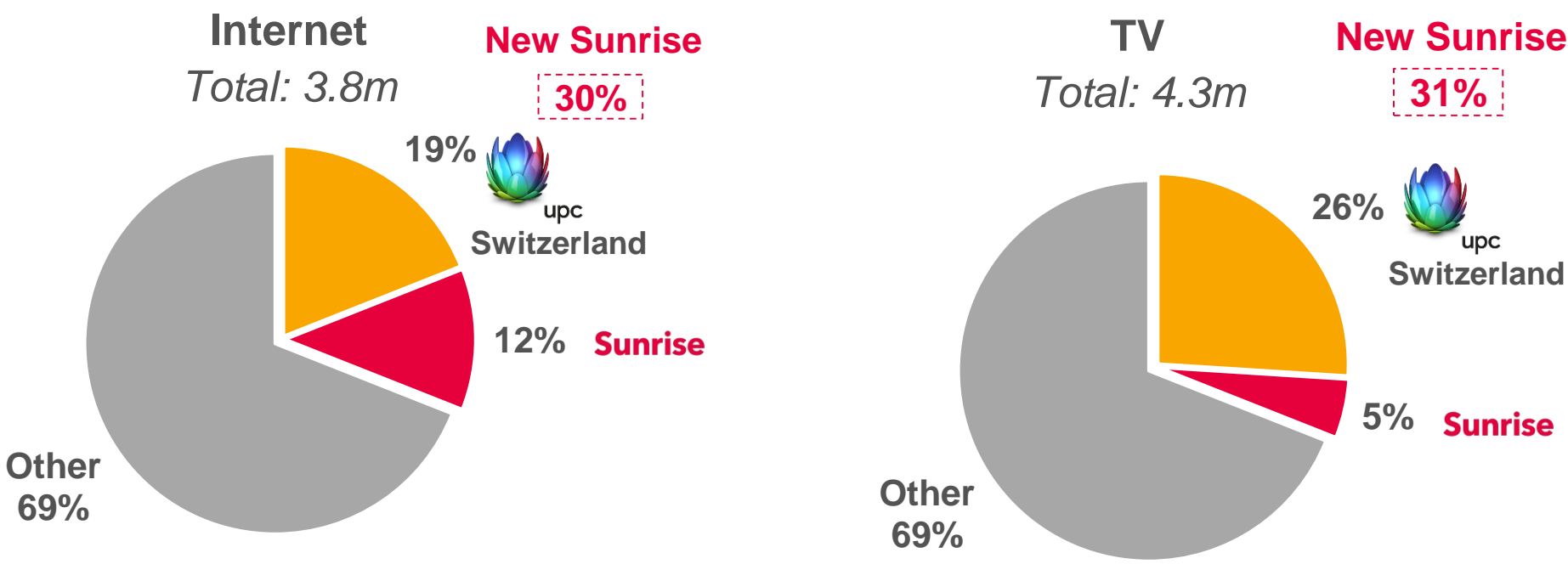
³⁾ Synergies expected to be fully phased-in by the third full year post completion. Total integration cost of approx. CHF140-150 million over the course of 3 full years following completion

⁴⁾ Including run-rate cost and capex synergies and before integration costs

⁵⁾ Adjusted as post central opex & capex allocations and other adjustments. Adj. OpFCF calculated as adj. EBITDA (as defined before) less recurring capex

