Acquisition of UPC Switzerland

Creating a stronger and more valuable Sunrise

28 February 2019

Sunrise

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Sunrise

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) NPV[1] of estimated cost, capex and revenue synergies

Commitment to maintain prudent capital structure (2.7x[2] 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

Sunrise

Compelling value enhancing in-market combination

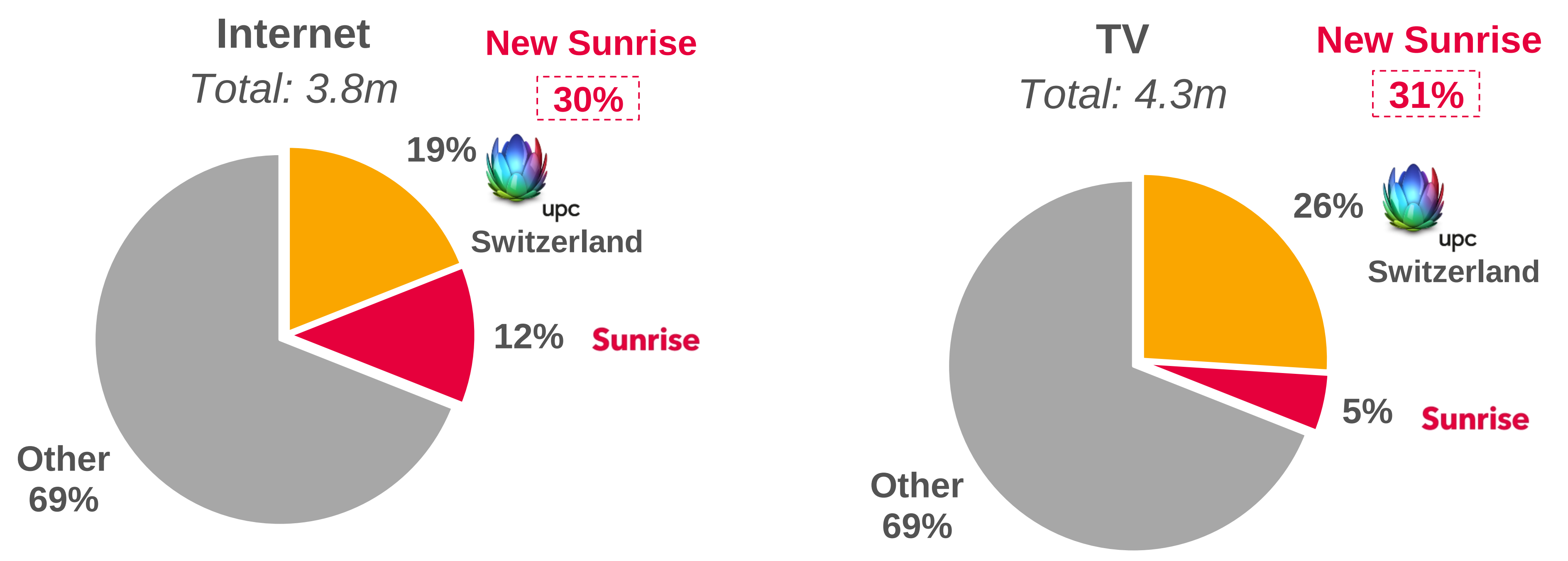
1 Reinforces Sunrise's position as the leading converged challenger	• Create a fully converged challenger nationwide with scale across all elements of the 4P bundle • #2 player in mobile, TV, fixed broadband and fixed voice with the scale to drive innovation, invest in new services and pursue growth by providing innovative and competitively priced offers • Increased combined customer base[1)]: 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	• Ownership of an advanced cable network, securing access to 2.3 million homes[2)] (~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	• 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	• 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 billion[3)]
5 Significant potential for further growth	• 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	• Favourable multiple relative to precedent convergence transactions despite low Swiss interest and tax rates
	  • CY2018A post synergies multiples[4)]: 10.9x adj. OpFCF[5)] and 8.0x adj. EBITDA[5)]
	  • CY2018A pre synergies multiples: 16.1x adj. OpFCF[5)] and 9.9x adj. EBITDA[5)]
	• Accretive to Sunrise's equity free cash flow per share from the first year post completion[4)]
	• 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

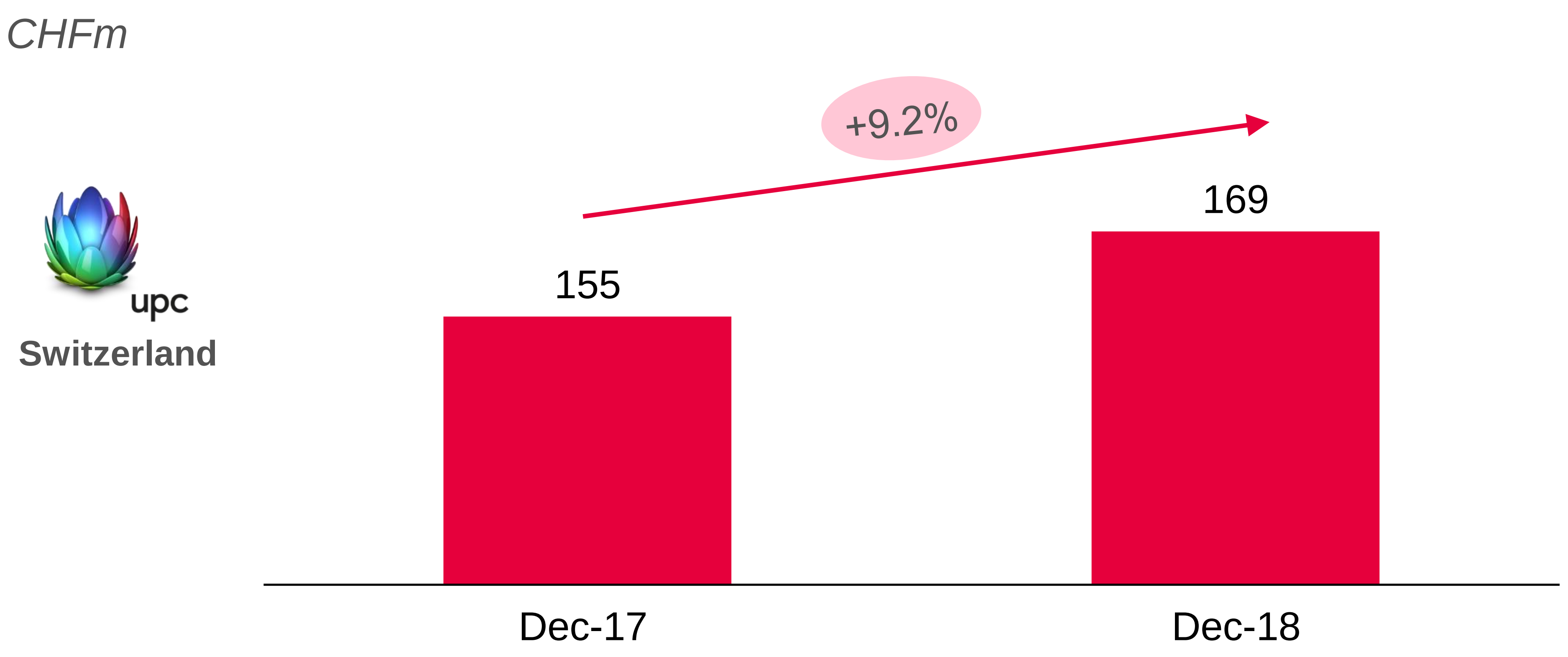
UPC Switzerland — a strong 3P provider

Switzerland's #2 fixed broadband and TV provider[1)]

