Acquisition of UPC Switzerland

Key facts regarding freenet assertions

8 October 2019

Sunrise

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Key facts regarding freenet assertions

	freenet assertion	Key facts	Public references
1 Strategic rationale	• Strategic Rationale Of The Transaction Challenged by Technical Progress	• Data requirements are ever-increasing and only a company that offers a combination of 5G and high-speed broadband landline connections will be able to satisfy the fast growing data and communications needs of Swiss consumers and businesses • Cable networks are more robust and less restrictive for large scale data transfers than the mobile network, even in a 5G environment, especially given Swiss radiation regulations and indoor reception through walls • For 5G to replace fixed high-speed broadband networks in urban and sub-urban areas, the strict Swiss emission norms would require a substantial amount of new mobile sites to be built. This is economically inferior in comparison to using existing cable and fibre infrastructure, even if the lack of availability of new sites could be overcome • Sunrise is recognised as one of the best mobile networks in Europe and has real world experience of owning 5G spectrum and rolling out a 5G radio access network across Switzerland. Sunrise was the first operator to launch its 5G network across Switzerland (covering at least 80% of the local population in 262 towns and locations across Switzerland). We are proud of our leading 5G network but we also know its limitations • Cable, fibre and mobile networks complement each other – 5G alone will not be able to offer necessary bandwidth requirements for ever increasing data volumes, especially in more dense populated areas in which cable and fibre networks are available already • 5G mobile broadband services will also be complementary to high speed fixed broadband networks in rural areas, where 5G will specifically be positioned to replace Swisscom's xDSL/fixed copper network in regions without cable and fibre • The Swiss Competition Commission has granted approval to the transaction because it was convinced that Sunrise and UPC will complement each other perfectly and that, as a consequence, New Sunrise as a significantly stronger challenger is going to further stimulate competition in the market • The complementary nature of UPC's fixed network technology will be helpful to progress further with 5G. UPC's existing fixed infrastructure could supply backhaul for mobile infrastructures in certain circumstances, to save investment and speed up deployment of an integrated infrastructure • In February 2019, freenet CEO publicly stated that he believes in the industrial logic of the transaction and the synergies ("And I have a very strong opinion that those synergies are extremely valid, given the capabilities, the capacities of the management team, I strongly believe in it. We have always said that by an industry logic and by the specific environment in Switzerland, we think the deal as such is a favourable deal.") • Neither freenet nor its management have any direct experience owning and managing mobile spectrum or a mobile radio access network, nor in fact of owning or managing a high-speed broadband cable network	• Network test CH connect 2019 on Sunrise website • "Shareholder Information Document" page 139 on Sunrise IR website • "White Paper Cable Networks Switzerland Marc Furrer" on Sunrise IR website • freenet Q4 18 earnings release transcript • "Fixed and Mobile Convergence in Europe" report from European commission, page 31-37 • Refer to appendix page 13/16

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Key facts regarding freenet assertions