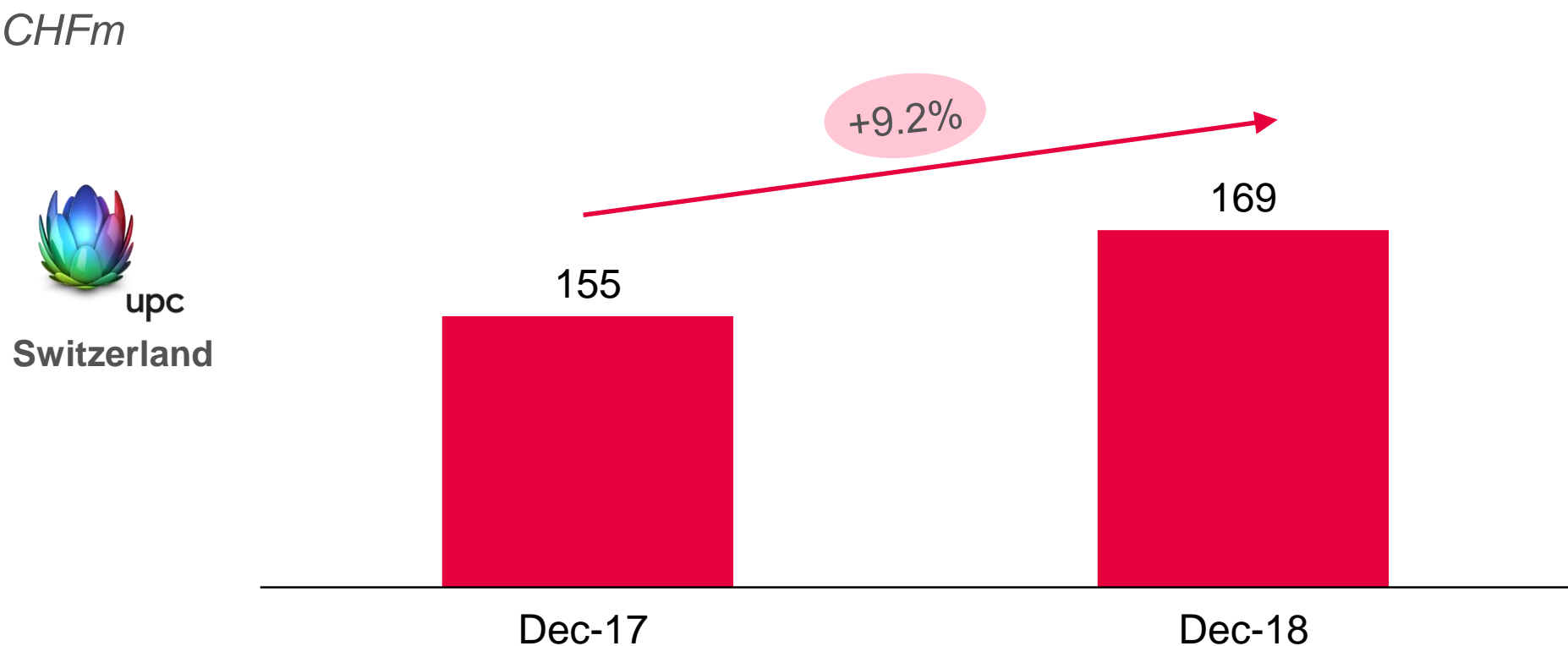
UPC Switzerland — a strong 3P provider

Switzerland's #2 fixed broadband and TV provider¹⁾

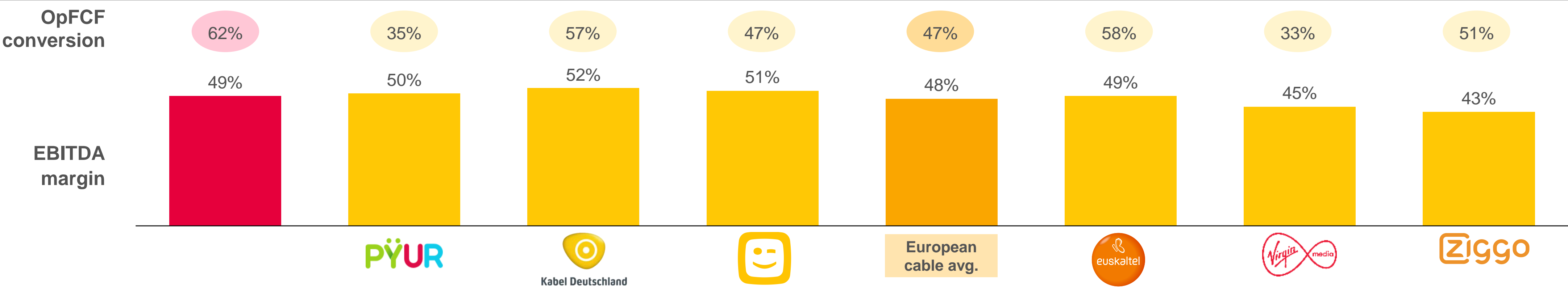


Note: As of Q3'18

Strong and growing B2B business²⁾



Attractive margins and best-in-class cash flow conversion profile^{3) 4)}

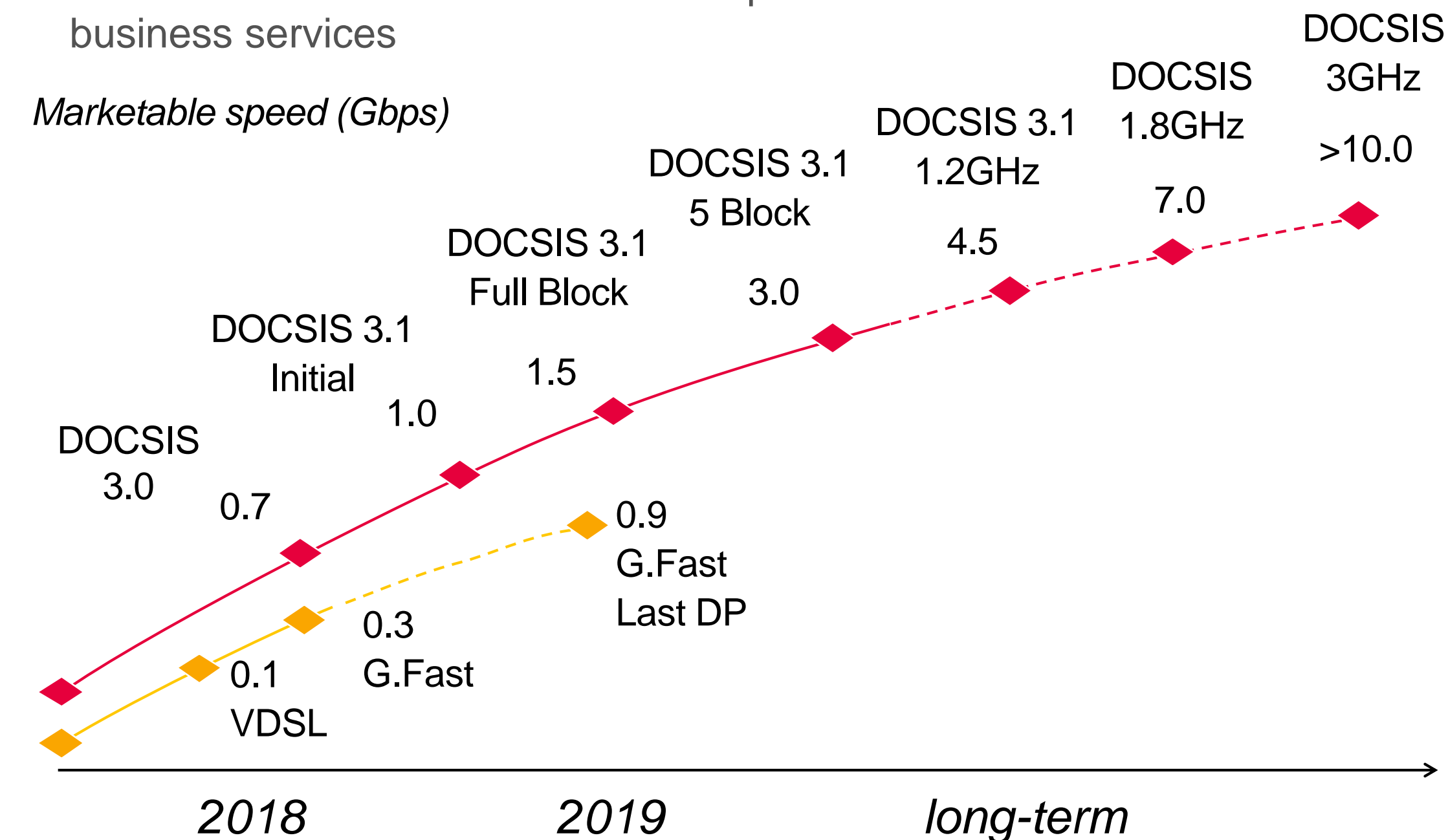


¹⁾ FTTH providers are not fully represented in the chart because no public information is available
²⁾ Fixed B2B revenues (CHFm)
³⁾ Based on Q318 LTM financials for Ziggo, Virgin Media, Euskatel, Telenet and PYUR (TeleColumbus). PYUR margin is based on normalised EBITDA as company reported. Kabel Deutschland financials based on latest available full year results as of Mar-18
⁴⁾ UPC Switzerland EBITDA adjusted as post central opex & capex allocations and other adjustments. Adj. OpFCF calculated as adj. EBITDA (as defined before) less recurring capex. Virgin Media as reported OCF

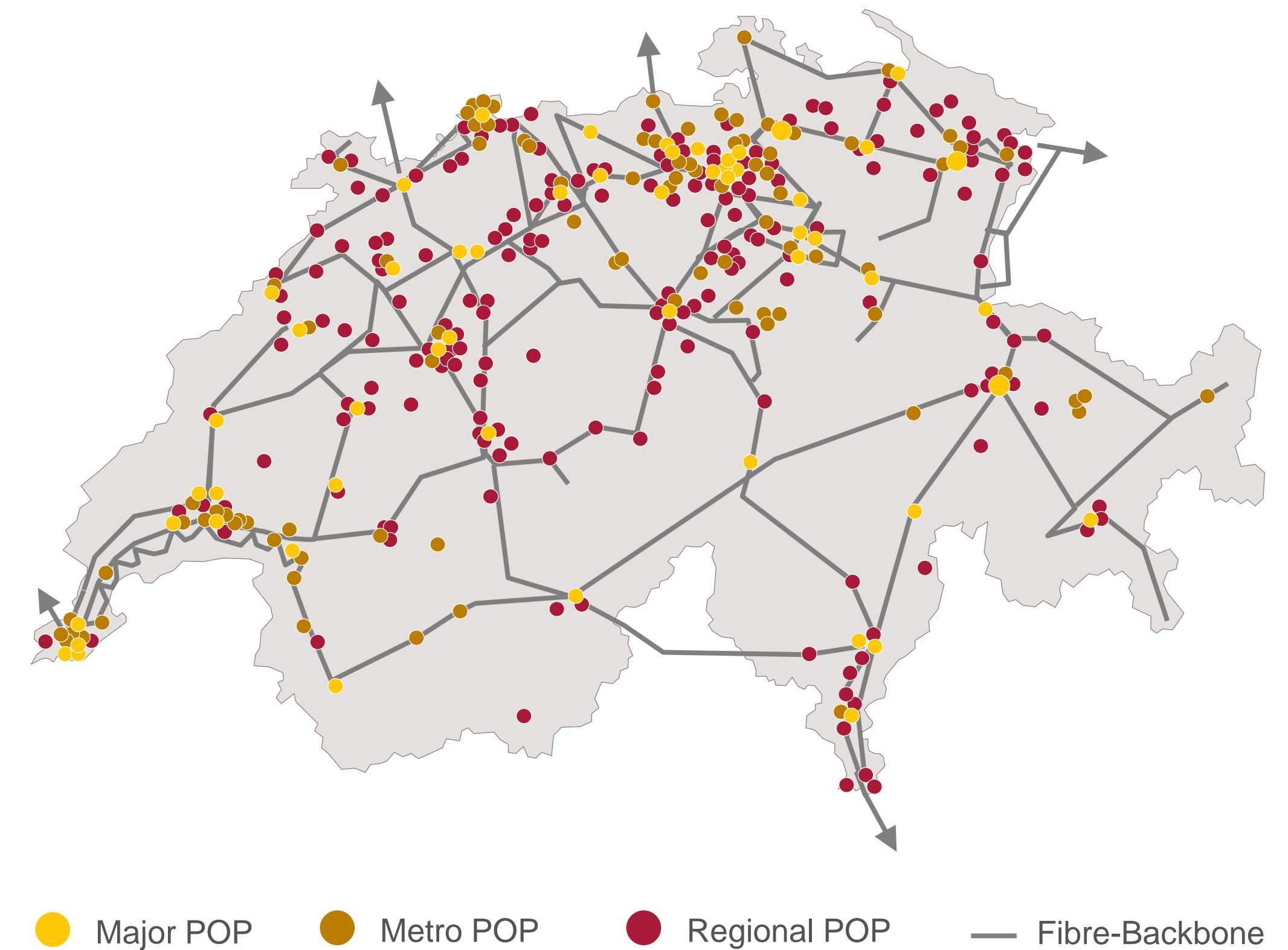
UPC Switzerland — superior next generation network

HFC network

- Network currently based on DOCSIS 3.0, with partial migration to **DOCSIS 3.1 planned for 2020**
- Clear roadmap to 1Gbps speed via DOCSIS 3.1 upgrades that will enable **speeds of up to 10Gbps** over time and drive enhanced customer experience
- Capacity in UPC Switzerland network is well dimensioned and can handle higher speeds and volumes
- Backbone and transmission network provides best-in-class business services



Outstanding backbone and transmission network



Sunrise

UPC Switzerland — leading entertainment offering

New industry leading Video Platform – UPC TV:

- **Launched** in October 2018
- **4K** box, **cloud** based
- Fast **zapping**, full trick play
- **Voice control** remote (incl. Swiss German)
- New **UPC TV app** with 360° experience – industry leading, high scores in app stores
- Multi-room
- Fully loaded app store, including Netflix, Youtube, SKY, etc.
- Developing a software upgrade to Horizon platform to enable similar UI as new UPC Switzerland TV, rolling out over the course of 2019