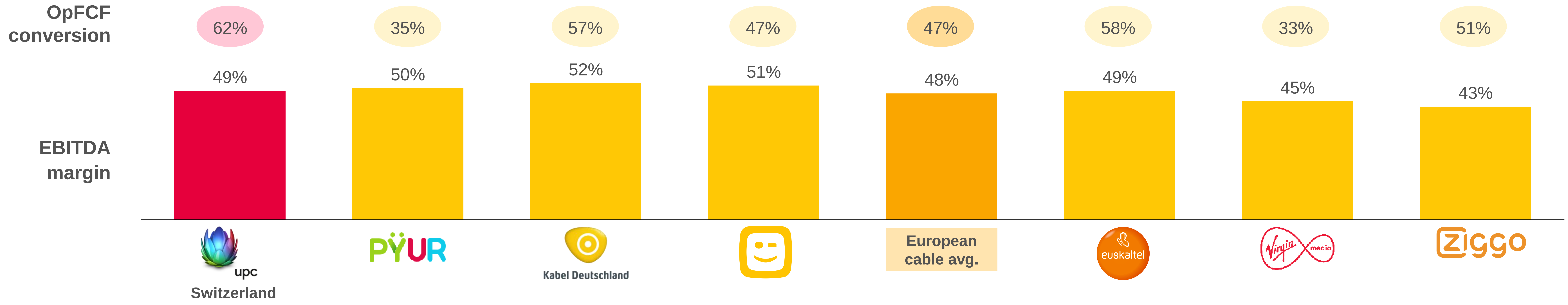


Note: As of Q3'18

Strong and growing B2B business[2)]



Attractive margins and best-in-class cash flow conversion profile[3) 4)]



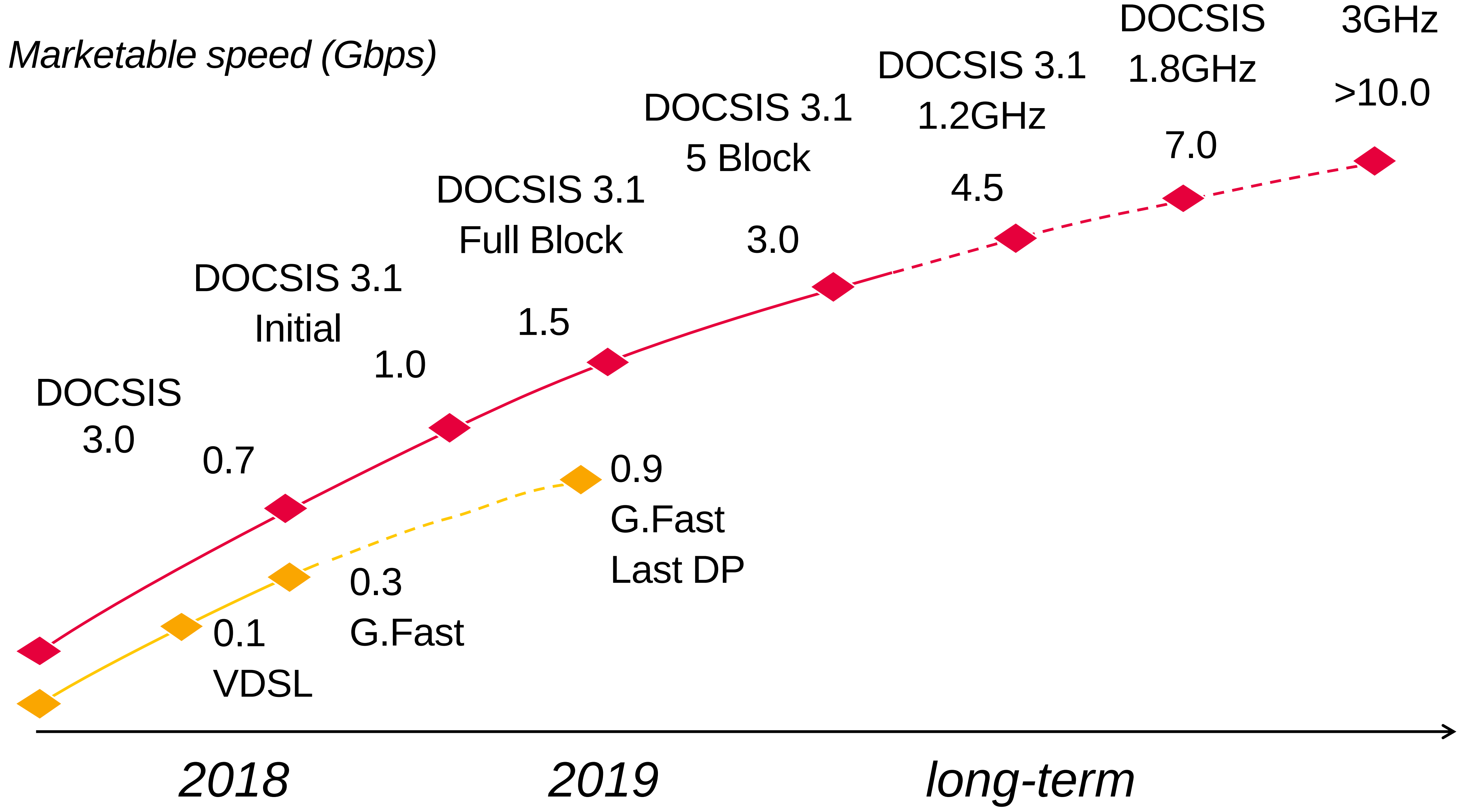
1) FTTH providers are not fully represented in the chart because no public information is available
2) Fixed B2B revenues (CHFm)
3) Based on Q318 LTM financials for Ziggo, Virgin Media, Euskatel, Telenet and PYUR (TeleColumbus). PYUR margin is based on normalised EBITDA as company reported. Kabel Deutschland 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