	freenet assertion	Key facts	Public references
1 Strategic rationale	• The Next Generation Fixed Network Infrastructure is Fibre (FTTH), not Cable	• UPC's high-speed broadband network covers ~60% of Swiss households (~75% along with partner network[1]) and is based on 18,000 km of fibre optic backbone. Coax cable is used only for last mile access • UPC has the ability to provide speeds of 1 Gbit/s and beyond through DOCSIS 3.1 technology, which is similar to speeds available through the Swisscom / local utility fibre network which currently only has a household coverage of ~30% • Fibre is not expected to be able to match the coverage of UPC's network in the medium term because of the significant investments required. Market expectations are for fibre to only reach coverage of ~40% in the medium term, which means that UPC's network should give Sunrise a long-term structural advantage • UPC's network is significantly outperforming Swisscom's xDSL/fixed copper networks in the remaining regions	• "Shareholder Information Document" page 1/3 on Sunrise IR website • "CEO letter to shareholders" page 2 on Sunrise IR website • Refer to appendix page 14/15
	• Sunrise Has Credible Alternatives for Fibre Access	• Fibre network coverage will not be able to match the coverage of UPC's network, whose well dimensioned capacity allows it to handle higher speeds and volumes over time in an efficient and cost effective manner • In Switzerland, challengers like Sunrise do not have the benefit of regulated access to last mile fibre. Reducing our dependency and payments to a competitor that is lightly regulated is critical for the continued success of our business • The benefits of owning the network are also significant from a cost perspective. Currently, Sunrise pays a large annual bill to a large competitor for use of its infrastructure and has no assurance that these terms will be extended beyond the life of the contract	• "CEO letter to shareholders" page 2 on Sunrise IR website
	• Fixed-Mobile-Convergence in Switzerland Already Exists	• Sunrise fixed-mobile convergence levels are well below European peers • Sunrise convergence products rely on wholesale access to fixed broadband access infrastructure. In a market without regulated access to last mile fibre, owning the network brings important strategic and cost benefits • UPC transaction delivers scale from the outset. Sunrise standalone has a market share of 6% in TV and 13% in Broadband, which will increase to 31% and 30%, respectively, on a combined basis • Comparing Switzerland to other European markets is not appropriate: – the incumbent is less regulated, particularly around providing price regulated wholesale access to fibre – in some markets, local municipalities and housing associations fund fibre build-outs (e.g. the Nordics). In others, it is possible to use building facades (e.g. Spain) which significantly reduces the cost and time to roll-out – labor costs are lower vs Switzerland	• "Western Europe telecoms market: trends and forecasts 2018–2023 " report from Analysys Mason, page 17 • "Shareholder Information Document" page 145 on Sunrise IR website • "Update on UPC Transaction" page 3 on Sunrise IR website

1) As mentioned in UPC Switzerland press release dated 25-Sep-19

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Key facts regarding freenet assertions (continued)

	freenet assertion	Key facts	Public references

2 Purchase price	• Purchase price and implied valuation for UPC Switzerland are too high	• The transaction is priced at favourable multiples relative to precedent convergence transactions
		  • 7.7x EV/2018A EBITDA vs. precedents average of 9.1x (post run-rate cost synergies)
		  • 10.2x EV/2018A OpFCF vs. precedents average of 13.8x (post run-rate cost & capex synergies)
		• The transaction is even more favourable priced when considering low Swiss interest and tax rate
		  • 5.7x EV/2018A EBITDA and 7.2x EV/ 2018A OpFCF on a like for like basis to European precedents when adjusting for lower Swiss interest and tax rate
		• Sunrise has received two independent fairness opinions supporting the purchase price
		• Combination of higher estimated synergies with NPV of ~CHF3.1bn following the completion of detailed integration planning over the last six months together with better than expected UPC Switzerland performance further support the purchase price
		• Transaction is expected to be significantly equity free cash flow per share accretive from year 1 (before integration costs and including run-rate synergies), broadly doubling compared to announcement
			• "SRCG Roadshow Presentation" page 7 on Sunrise IR website
			• ValueTrust "Fairness Opinion" page 45 on Sunrise IR website
			• "Sunrise Board comments on announcement by freenet AG" on Sunrise IR website
			• Refer to appendix page 17

	• The Transaction is Expensive Considering Performance, Cable and UPC Outlook	• Sunrise used conservative assumptions for UPC's operational and financial performance at the time of announcement in February, fully factoring in the current turn around scenario. Since then, UPC's results for H1 2019 were in-line with UPC's turnaround plan and ahead of our own more conservative plan, leading to a CHF10-15 million higher 2019E OpFCF
		• Sunrise will leverage its strengths to accelerate the stabilisation of UPC's EBITDA post acquisition by leveraging its leading nationwide distribution network and shops (e.g. we have 95 shops vs UPC's 10), leading brands, superior customer service and a full scale mobile offering
		• Even when taking into account forward multiples based on trough 2019 forecasts (which takes into account the negative growth), the transaction multiples compare favourably to precedent transactions
		  • ~8.5x EV/2019E EBITDA (post run-rate cost synergies) and ~6.5x when adjusting for low Swiss interest and tax rate
		  • ~12.5x EV/ 2019E OpFCF (post run-rate cost & capex synergies) and ~9.5x when adjusting for low Swiss interest and tax rate
			• "Q2 2019 Financial Results presentation" page 9 on Sunrise IR website
			• "CEO letter to shareholders" page 3 on Sunrise IR website
			• "Update on UPC Transaction" page 13 on Sunrise IR website
			• Refer to appendix page 17/18