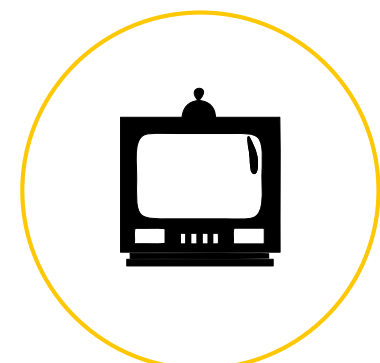


Early results show **excellent NPS achieved** for customers switching from legacy TV products to UPC TV

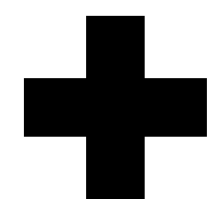
Happy Home



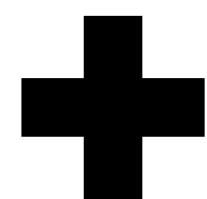
- **New UPC TV** + new remote control
- Up to 500 channels, including MySports ONE
- **360°** experience: new **UPC TV app**



TV



Internet



Phone

MySports

Cable offer



Best sports content **available to all DTV Customers**

Integrated in **Happy Home** Offer



All live matches and 24h sports channels








App version of MySportsPro, within the Sky Sports OTT App

OTT offer

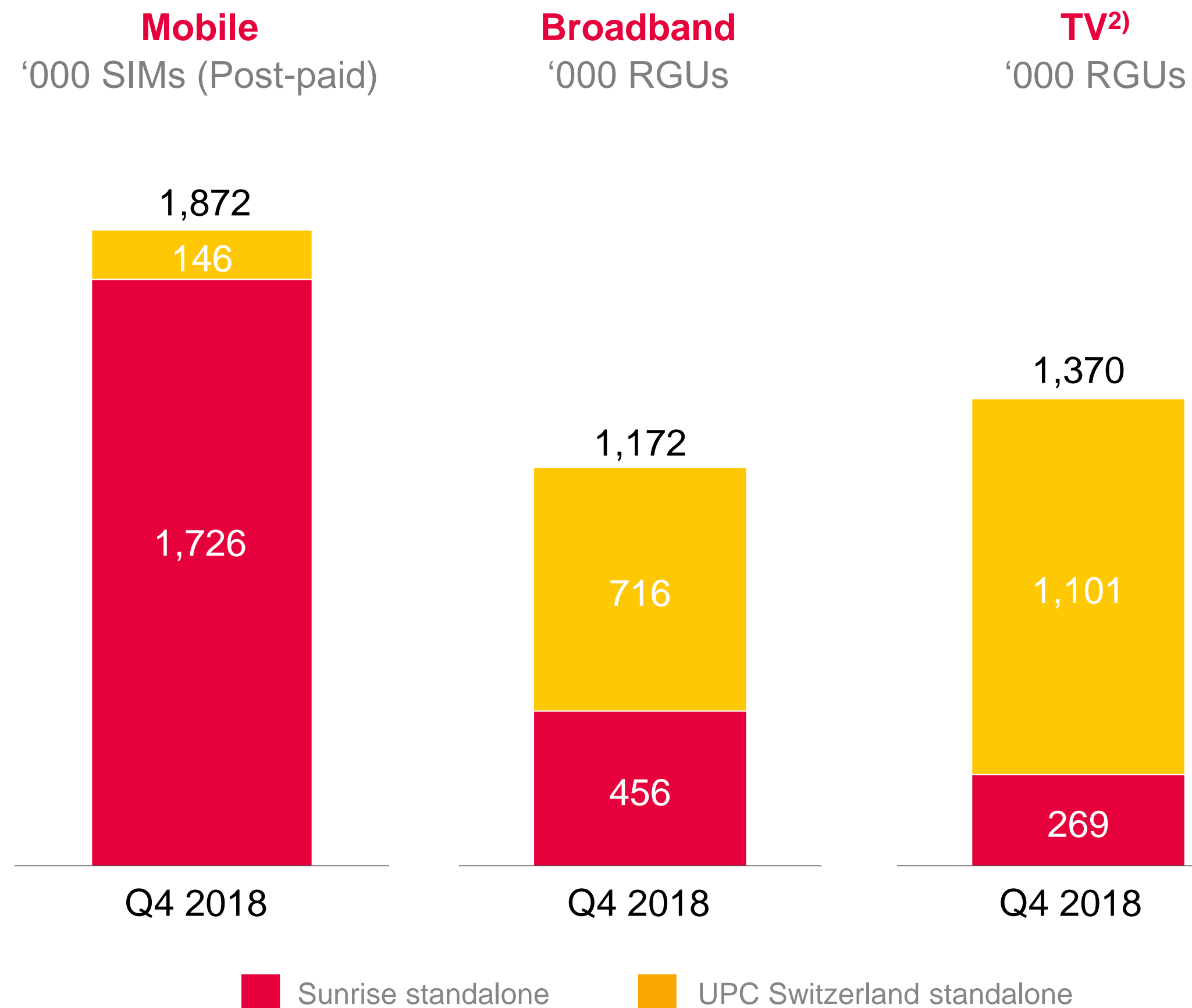
UPC Switzerland — strategic growth initiatives

Comprehensive measures to improve current trajectory

	Strategy	Key initiatives	Outlook
 Entertainment	Improve TV experience with new platform driving sales and retention	<ul style="list-style-type: none"> Introduction of New UPC TV with significantly enhanced and new features, including renewed UPC TV Go app and MySports “One” 	<ul style="list-style-type: none"> UPC Switzerland standalone pre-synergies financial trends expected to be negative in 2019 and decline by an amount broadly similar to the decline in 2018 Thereafter, Sunrise expects the trajectory of UPC Switzerland to stabilize as operational initiatives, including the new advanced UPC TV video platform and convergent offerings, drive better commercial and financial performance Capex expected to increase slightly in 2019 as a result of the start and preparation of the rollout of DOCSIS 3.1 upgrades and UPC TV
 Connectivity	Extend speed-leadership	<ul style="list-style-type: none"> Partial roll-out of internet speeds up to 1Gbps in particular in areas without fiber OLO and improved connect box (WiFi superiority) 	
 B2B	Accelerate existing B2B growth by scaling up sales force to address more SME clients	<ul style="list-style-type: none"> Incremental investments in FTE and systems for SMEs 	
 Cross-sell and bundle with mobile	Cross-sell mobile and fixed into existing base	<ul style="list-style-type: none"> Convergent offers for B2B and B2C customers, delivering superior customer experience 	
 Digital transformation	Transform the company into a digital champion	<ul style="list-style-type: none"> Revision of IT stacks, improvement of customer journeys and CVP architectures 	

New Sunrise — the leading converged challenger

New Sunrise (B2B and B2C)¹⁾



Ingredients to win



Customer experience leveraging our best offer mix of mobile, broadband, entertainment and service - personalized to the customer based on intelligent analytics



Creating **better value proposition** for Sunrise and UPC Switzerland customers leveraging the core strengths of each company



Distribution scale leveraging Sunrise's broad retail footprint to drive customer acquisition and superior customer care



Next generation fixed and mobile networks integrating own and third-party networks to deliver a simple and efficient access technology-agnostic platform

















Leading Swiss company brand, standing out for trust and quality, supporting operational and commercial momentum

Source: Company information

¹⁾ UPC Switzerland B2B only includes SoHo segment

²⁾ Assuming each B2B broadband customers also has TV

New Sunrise — securing the broadest and deepest digital infrastructure in Switzerland

Technology	Sunrise access	Download speed Mbit/s		Swiss household coverage	Expected future evolution
Mobile BB	<ul style="list-style-type: none">Own mobile network can be used for Mobile Broadband (MBB); 5G roll out to push use of MBB	Up to 900		MBB  ~100%	 (reach & speed)
Cable / HFC	<ul style="list-style-type: none">Own infrastructure with DOCSIS 3.0/3.1	Up to 1,000 ¹⁾		DOCSIS  ~60% ²⁾	 (speed)
FTTH	<ul style="list-style-type: none">Access deal with SwisscomLong-term access agreements with utilities SFN, EWZ, SIG and IWB	Up to 1,000		FTTH ³⁾  ~30%	 (reach & speed)
Copper / xDSL	<ul style="list-style-type: none">Own LLU with above 600 PoPsAccess deal with Swisscom for xDSL	Up to 25		LLU  ~85%	
		Up to 100		VDSL ⁴⁾  ~87%	

Sources: Company reporting, Swisscom, UPC, Salt, Suissedigital, Swiss federal statistic department

¹⁾ Speed available with DOCSIS 3.1

²⁾ Based on UPC Switzerland DOCSIS 3.0 coverage

³⁾ Representing fiber, based on Swisscom reporting; the fiber network is typically co-built between Swisscom and local utilities in Switzerland

⁴⁾ Including FTTH, FTTS/C-Vectoring, FTTC, and FTTS G.fast (allowing for speeds up to 500 Mbit/s); taking into account primary households and businesses; Swisscom xDSL with c.a. 98% coverage