Sunrise

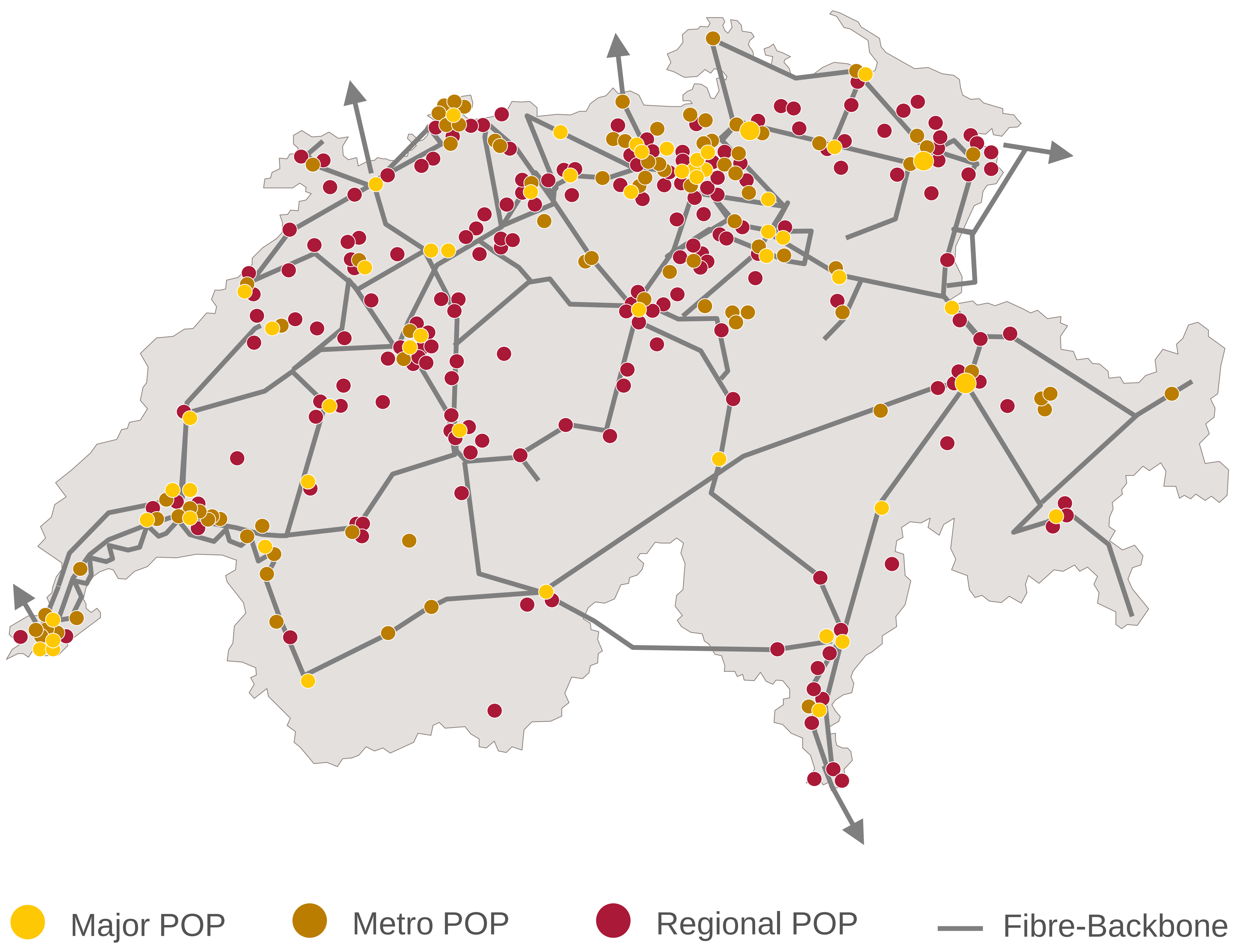
UPC Switzerland — superior next generation network

HFC network

- Network currently based on DOCSIS 3.0, with partial migration to **DOCSIS 3.1 planned for 2020**
- Clear roadmap to 1Gbps speed 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



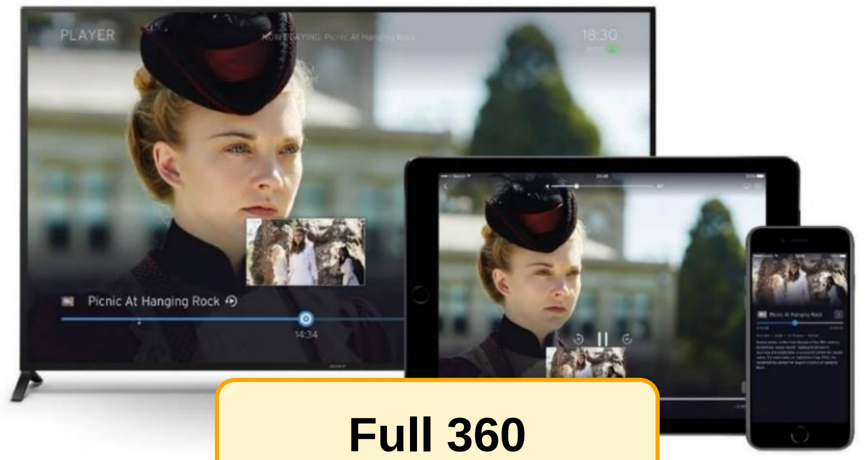
UPC Switzerland — leading entertainment offering

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 360^0 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


Voice control


4K + cloud


Full 360

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
- **360º** experience: new **UPC TV app**

TV + **Internet** + **Phone**

MySports

Cable offer		*OTT offer*
MY SPORTS one	MY SPORTS	MY SPORTS GO
*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*

Sunrise

UPC Switzerland — strategic growth initiatives

Comprehensive measures to improve current trajectory

	Strategy	Key initiatives
Entertainment	Improve TV experience with new platform driving sales and retention	• Introduction of New UPC TV with significantly enhanced and new features, including renewed UPC TV Go app and MySports "One"
Connectivity	Extend speed-leadership	• 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	• Incremental investments in FTE and systems for SMEs
Cross-sell and bundle with mobile	Cross-sell mobile and fixed into existing base	• Convergent offers for B2B and B2C customers, delivering superior customer experience
Digital transformation	Transform the company into a digital champion	• Revision of IT stacks, improvement of customer journeys and CVP architectures