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Key facts regarding freenet assertions (continued)

	freenet assertion	Key facts	Public references
2 Purchase price	• Valuation Appears Rich on a Subscriber and RGU Basis	• EV/RGU is not a credible valuation metric that is recognised or considered by market investors or analysts, who predominantly use cash flow and EBITDA metrics for comparison rather than per subscriber metrics as it fails to take into consideration the relative value of each subscriber (e.g. a Swiss subscriber generates more revenue than an emerging market subscriber) • In order to have a proper comparison, EV/RGUs and EV/Subscribers multiples need to be adjusted for the revenue generated by each subscriber and the cash flow generation capacity of the businesses • UPC's EV / RGU and EV / Customer multiples are clearly favourable when adjusting for UPC Switzerland's higher revenue generating Swiss customers and stronger cash flow generation • UPC's EV / RGU and EV / Customer are in line with precedents based on customer value and at a discount when adjusting for the Swiss premium	• Refer to appendix page 19/20
	• Fairness opinion highlights significant downsides	• Sunrise independent fairness opinions take into account the declining performance of UPC Switzerland and supports the purchase price of CHF6.3bn, particularly including synergies • ValueTrust fairness opinion shows transaction is value accretive for shareholders even in downside scenarios (and significantly accretive in base case scenario) • The ValueTrust fairness opinion does not indicate significantly more downside than upside but rather considers more downside cases in its simulations to take a more conservative stance	• Refer to appendix page 21 • Refer to ValueTrust fairness opinion

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Key facts regarding freenet assertions (continued)

	freenet assertion	Key facts	Public references
3 UPC Switzerland performance	• Operational Turnaround Yet to be Achieved on KPI Level	• The Sunrise Board and management team conducted very thorough due diligence on the business for over a year before the announcement and developed a detailed integration plan together with our own technical, network and accounting experts, complemented by outside experts • Based on the H1'19 performance of UPC, we are pleased to see that the turn-around plan remains on track and well ahead of Sunrise's own more conservative plan, which led us to increase our estimates by approx. CHF10-15m 2019E OpFCF • UPC's customer ARPU and take-up of mobile and convergent offerings continue to grow underpinned by strong momentum in the mobile base. The increase in convergent customers (4pp yoy increase in Q2'19) translates into reduced churn driving customer lifetime value • UPC continues to invest for long term growth rather than drive short term EBITDA gains, as evidenced by the major capital expenditures in the UPC TV offering, the 1 Gbps roll-out and the digitisation initiatives • The roll out of UPC TV is progressing well, in line with the expectation of UPC to cover more than 50% of the video base by the end of this year. The successful TV transformation also continues to generate high levels of customer satisfaction, demonstrated by the significantly higher NPS than the legacy TV platform • The network quality is improving faster than expected. The DOCSIS 3.1 upgrade was completed on 25 September 2019 and increased the maximum internet speed to 1 Gbps for TV and internet subscribers	• "Q2 2019 Financial Results presentation" page 9 on Sunrise IR website • Refer to appendix page 22 • "UPC launches 1 Gbit/s Internet overnight in its entire footprint"
	• UPC Switzerland cash flows driven by mobile hardware revenue	• Residential non-subscription revenues (incl. revenues from sale of equipment, i.e. mobile hardware) for the 6 months ending June 2019 broadly similar to the 6 months ending June 2018 • Residential non-subscription revenues accounting not for more than ~8-10% of total residential revenues between FY16 and H1 19 • UPC mobile hardware revenues have low margins (as with Sunrise mobile hardware revenue) and does not have a significant impact on UPC's EBITDA or cash flow	• "Shareholder Information Document" pages 111+112 on Sunrise IR website