New Sunrise — growing in B2B

Bringing together 2 proven and complementary B2B operators



New Sunrise — significant value creation through cost and revenue synergies with ~CHF2.8 billion NPV¹⁾

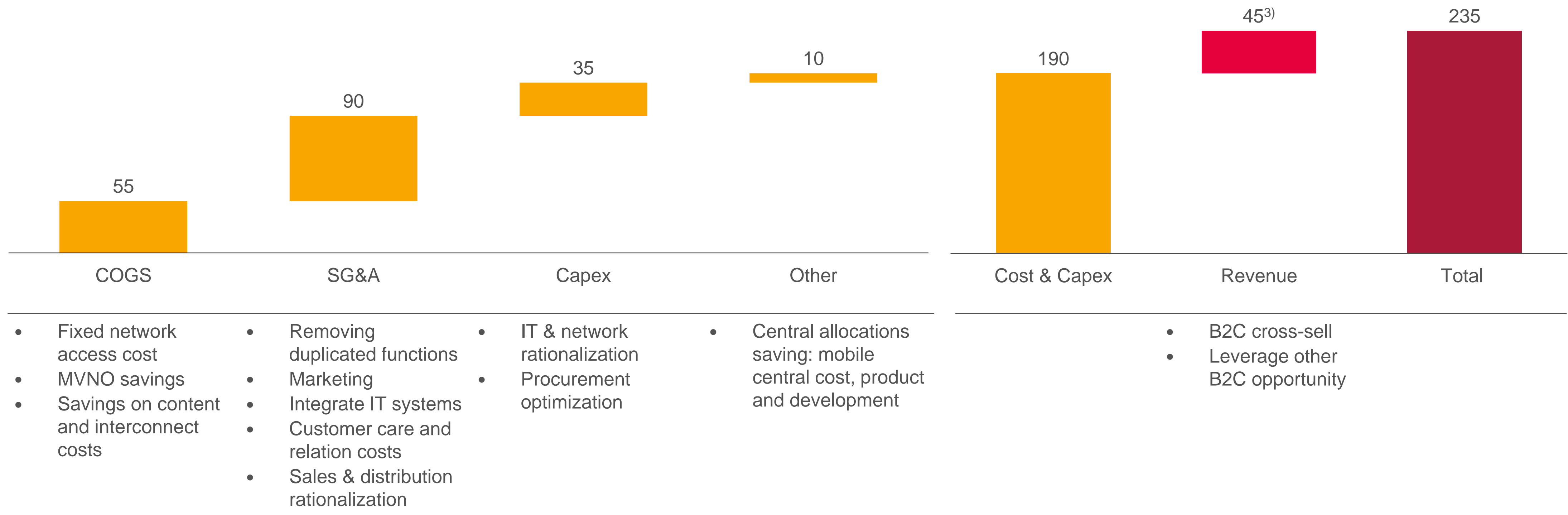
Year 3 synergies estimates²⁾ (CHFm)

NPV¹⁾ (CHFbn)

~2.4

~0.4

~2.8

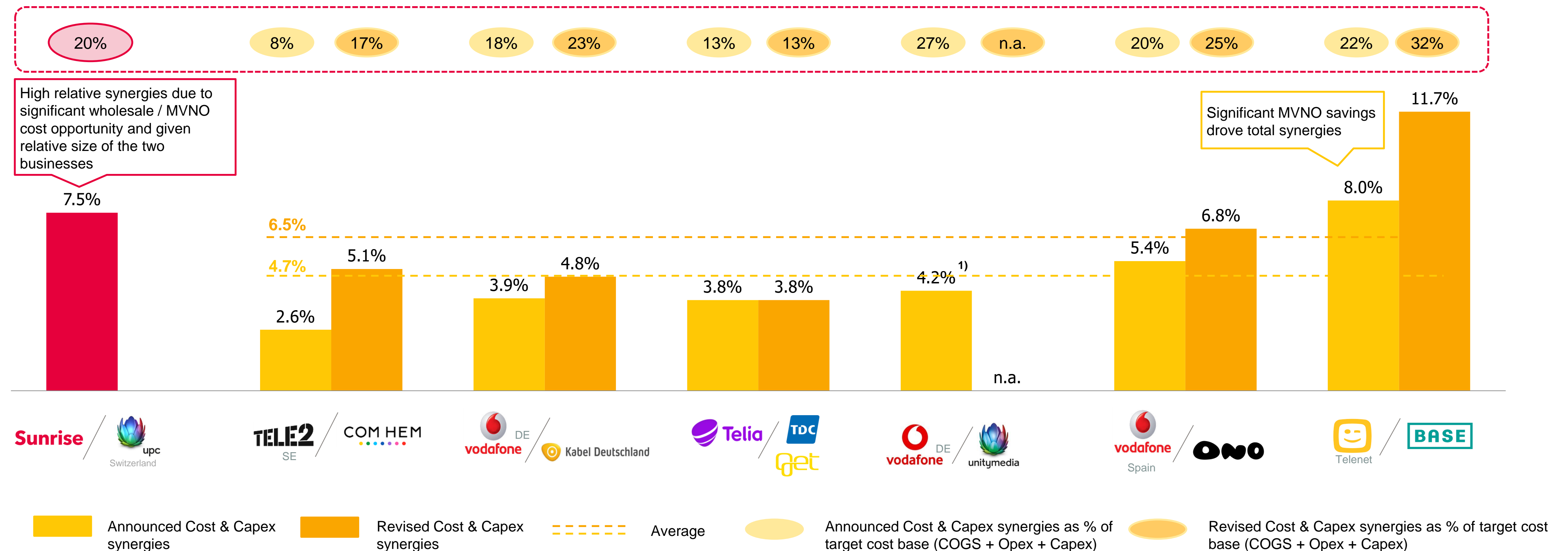


¹⁾ Post integration costs
²⁾ Rounded numbers. Total integration costs of approx. CHF140-150 million over the course of 3 full years following completion, largely in the first 2 full years following completion
³⁾ Year 4 EBITDA-equivalent synergy estimate

Synergy benchmarking

UPC MVNO plus Sunrise fixed access provide large relative cost saving opportunity

Cost & Capex synergies as % of combined cost base (COGS + Opex + Capex)



Source: Company information

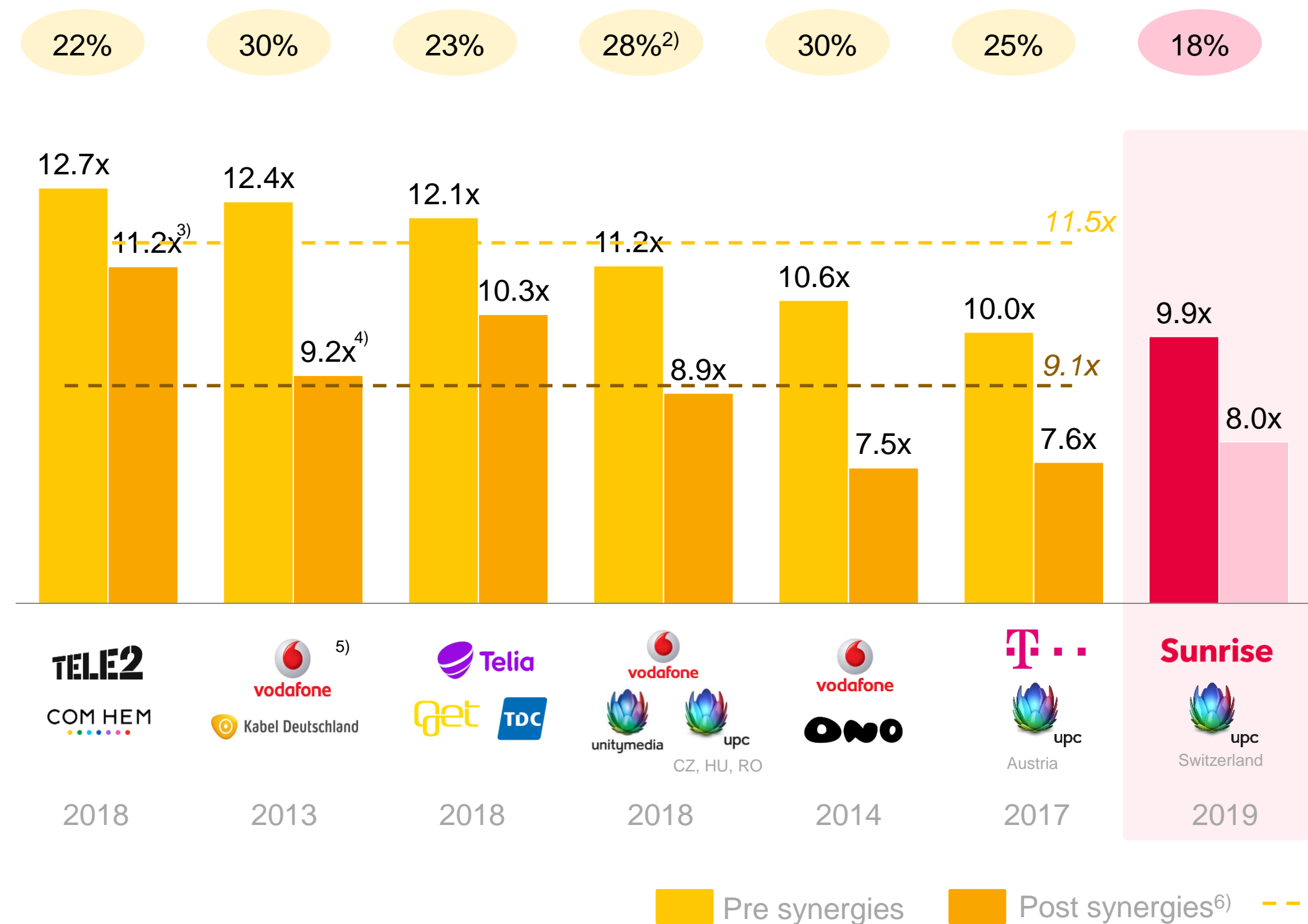
Note:

1) Vodafone DE figures calendarized to Dec-17 for comparability with Unitymedia. Synergies, costs and capex generated outside of the German perimeter are excluded

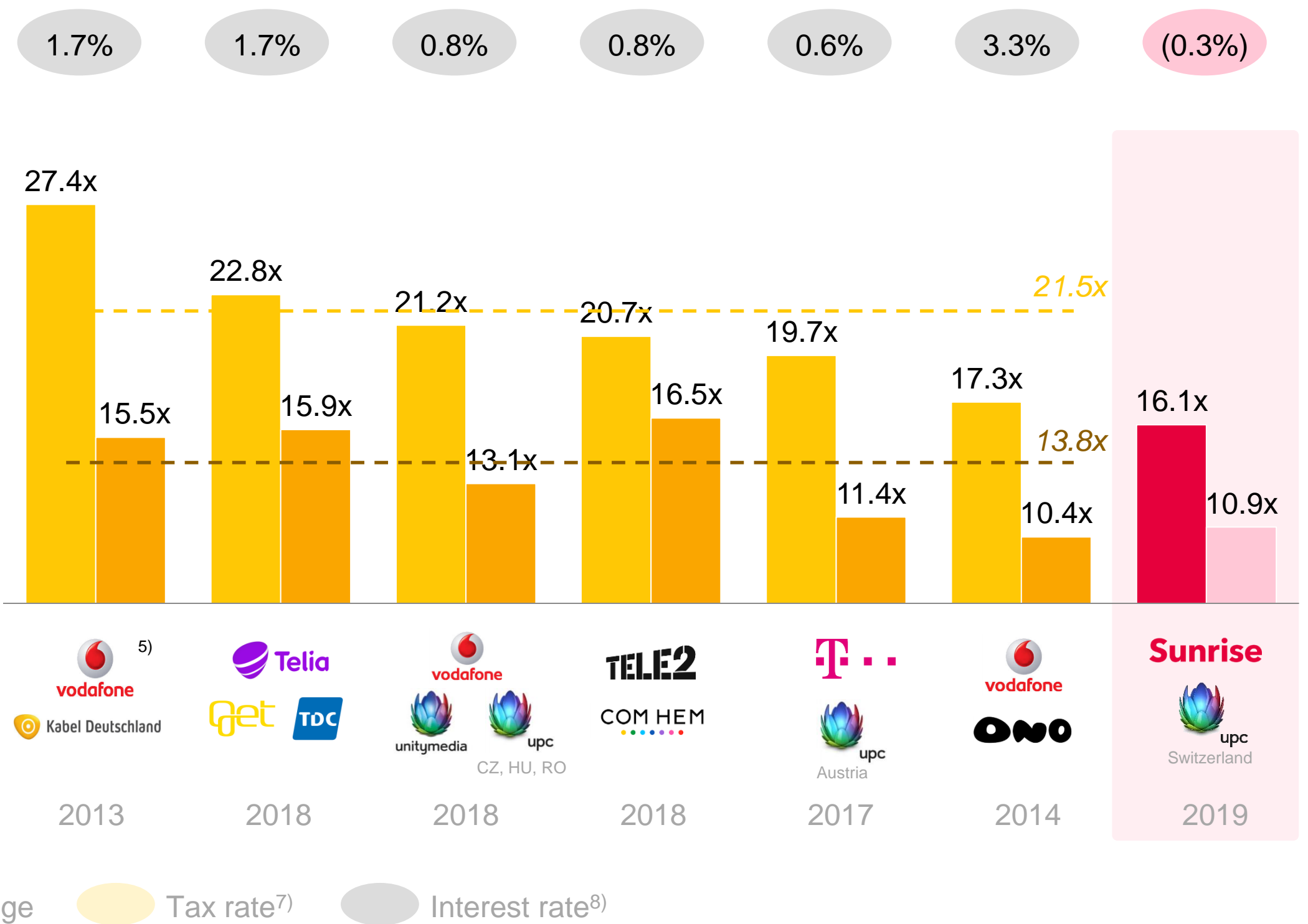
Attractive valuation compared to precedents

Favourable multiples relative to precedent convergence transactions even more so when considering low Swiss interest and tax rates

EV / EBITDA¹⁾



EV / OpFCF¹⁾



Source: Company filings and public announcements

¹⁾ Based on publicly announced figures for last twelve months prior to announcement of transaction

²⁾ Blended tax rate of Germany, Hungary, Romania and Czech Republic, weighted on respective EBITDA

³⁾ Assuming SEK450m of Opex and Capex synergies split into 83% Opex and 17% Capex as per allocation from other precedent transactions

⁴⁾ Assuming announced run-rate opex & capex synergies of EUR300m to be fully allocated to opex synergies

⁵⁾ Based on fiscal year-end number as per Mar-13

⁶⁾ Post run-rate opex synergies for EV / EBITDA and cost & capex synergies for EV / OpFCF, excluding revenues synergies and integration costs

⁷⁾ As per KPMG annual tax survey for the respective countries and year of announcement

⁸⁾ Based on prevailing local 10y government bond yields for the respective countries of the target at the time of announcement

Prudent combined leverage @ ~2.7x post run-rate synergies¹⁾

Targeting investment grade leverage in the medium-term

Combined net debt Dec-18 (CHFbn)



Prudent target capital structure supports existing progressive dividend policy (proposed DPS of CHF4.20 for 2018 and CHF4.35-4.45 for 2019, and annual 2018-20 growth rate of 4-6%⁴⁾)

¹⁾ Post synergies leverage as of Dec-18 based on net debt post rights issue and spectrum payment and FY18 combined adj. EBITDA (including run-rate cost synergies estimates)

²⁾ Defined as net debt / Adj. EBITDA LTM Dec-18

³⁾ Including spectrum auction payment (H1'19) and transaction costs

⁴⁾ Before taking into account the bonus element of the rights issue

Fully underwritten transaction funding

Combination of debt and equity to maintain prudent capital structure

Transaction EV	CHFbn	Fully Underwritten Rights Issue	CHFbn
Enterprise Value	6.3	Rights Issue	~4.1
of which UPC Switzerland net debt contributed ¹⁾	3.6	of which cash payment to LGI	~2.7
of which cash payment to LGI	2.7	of which debt paydown	~1.1
		of which other ³⁾	~0.2
<ul style="list-style-type: none">Weighted average cost of UPC debt contributed: ~3.8%²⁾		<p>Rights issue key terms:</p> <ul style="list-style-type: none">Underwritten at announcementTerms published around EGM (post regulatory approval)Joint Global Coordinators and Joint Bookrunners: Deutsche Bank and UBSJoint Bookrunner: Morgan Stanley	

¹⁾ Relating to the outstanding senior secured notes issued by UPCB Finance IV Limited and UPCB Finance VII Limited and other debt-like items