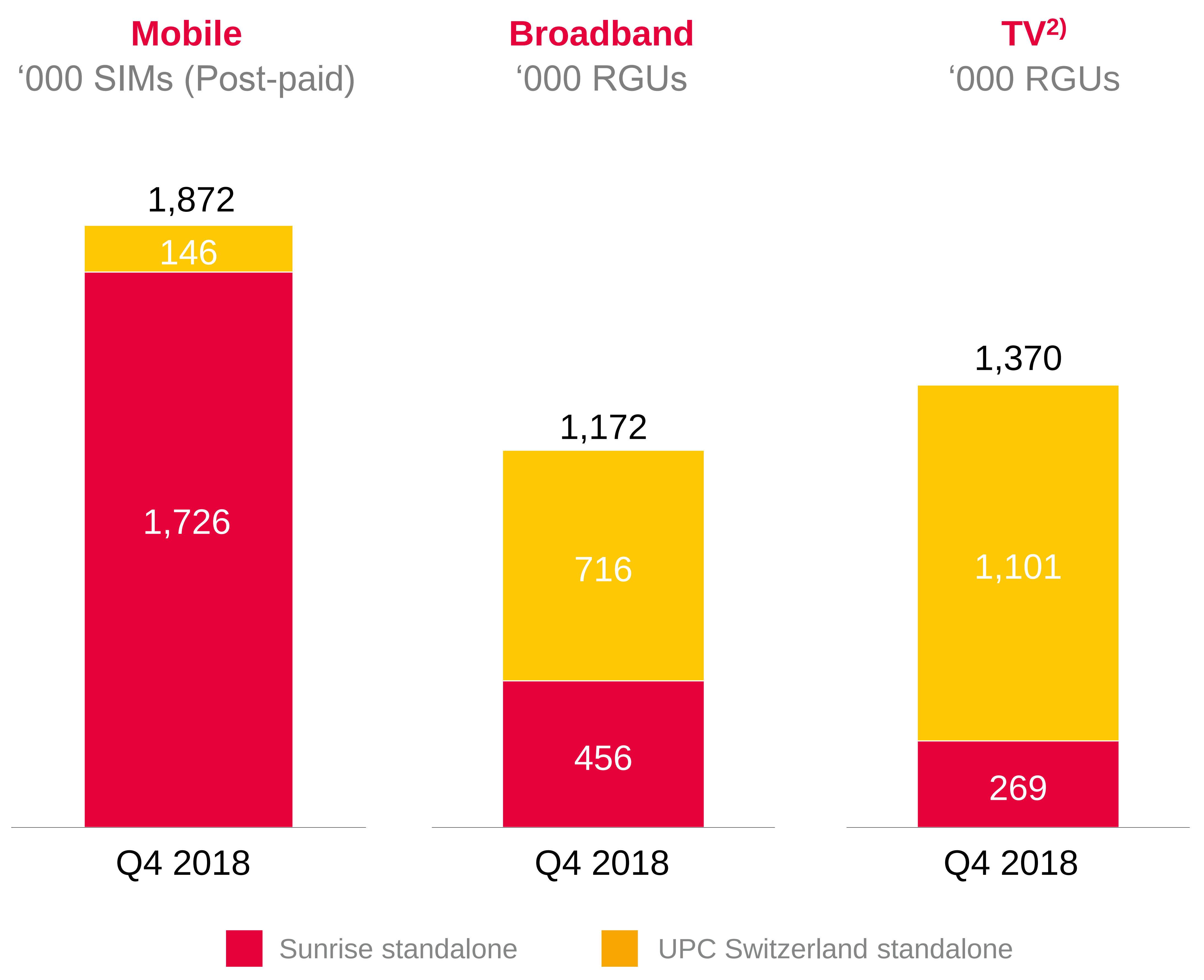
Outlook

- 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

Sunrise

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

Sunrise

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	• 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	• Own infrastructure with DOCSIS 3.0/3.1	Up to 1,000[1)]	DOCSIS	~60%[2)]	(speed)
FTTH	• Access deal with Swisscom • Long-term access agreements with utilities SFN, EWZ, SIG and IWB	Up to 1,000	FTTH[3)]	~30%	(reach & speed)
Copper / xDSL	• Own LLU with above 600 PoPs • Access 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

Sunrise

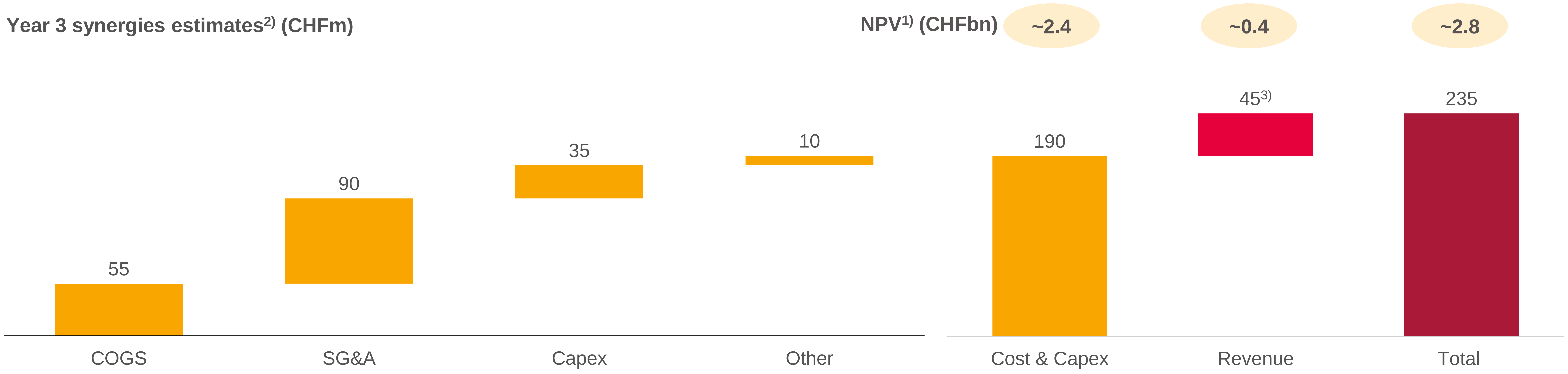
New Sunrise — growing in B2B

Bringing together 2 proven and complementary B2B operators

	Challenges before acquisition	Opportunities from acquisition
Business Mass Markets	Customers with **more complex needs** than retail customers	**Leading integrated telecom** provider for SoHo and SME companies
	Difficult to target as some customers are **“disguised” as retail customers**	Focus on a **broader converged portfolio**
	Less scalable than large enterprise	Wider and stronger **routes to markets**
Medium and Large Enterprise	**Market dominated** by Swisscom	Strengthen the **unlimited mobile workplace portfolio**
	Large players prefer **integrated solutions** (“one-stop” shop for all their needs)	Leverage **field force** to get closer to customers
		Increase **share of wallet** of existing customers

Sunrise

New Sunrise — significant value creation through cost and revenue synergies with ~CHF2.8 billion NPV[1)]



COGS
- Fixed network access cost
- MVNO savings
- Savings on content and interconnect costs

SG&A
- Removing duplicated functions
- Marketing
- Integrate IT systems
- Customer care and relation costs
- Sales & distribution rationalization