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Key facts regarding freenet assertions (continued)

	freenet assertion	Key facts	Public references
4 **Sunrise shareholders value loss**	• Sunrise shareholders lost c. CHF0.4bn in value YTD	• Shareholders are value neutral when adjusting Sunrise share price since announcement for dividends paid • Prior to announcement of the transaction, Sunrise share price incorporated M&A bid speculation of a takeover offer from Liberty, as reflected in several analyst target prices including a takeover premium (which was removed post announcement of the transaction) • Share price decline post announcement was also driven by technical pressures due to the capital increase, as is customary for a rights issue of this size • freenet's opposition to the deal and mixed messages has created a potential overhang on the share price with concerns they might look to monetise their stake in Sunrise in order to reduce their high leverage	• Refer to appendix page 23-25
5 **Transaction structure**	• Sunrise Shareholders are Facing an Unprecedented Capital Ask • All-cash acquisition leaves execution risks with existing Sunrise shareholders	• Since the announcement of the transaction, Sunrise has met with more than 200 investors; the new enhanced financing structure reflects the feedback from our shareholders (incl. freenet), with a significantly reduced rights issue size of CHF2.8 billion, broadly doubling equity free cash flow accretion per share vs initial announcement • The transaction structure allows Sunrise investors to benefit from the transaction by retaining >60% of the synergies (as evidenced by Sunrise shareholders retaining full upside from the revised synergies) and continuing to receive a progressive dividend • Shareholders are offered the right to participate in the rights issue (pre-emptive) or can sell their rights in the market • The proposed rights issue exceeds disclosure best practice for Swiss rights issues • The enhanced transaction structure ensures a prudent capital mix, while maximising shareholder returns. It has been structured to lower the investment required from Sunrise shareholders through the capital increase while providing the company with the financial flexibility to continue to invest for growth	• "Sunrise Board comments on announcement by freenet AG" on Sunrise IR website • "Shareholder Information Document" page 59 on Sunrise IR website

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Key facts regarding freenet assertions (continued)

	freenet assertion	Key facts	Public references
5 **Transaction structure**	• Deal risks are fully underwritten by Sunrise shareholders	• The discussions with Liberty Global started with a partially stock-funded transaction, in which Liberty Global would have retained a minority equity stake in New Sunrise. Following detailed negotiations, the parties were unable to agree on valuation, governance, leverage, and distribution policy, and determined to proceed with an all-cash structure • The freenet Board representatives were involved in all of these Board discussions, supported the initial all-cash offer and associated CHF4.1 billion rights issue which were both unanimously approved by the Board at the time the binding offer was made to Liberty Global. Since then, freenet has changed its view • Based on the revised synergies announced on 22 August 2019 with a NPV of CHF3.1 billion, Sunrise shareholders retain more than 60% of expected total synergy realisation, which is favourable compared to precedent convergence transactions • The transaction structure allows Sunrise investors to benefit from the transaction by retaining a large portion of the synergies (as evidenced by Sunrise shareholders retaining full upside from the revised synergies) and continuing to receive a progressive dividend • Shareholders' ability to vote at the EGM on 23rd October 2019, i.e. provides them with the ultimate protection under the contract (more than in other precedent transactions)	• "Sunrise Board comments on announcement by freenet AG" on Sunrise IR website • "Q2 2019 Financial Results presentation" page 11/12 on Sunrise IR website
6 **Debt structure**	• There is a significant value transfer (>EUR300m) from Sunrise shareholders to UPC bondholders resulting from Sunrise taking over UPC bonds	• The debt portfolio transferred as part of the transaction provides Sunrise with an attractive, long-term capital structure at favourable interest rates and flexible covenants • The weighted average cost of debt of UPC debt portfolio compared favourably at the time of the announcement to the alternative of raising new debt, especially when accounting for savings on new debt issuance fees and new issue spreads, while avoiding market and execution risks • Debt market conditions have improved since the time of announcement and the trading price of UPC bonds have risen, the opportunity to Sunrise remains marginal and does not constitute a value transfer from Sunrise shareholders to Liberty Global • Value increase of UPC bonds has been driven by general market conditions; Sunrise CHF200m bond has experienced a similar value increase • The trading price of UPC bonds has no direct impact on the value for Sunrise shareholders. The coupon payable and the principle amount to be repaid at maturity does not change • Revised financing structure results in reduced weighted average cost of debt of ~3.2% vs ~3.6% in the originally announced structure	• "Sunrise Board comments on announcement by freenet AG" on Sunrise IR website • Bloomberg Markit iTraxx Europe Crossover and publicly traded UPC bonds as well as Sunrise CHF200m note[1)] • "Update on UPC Transaction" page 6 on Sunrise IR website