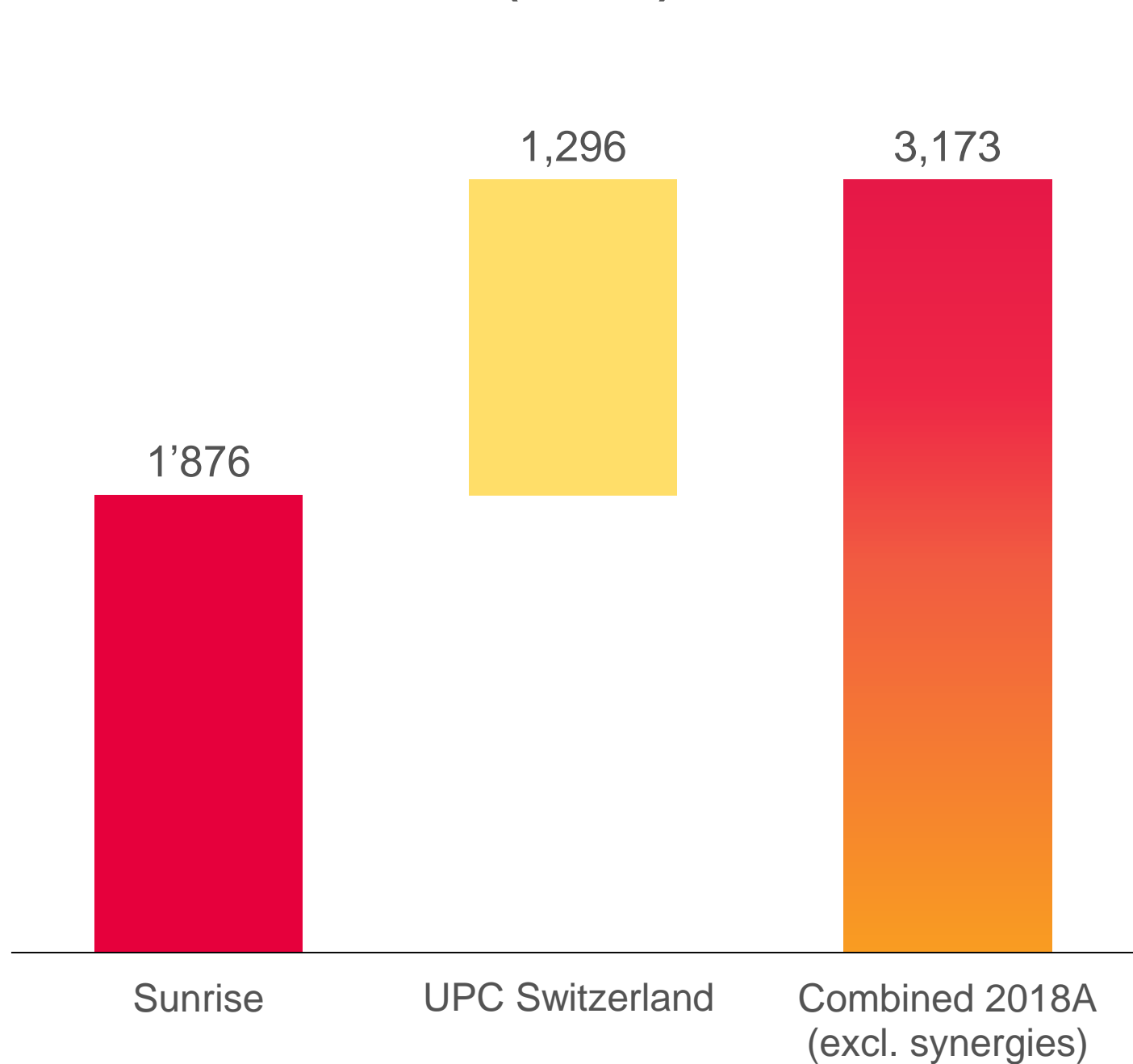
²⁾ Average of 4 years cost of debt

³⁾ Estimated transaction cost less cash on balance sheet used

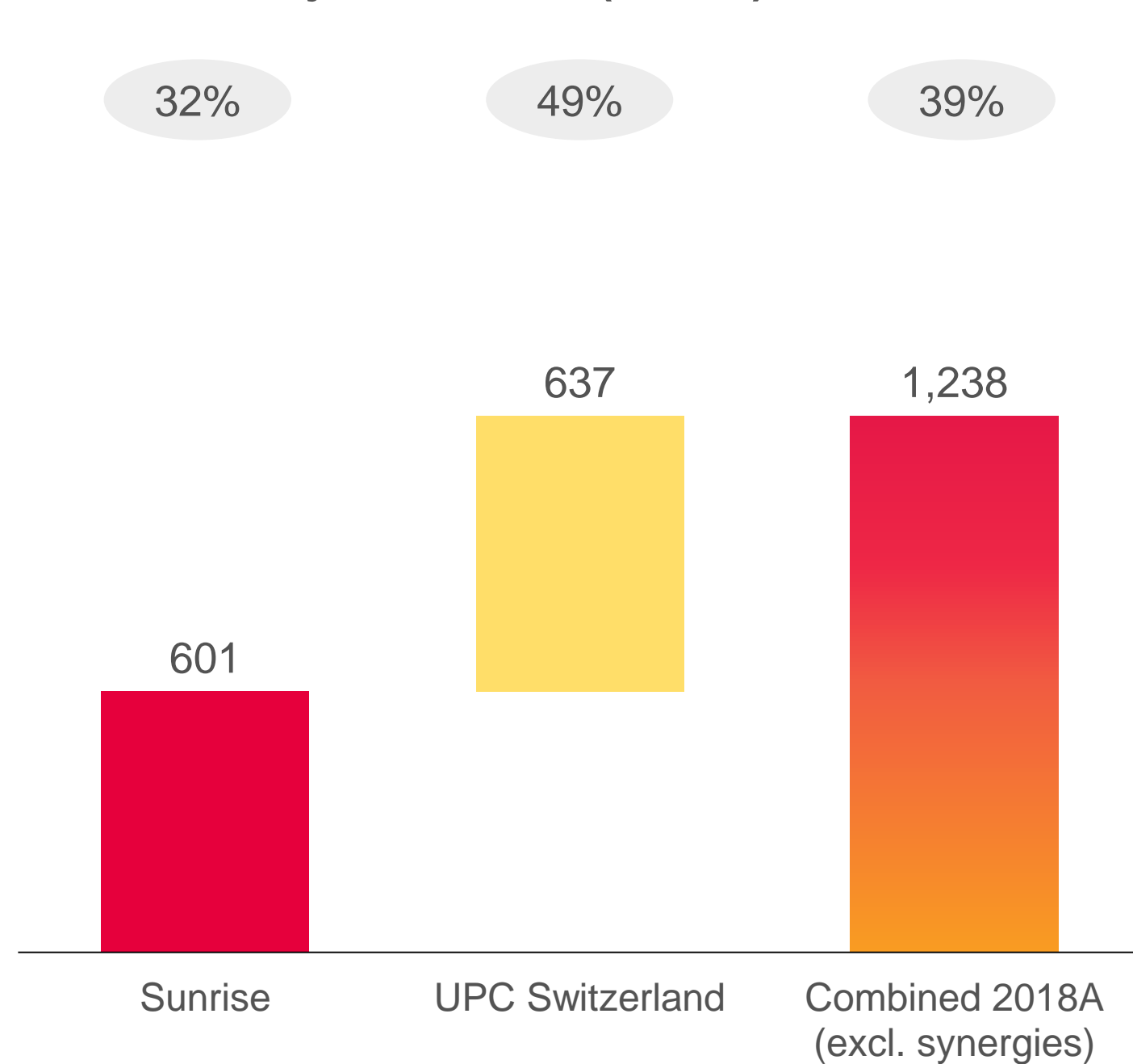
Attractive combined financials¹⁾

Expected enhanced margins and cash flow generation support existing dividend policy and de-leveraging profile, and drive accretion from year 1