Capex
- IT & network rationalization
- Procurement optimization

Other
- Central allocations saving: mobile central cost, product and development

Revenue
- B2C cross-sell
- Leverage other B2C opportunity

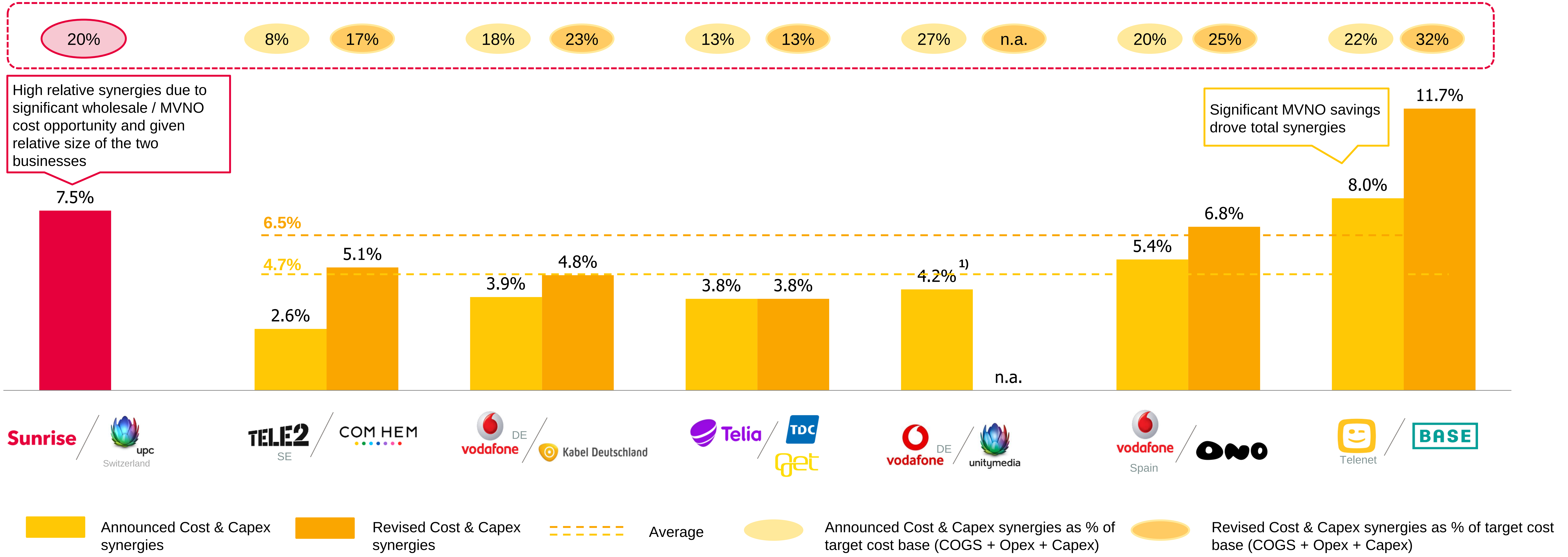
1) Post integration costs
2) Rounded numbers. Total integration costs of approx. CHF140-150 million over the course of 3 full years following completion, largely in the first 2 full years following completion
3) Year 4 EBITDA-equivalent synergy estimate

Sunrise

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

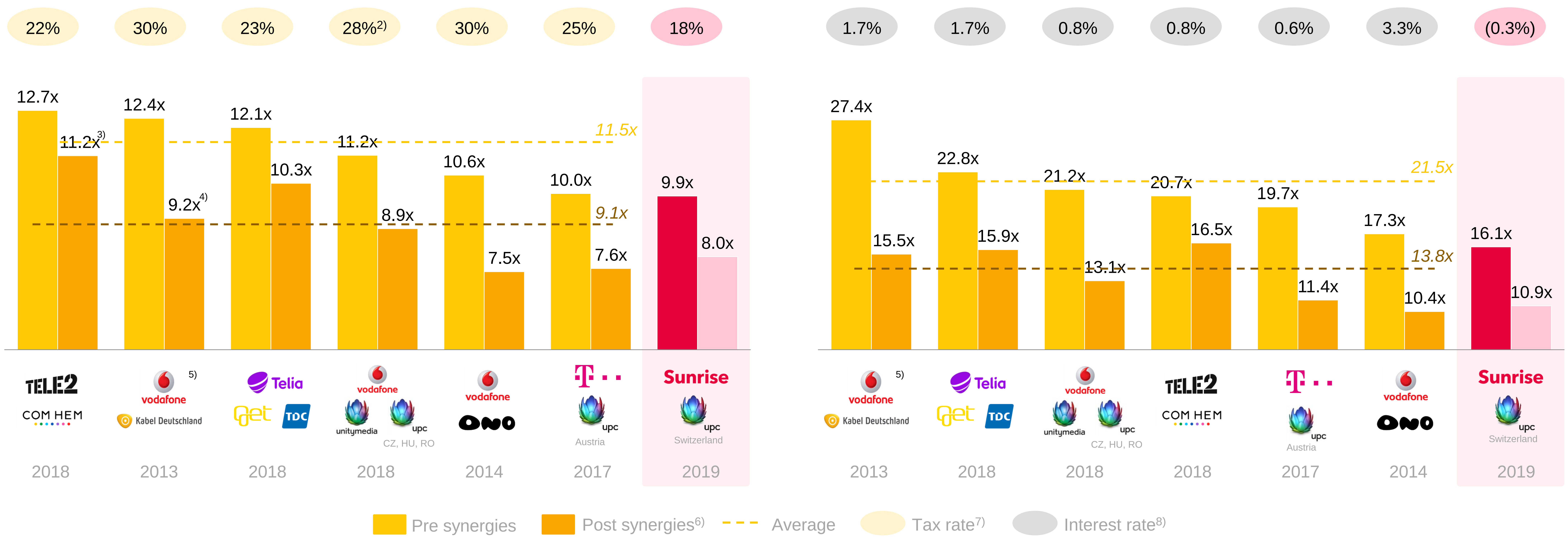
Sunrise

Attractive valuation compared to precedents

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

EV / EBITDA[1]

EV / OpFCF[1]