1) UPCB Finance VII Ltd 3.625%, UPCB Finance IV Ltd 4.000%, UPC Holding 3.875%, Sunrise CHF200m notes

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Key facts regarding freenet assertions (continued)

	freenet assertion	Key facts	Public references
7 **Corporate Governance**	• Sunrise Executive Board Stands to Benefit from Transaction Approval	• Since adoption of the so-called Minder initiative by the Swiss electorate in a referendum in March 2013, the executive compensation of all Swiss listed companies is a matter to be determined by shareholders in an annual, binding "say on pay" vote, whereby the general meeting votes separately on the aggregate compensation amount of the board of directors, the executive management and the advisory board • According to the Sunrise articles of association, "general meeting approves annually and separately the proposals of the Board of Directors in relation to the maximum aggregate compensation of (1) the Board of Directors, for the period until the following ordinary general meeting; and (2) the Executive Leadership Team, for the following business year" • At the annual general meeting on 10 April 2019, Sunrise shareholders voted in favour of the proposed compensation of the executive leadership team for the financial year 2019 and 2020 with a majority of 77.71% and 77.74%, respectively • In 2018, Olaf Swantee, CEO of Sunrise, earned a lower total compensation than Christoph Vilanek, CEO of freenet despite Sunrise's larger size than freenet (market capitalisation as of 31 Dec 2018 of CHF3.7bn vs CHF2.2bn), and Sunrise's better TSR performance than freenet (2018 TSR of +2.2% vs -42.5%)	• Sunrise Corporate Governance Principles • Sunrise 2019 AGM • Sunrise Reports & Presentations • freenet Publications

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Key facts regarding freenet assertions (continued)

	freenet assertion	Key facts	Public references
7 **Corporate Governance**	• Questionable Business Practice by Sunrise Management	• The entire Board of Sunrise has been closely involved in the evaluation of the transaction and the oversight of the process for more than a year prior to the decision to enter into binding agreements with Liberty Global in February 2019 • The freenet Board representatives were involved in all of these Board discussions, including the most recent meeting to approve the enhanced transaction structure, and supported the CHF6.3 billion all-cash offer and associated CHF4.1 billion rights issue which were both unanimously approved by the Board at the time the binding offer was made • On 22 August, following freenet's announcement dated 16 August 2019, the Board of Sunrise determined that freenet's Board representatives suffer from a conflict of interest and resolved to conduct further discussions with unconflicted Board members • On 30 September, following extensive discussions with its shareholders, Sunrise announced an enhanced transaction structure with a significantly reduced rights issue size of CHF2.8 billion, broadly doubling equity free cash flow accretion per share • The Sunrise Board, at multiple occasions, attempted to engage constructively with freenet to better understand its objectives and find a mutually acceptable solution • Sunrise retained ValueTrust to provide an independent fairness opinion which has been disclosed publicly • Sunrise remains committed to best in class corporate governance practices and exceeds Swiss best practice standards on independence, diversity and variety of director backgrounds with six nationalities represented • The Sunrise's corporate governance has been awarded by several independent governance ratings agencies, including #1 ranking by InRate's zRating study in September 2019 for the second time in a row	• Sunrise Reports & Presentations • "Sunrise wins the zRating study by Inrate once again with the best corporate governance" press release • https://www.inrate.com/en/
8 **Sunrise standalone**	• Sunrise has strong standalone prospects	• Increased competitive pressure from Swisscom and Salt • Sunrise will be forced to continue to wholesale fibre from Swisscom, who will have the ability to raise prices at its discretion given there is no price regulation on fibre. Swisscom could decide not to extend the contract • Salt could acquire UPC Switzerland, bolstering its position in the highly competitive Swiss telecommunications market, weakening Sunrise market position in a challenging competitive environment • Competitive pressure from UPC's mobile push and the attractive discounts of Swisscom's InOne plans • Complications associated with internalising backhaul services via wholesale deals rather than via the acquisition of UPC • Significant missed opportunity to create a strong and more valuable Sunrise by foregoing CHF3.1bn of synergies NPV	• Sunrise Reports & Presentations