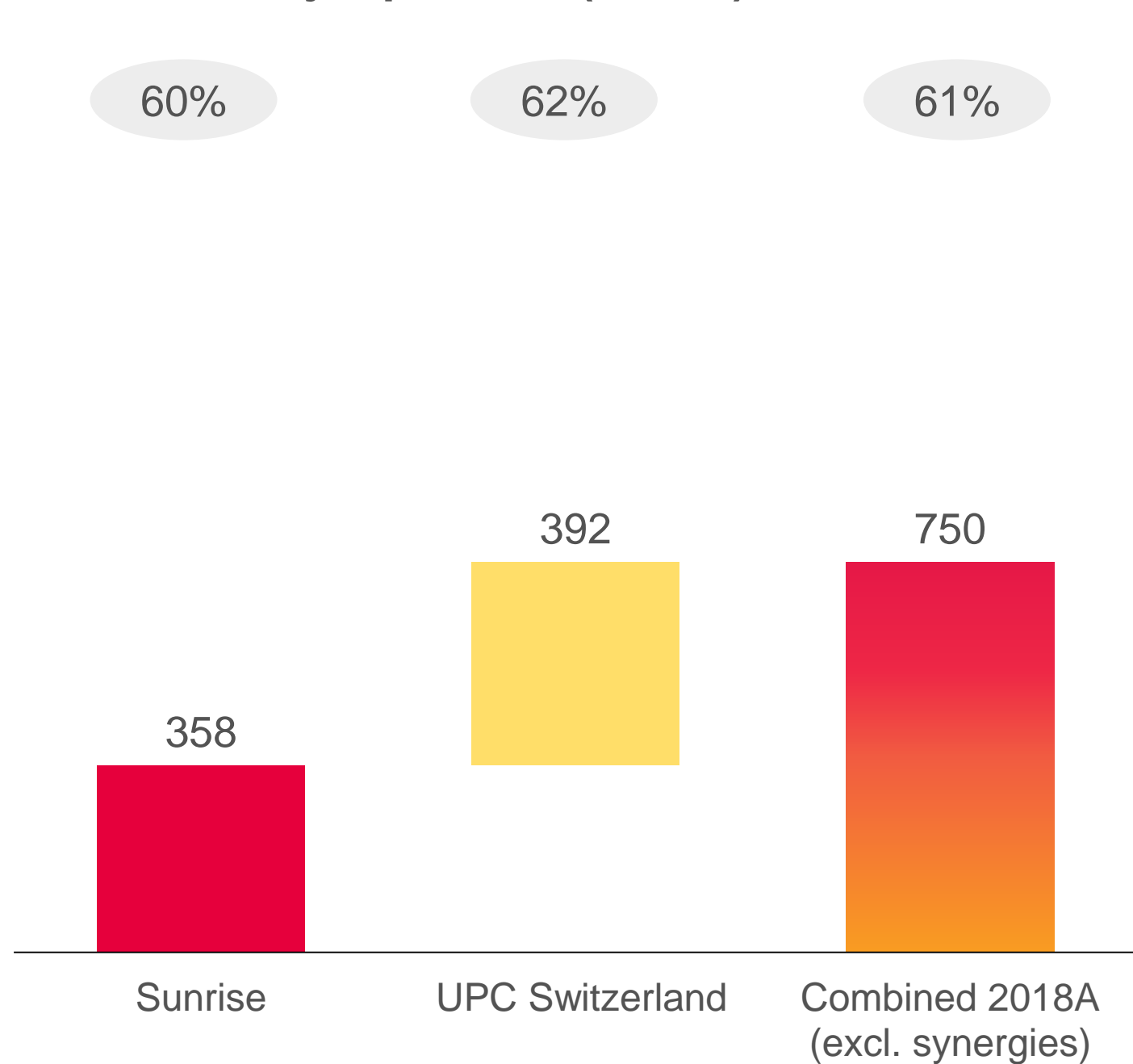
Combined revenues¹⁾ (CHFm)



Combined adj. EBITDA^{1) 2)} (CHFm)



Combined adj. OpFCF^{1) 3)} (CHFm)



Adj. EBITDA¹⁾ margin

Adj. OpFCF²⁾ cash conversion

Accretive to equity free cash flow per share post run-rate cost & capex synergies and before integration costs from first year post completion

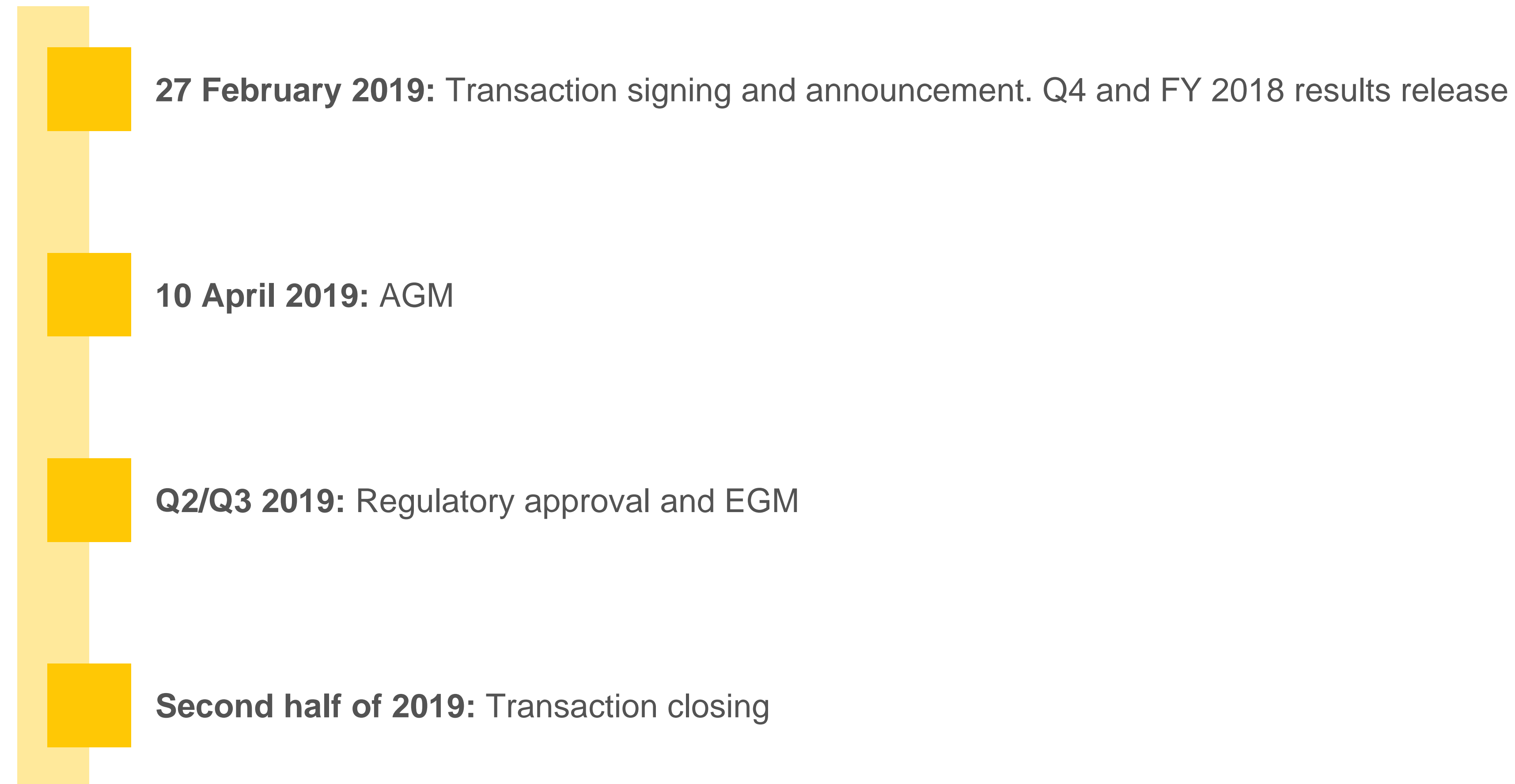
Note: Sunrise financials audited under IFRS standards; UPC Switzerland unaudited financials under US GAAP standards

¹⁾ Aggregated figures not reflecting a common IFRS accounting framework

²⁾ Adjusted as post central opex & capex allocations and other adjustments

³⁾ Adj. OpFCF calculated as adj. EBITDA (as defined above) less recurring capex

Expected closing during the second half of 2019



Creating a stronger and more valuable Sunrise

- 1 Creating a stronger converged challenger in the attractive Swiss market with scale to compete and innovate
- 2 Attractive price paid vs precedent transactions, 10.9x adj. OpFCF¹⁾ post run-rate cost & capex synergies and before integration costs
- 3 In-market consolidation with significant value creation potential of ~CHF2.8 billion cost, capex and revenue synergies NPV²⁾
- 4 Prudent combined leverage of 2.7x net debt / EBITDA³⁾ post cost run-rate synergies
- 5 Existing progressive dividend policy maintained with proposed DPS of CHF4.20 for 2018 and CHF4.35-4.45 for 2019, and annual 2018-2020 DPS growth of 4-6%⁴⁾
- 6 Clear execution plan in place to deliver

¹⁾ Adjusted as post central opex & capex allocations and other adjustments. Adj. OpFCF calculated as adj. EBITDA (as defined before) less recurring capex

²⁾ Post integration costs

³⁾ Based on leverage as of Dec-18, adjusted for spectrum payment and run-rate cost synergies

⁴⁾ Before taking into account the bonus element of the rights issue

Q & A



Appendix

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Implied valuation multiples reconciliation

UPC Switzerland financial metrics (2018)

CHFm	Sunrise reporting	Liberty Global reporting
EV	6,300	6,300
OCF¹⁾	732	732
EBITDA adjustments ²⁾	(1)	-
Central opex allocations ³⁾	(32)	(32)
Central capex allocations ⁴⁾	(62)	-
Adj. EBITDA (post central allocations)	637	700
Central capex allocations ⁴⁾	-	(62)
Recurring capex	(245)	(245)
Adj. OpFCF	392	394
EV / '18A Adj. EBITDA	9.9x	9.0x
EV / '18A Adj. OpFCF	16.1x	16.0x
EV / '18A Adj. EBITDA (post run-rate synergies)	8.0x	7.4x
EV / '18A Adj. OpFCF (post run-rate synergies)	10.9x	10.8x