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

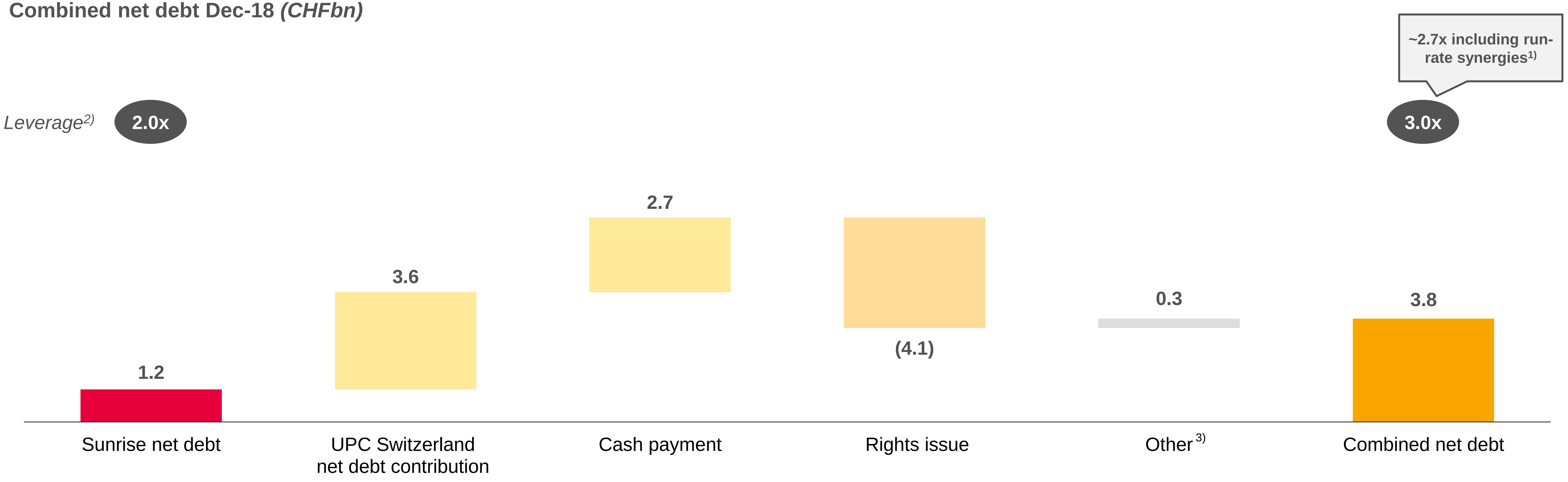
[8] Based on prevailing local 10y government bond yields for the respective countries of the target at the time of announcement

Sunrise

Prudent combined leverage @ ~2.7x post run-rate synergies[1)]

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

Sunrise

Fully underwritten transaction funding

Combination of debt and equity to maintain prudent capital structure

Transaction EV	CHFbn
Enterprise Value	**6.3**
of which UPC Switzerland net debt contributed[1)]	3.6
of which cash payment to LGI	2.7

- **Weighted average cost of UPC debt contributed: ~3.8%[2)]**

Fully Underwritten Rights Issue	CHFbn
Rights Issue	**~4.1**
of which cash payment to LGI	~2.7
of which debt paydown	~1.1
of which other[3)]	~0.2

Rights issue key terms:

- Underwritten at announcement
- Terms are expected to be published around EGM (post regulatory approval)
- Joint Global Coordinators and Joint Bookrunners: Deutsche Bank and UBS
- Joint Bookrunner: Morgan Stanley

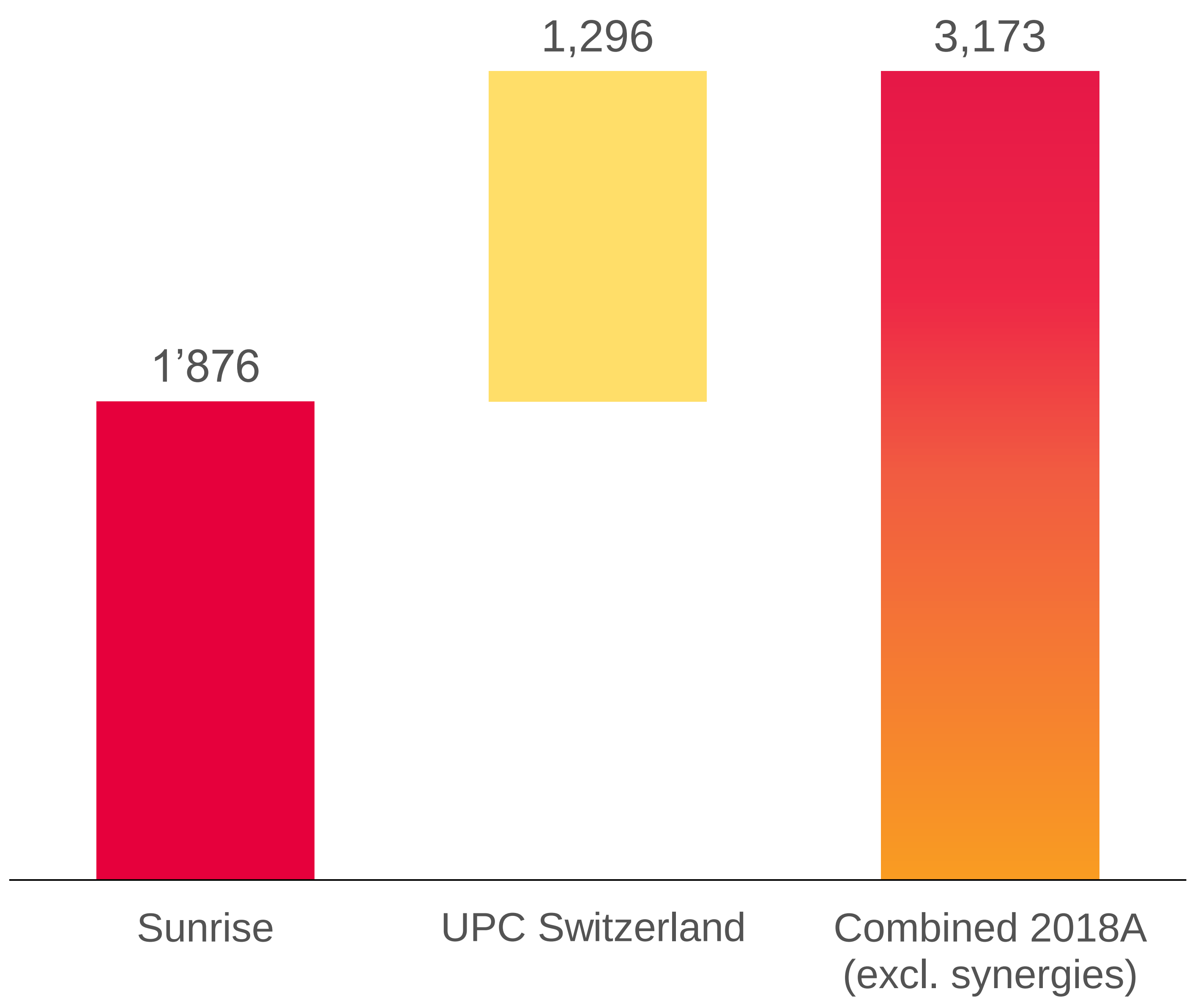
1) Relating to the outstanding senior secured notes issued by UPCB Finance IV Limited and UPCB Finance VII Limited and other debt-like items
2) Average of 4 years cost of debt
3) Estimated transaction cost less cash on balance sheet used