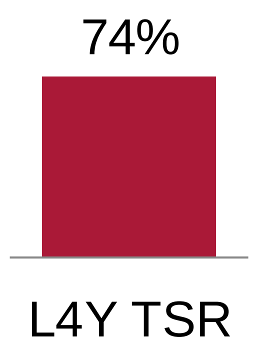
Appendix
Supporting materials

Sunrise is an experienced mobile network operator

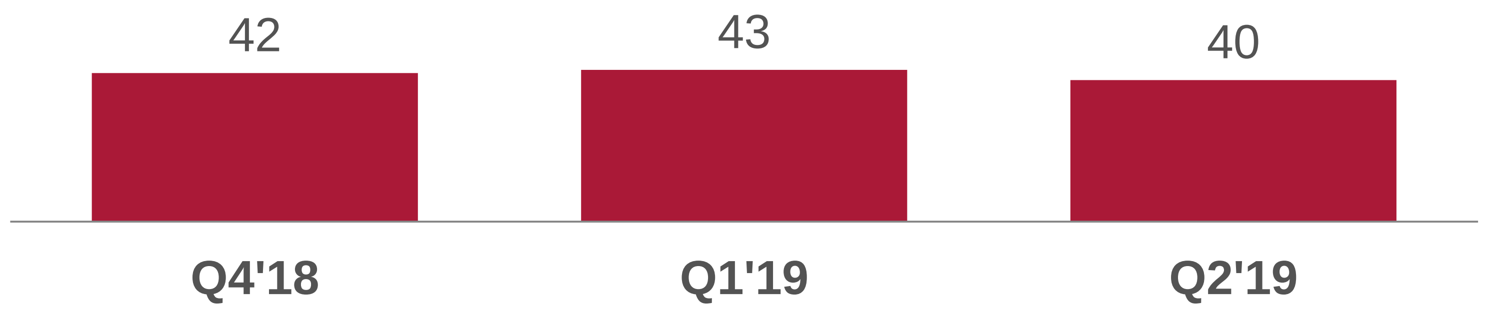
Sunrise has one of the best mobile networks in Europe. Sunrise is excited about the prospects of 5G, but also aware of its limitations

	Sunrise	freenet
Value creation track record	See charts below	See charts below
Operation performance track record	*Post-paid customers net adds ('000)*	*Post-paid customers net adds ('000)*
Mobile network expertise	**Mobile spectrum (excl. 5G): 160MHz** – 800MHz FDD: 2x10MHz – 900 MHz FDD: 2x15MHz – 1,800 MHz FDD: 2x20MHz – 2,100 MHz FDD: 2x10MHz – 2,600 MHz FDD: 2x25MHz – 2,600 MHz TDD: 0MHz **5G spectrum: 135MHz** – 700MHz FDD: 2×5MHz – 700MHz SDL: 10MHz – 1,400MHz: 15MHz – 3,500-3,800MHz TDD: 100MHz	**Mobile spectrum (excl. 5G):** none **5G spectrum:** none
Management experience in mobile network operator	**CEO** – More than 12 years experience in mobile network operators – Executive VP in Orange and CEO in EE prior to joining Sunrise in 2016 **CFO** – More than 15 years experience in mobile network operators – VP and CFO in O2 Germany prior to joining Sunrise in 2015	**CEO** – VP of customer care in debitel (reseller) prior to joining freenet in 2009 – No experience in managing a mobile or cable network operator **CFO** – Joined freenet in 2008 – No experience in managing a mobile or cable network operator