Note: UPC Switzerland unaudited financials under US GAAP standards

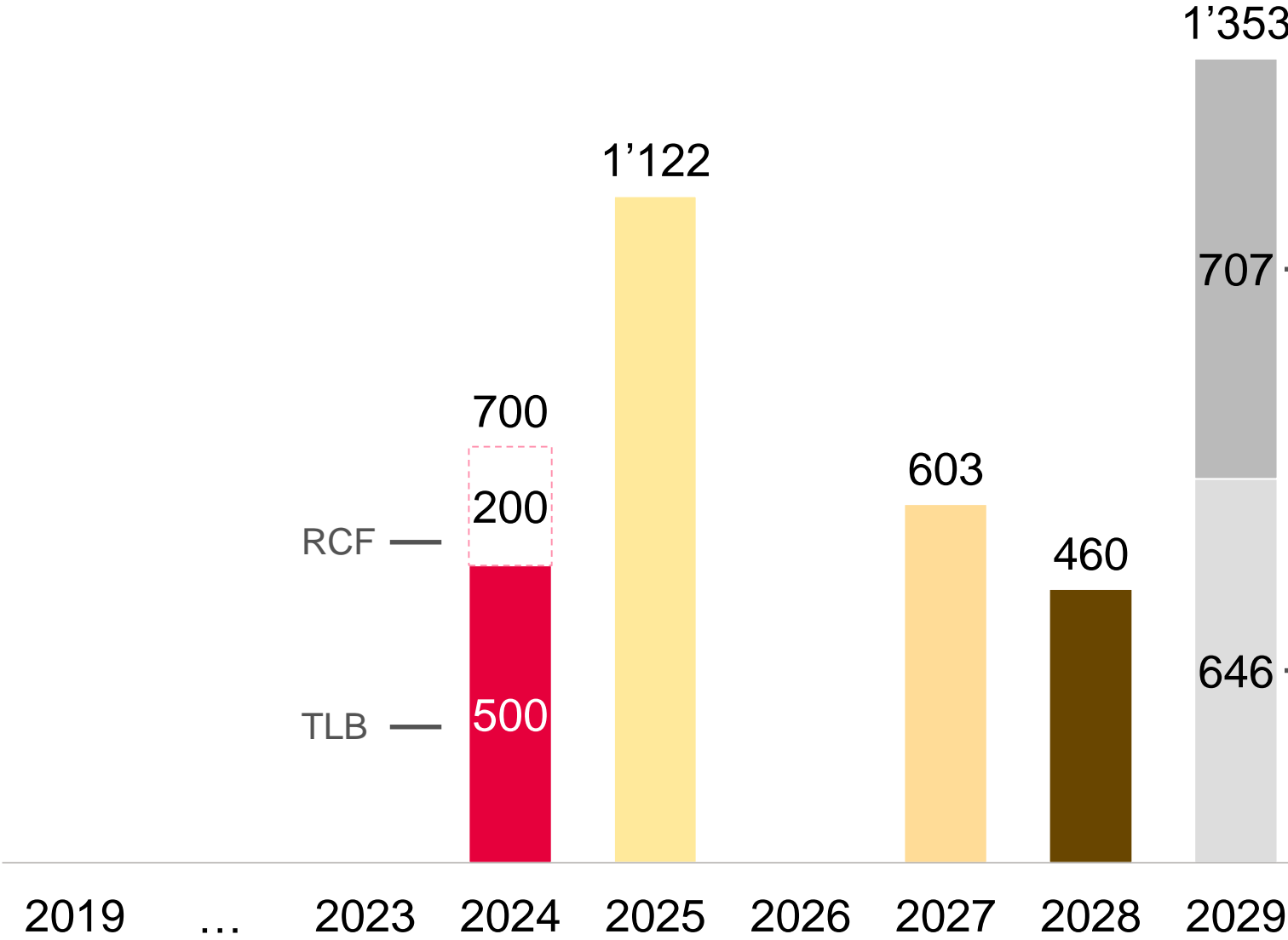
¹⁾ As per LGI reporting

²⁾ As per Sunrise reporting

³⁾ Excluding CHF3m of CEE management central allocation adjustment

⁴⁾ Reclassified into opex under Sunrise reporting from capex under Liberty Global reporting

Overview of combined capital structure

	CHFm, unless stated otherwise	Sunrise (FY'18A)	Adjustments	Combined (FY'18A)	Maturity	Maturity profile (CHFm)	
Sunrise	Sunrise Term Loan B ("TLB")	1,410	(910)	500	2024		
	Sunrise CHF notes	200	(200)	-			
UPC Switzerland ¹⁾	UPCB Finance IV Ltd 5.375% (\$)	-	1,122	1,122	Jan-25		
	UPC Holding 5.5% (\$)	-	460	460	Jan-28		
	UPCB Finance IV Ltd 4% (€)	-	603	603	Jan-27		
	UPC Holding 3.875% (€)	-	707	707	Jun-29		
	UPCB Finance VII Ltd 3.625% (€)	-	646	646	Jun-29		
Total gross debt		1,610	2,428	4,038			
Lease obligation		5	17	21			
Total gross debt (incl. leases)		1,615	2,445	4,059			
RCF (Sunrise)		200	-	200	2024		
RCF (UPC)		€990	(990)	-			
Weighted average cost of UPC debt contributed: ~3.8% ²⁾							

¹⁾ Total UPC Switzerland nominal debt of CHF3,538m (at swapped rates)

²⁾ Average of 4 years cost of debt

Overview of combined financials

<i>Dec-18, CHFm</i>	Sunrise	UPC Switzerland	Combined ¹⁾
Revenue	1,876	1,296	3,173
% growth	1.2%	(3.7%)	(0.9%)
Reported EBITDA (Sunrise) / OCF (UPC Switzerland) ²⁾	602	732	1,335
EBITDA adjustments ³⁾	(1)	(1)	(3)
Central opex allocations ⁴⁾	-	(32)	(32)
Central capex allocations ⁵⁾	-	(62)	(62)
Adj. EBITDA (post central allocations)	601	637	1,238
% margin	32.0%	49.1%	39.0%
Total capex	(303)	(245)	(548)
Capex adjustments ⁶⁾	60	-	60
Recurring capex	(243)	(245)	(488)
Adj. OpFCF	358	392	750
% cash conversion	59.6%	61.6%	60.6%

Note: Sunrise financials audited under IFRS standards; UPC Switzerland unaudited financials under US GAAP standards

¹⁾ Aggregated figures not reflecting a common IFRS accounting framework

²⁾ As per LGI reporting

³⁾ As per Sunrise reporting

⁴⁾ Excluding CHF3m of CEE management central allocation adjustment

⁵⁾ Reclassified into opex under Sunrise reporting from capex under Liberty Global reporting

⁶⁾ Adjusting for upfront investments in landline access at utilities

Sunrise and UPC Switzerland adj. eFCF

<i>Dec-18, CHFm</i>	Sunrise	UPC Switzerland	Comments
EBITDA¹⁾	601	637	• ~CHF155m run-rate ²⁾ cost synergy impact; ~CHF45m run-rate ³⁾ EBITDA-equivalent impact of revenue synergies
Change in NWC	(49)	n/a	
Capex	(303)	(245)	• ~CHF35m run-rate ²⁾ capex synergy impact
Cash tax	(50)	n/a	
Cash interest	(30)	n/a	• Weighted average cost of CHF3.6 billion UPC debt contributed: ~3.8% ⁴⁾
Other financing activities	(21)	n/a	• Integration costs of CHF140-150 million over the course of 3 full years following completion
Adj. eFCF¹⁾	148	n/a	

Sunrise expects that the standalone, pre-synergies financial trends of UPC Switzerland will be negative in 2019 and decline by an amount broadly similar to the decline in 2018

Note: Sunrise financials audited under IFRS standards; UPC Switzerland unaudited financials under US GAAP standards

Source: Company information

¹⁾ Based on adj. EBITDA (post central allocations)

²⁾ 4 years following completion

³⁾ 5 years following completion

⁴⁾ Average of 4 years cost of debt

UPC Switzerland key financials

	2018				
	1Q 18	2Q 18	3Q 18	4Q 18	FY18
Subscribers/RGUs (000s)¹⁾					
Data	727	714	701	688	688
Telephony	530	525	519	514	514
Total video	1,159	1,124	1,104	1,073	1,073
o/w basic video	490	464	452	432	432
o/w enhanced video	669	660	651	640	640
Mobile	122	129	138	146	146
Other operating data					
Cable/fixed line customer relationships (000s)	1,206	1,168	1,148	1,116	1,116
Financials (excl. central allocations as reported) (CHFm)					
Revenues	327	327	318	324	1,296
OCF	177	186	188	181	732
<i>Margin</i>	54.1%	56.9%	59.1%	56.0%	56.5%
Capex (incl. intangibles)	50	52	59	84	245
OpFCF ²⁾	127	135	129	97	488
<i>Cash conversion</i>	71.7%	72.3%	68.8%	53.5%	66.6%

Sources: Company information
¹⁾ All subscribers/RGUs metrics exclude SoHo segment
²⁾ OpFCF calculated as OCF minus capex

Sunrise

Have a sunny day



Sunrise

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