Sunrise

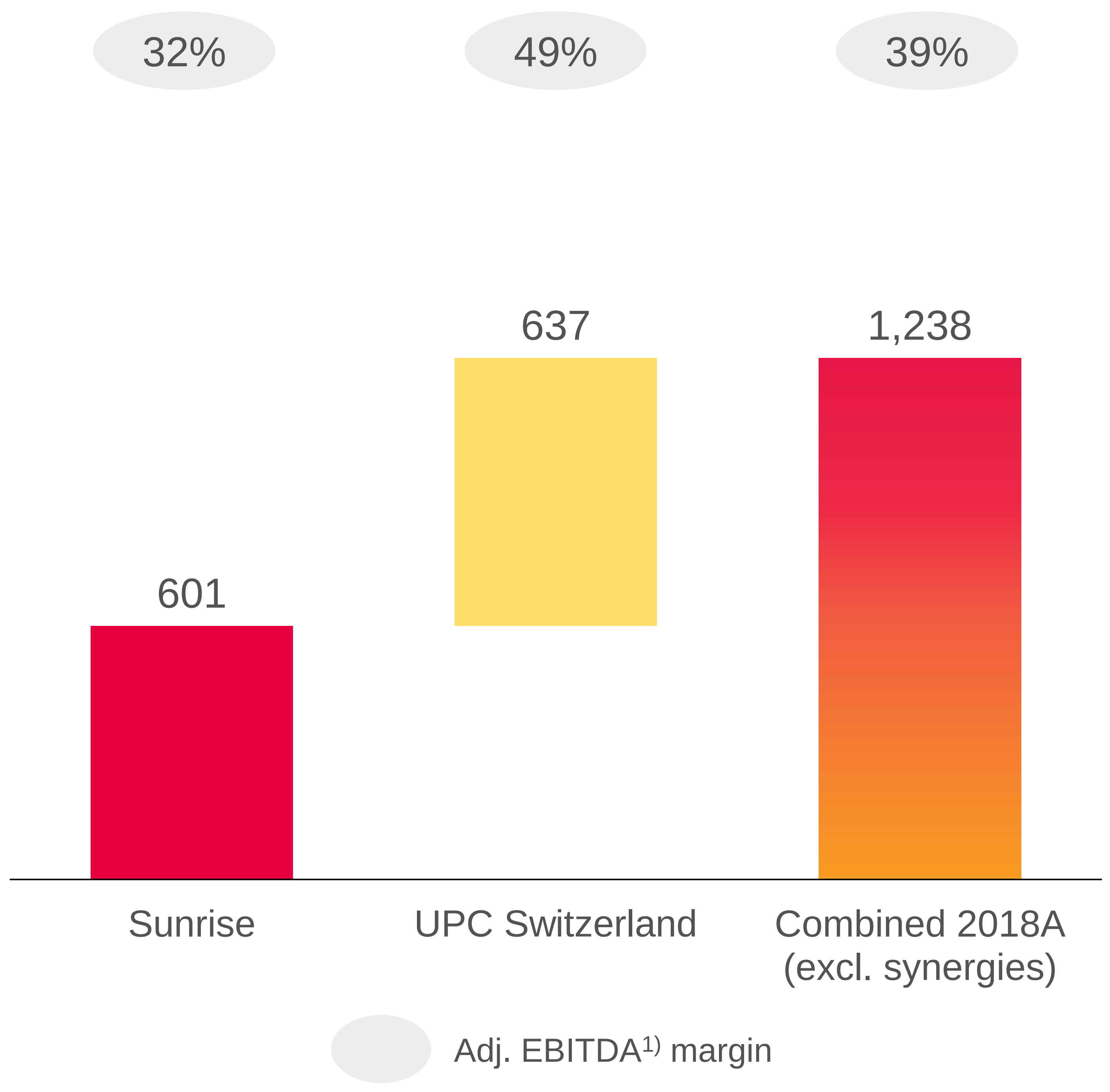
Attractive combined financials[1)]

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

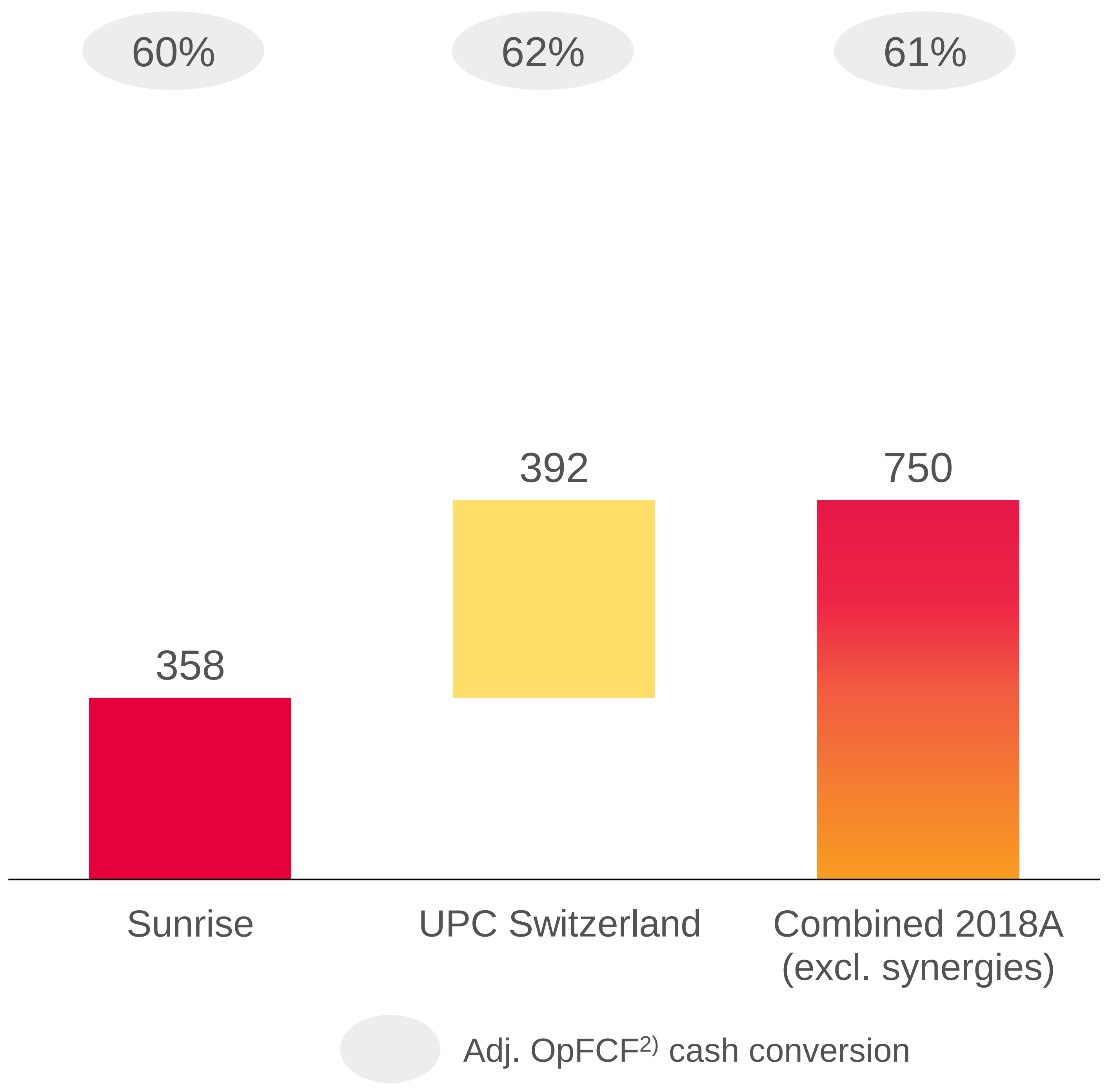
Combined revenues[1)] (CHFm)



Combined adj. EBITDA[1) 2)] (CHFm)



Combined adj. OpFCF[1) 3)] (CHFm)



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

Sunrise

Expected closing during the second half of 2019

27 February 2019: Transaction signing and announcement. Q4 and FY 2018 results release

10 April 2019: AGM

Q2/Q3 2019: Regulatory approval and EGM

Second half of 2019: Transaction closing

Sunrise

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. OpFCF[1)] 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 NPV[2)]
4. Prudent combined leverage of 2.7x net debt / EBITDA[3)] 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

Appendix

Sunrise

Implied valuation multiples reconciliation

UPC Switzerland financial metrics (2018)

CHFm	**Sunrise reporting**	**Liberty Global reporting**
EV	**6,300**	**6,300**
OCF[1)]	**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

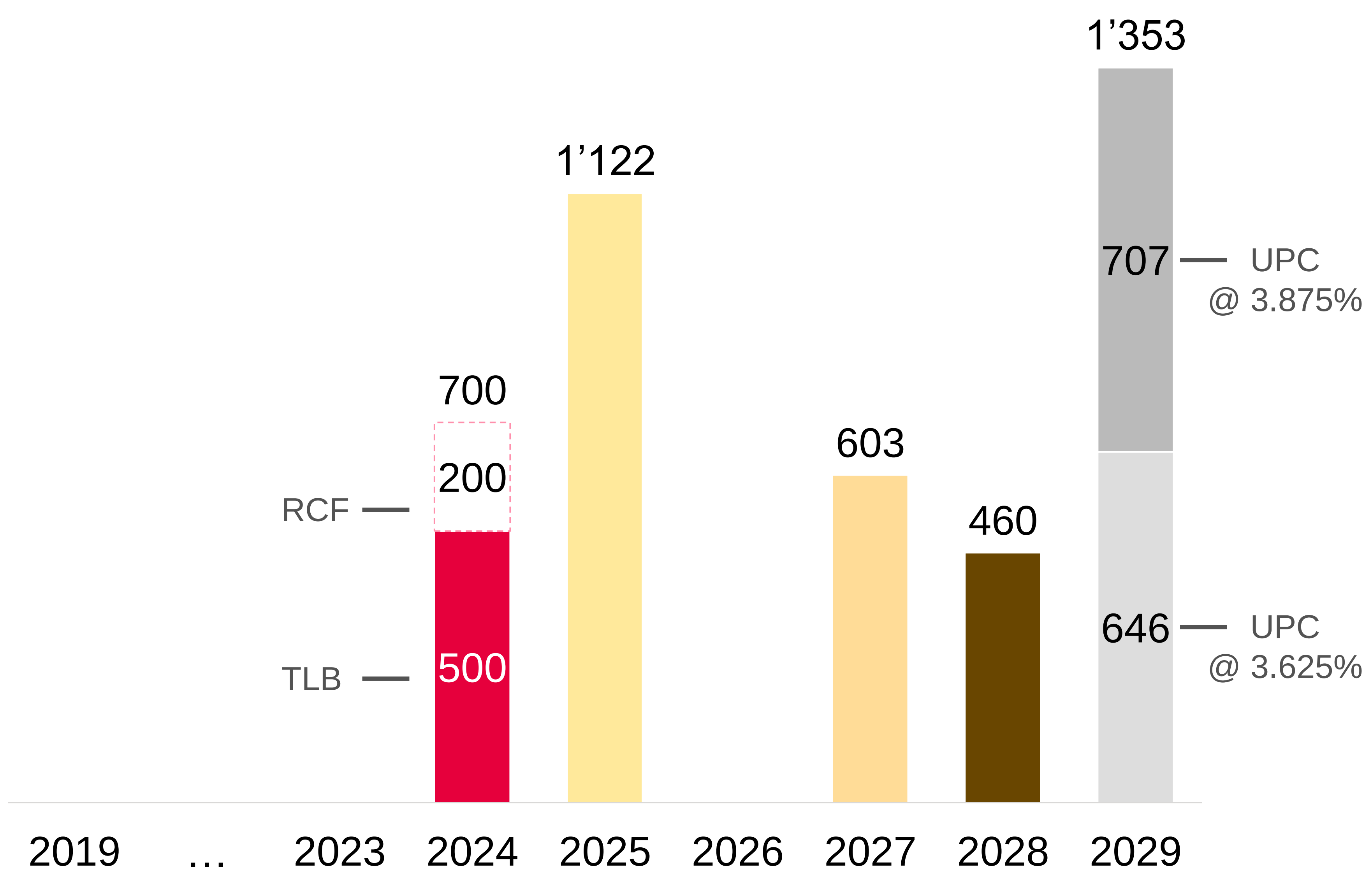
Sunrise

Overview of combined capital structure

CHFm, unless stated otherwise		Sunrise (FY'18A)	Adjustments	Combined (FY'18A)	Maturity
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]

Maturity profile (CHFm)



[1] Total UPC Switzerland nominal debt of CHF3,538m (at swapped rates)
[2] Average of 4 years cost of debt

Sunrise

Overview of combined financials

Dec-18, CHFm	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

Sunrise and UPC Switzerland adj. eFCF

Dec-18, CHFm	**Sunrise**	**UPC Switzerland**	**Comments**
EBITDA[1)]	**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. eFCF[1)]	**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

Sunrise

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. recharges as reported) (CHFm)					
Revenues	327	327	318	324	1,296
OCF	177	186	188	181	732
Margin	*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
Cash conversion	*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

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