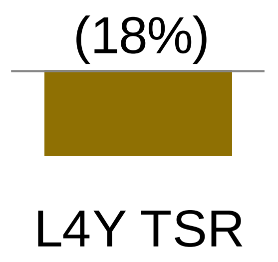
Sunrise – Value creation track record:

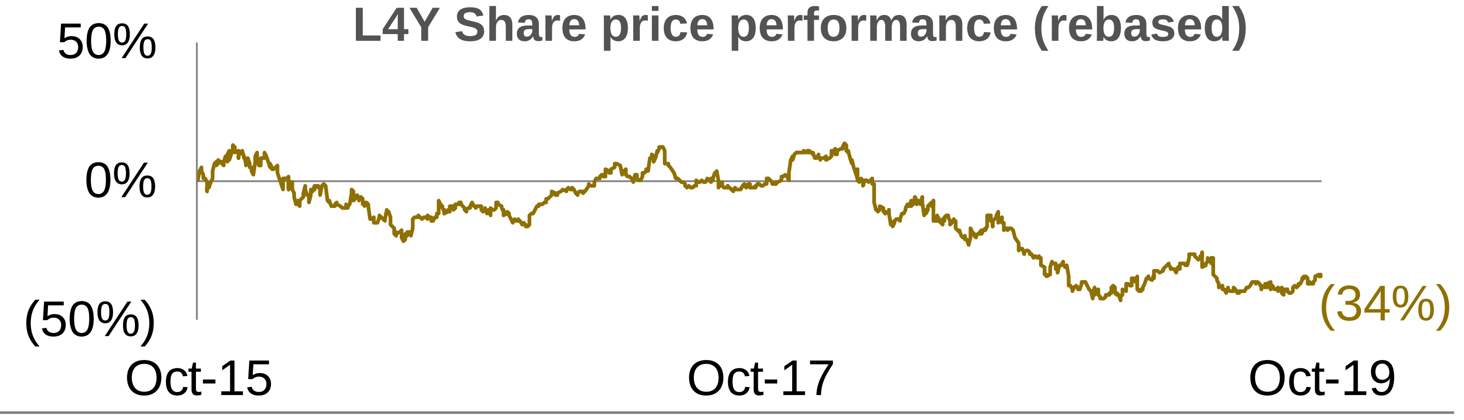


Sunrise – *Post-paid customers net adds ('000)*:

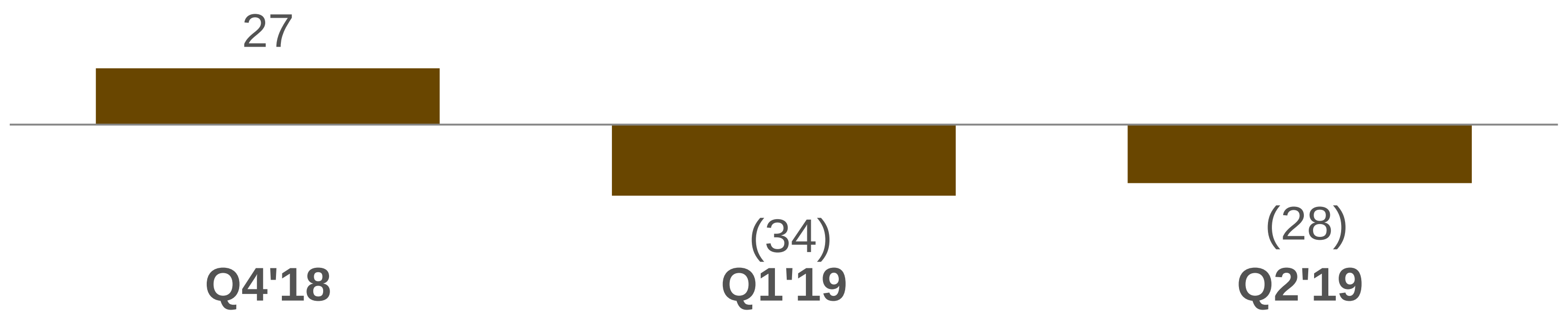


freenet – Value creation track record:





freenet – *Post-paid customers net adds ('000)*:

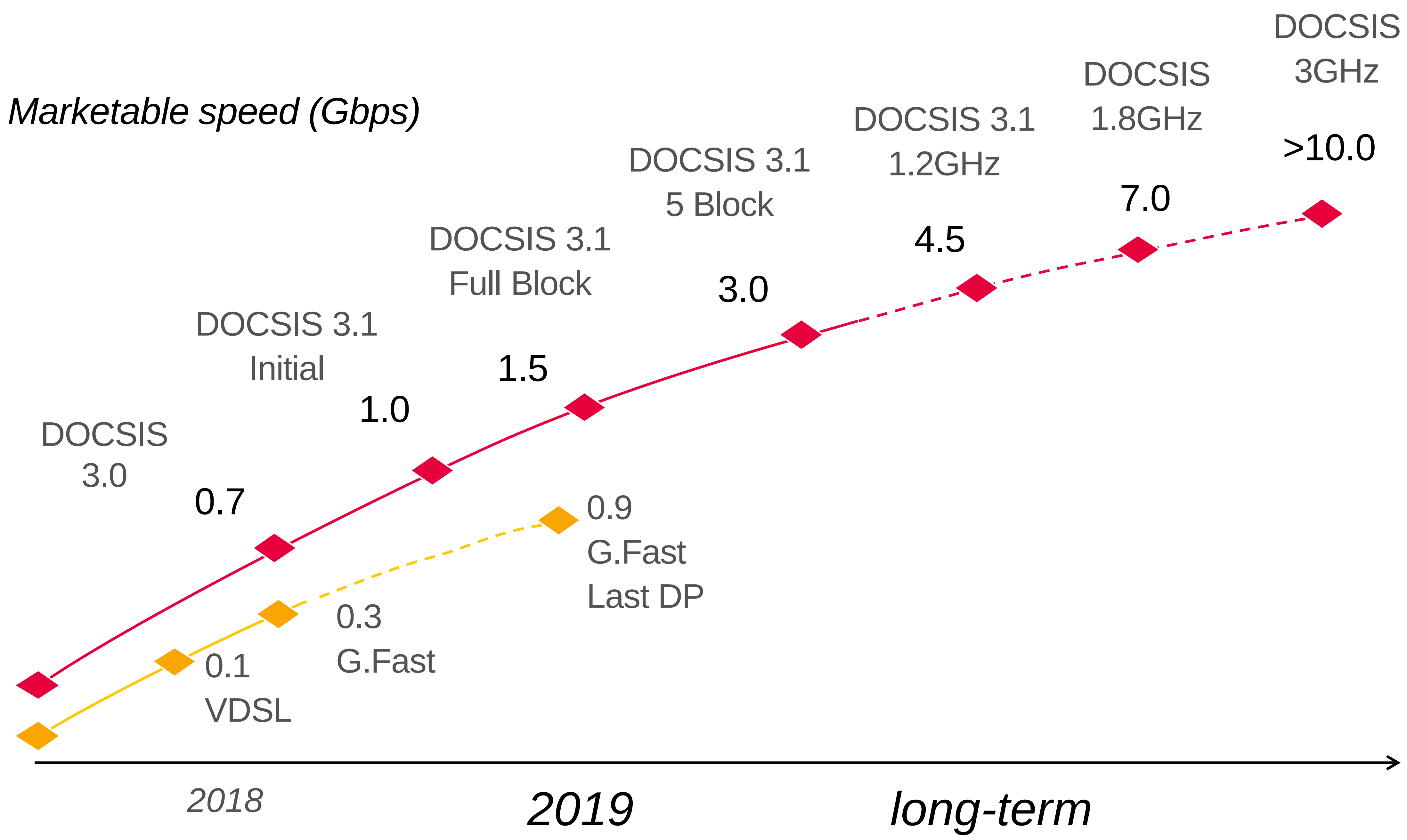


Source: Company filings, FactSet, Bloomberg, broker notes, Federal Communications Commission. Market data as of 04 Oct 2019

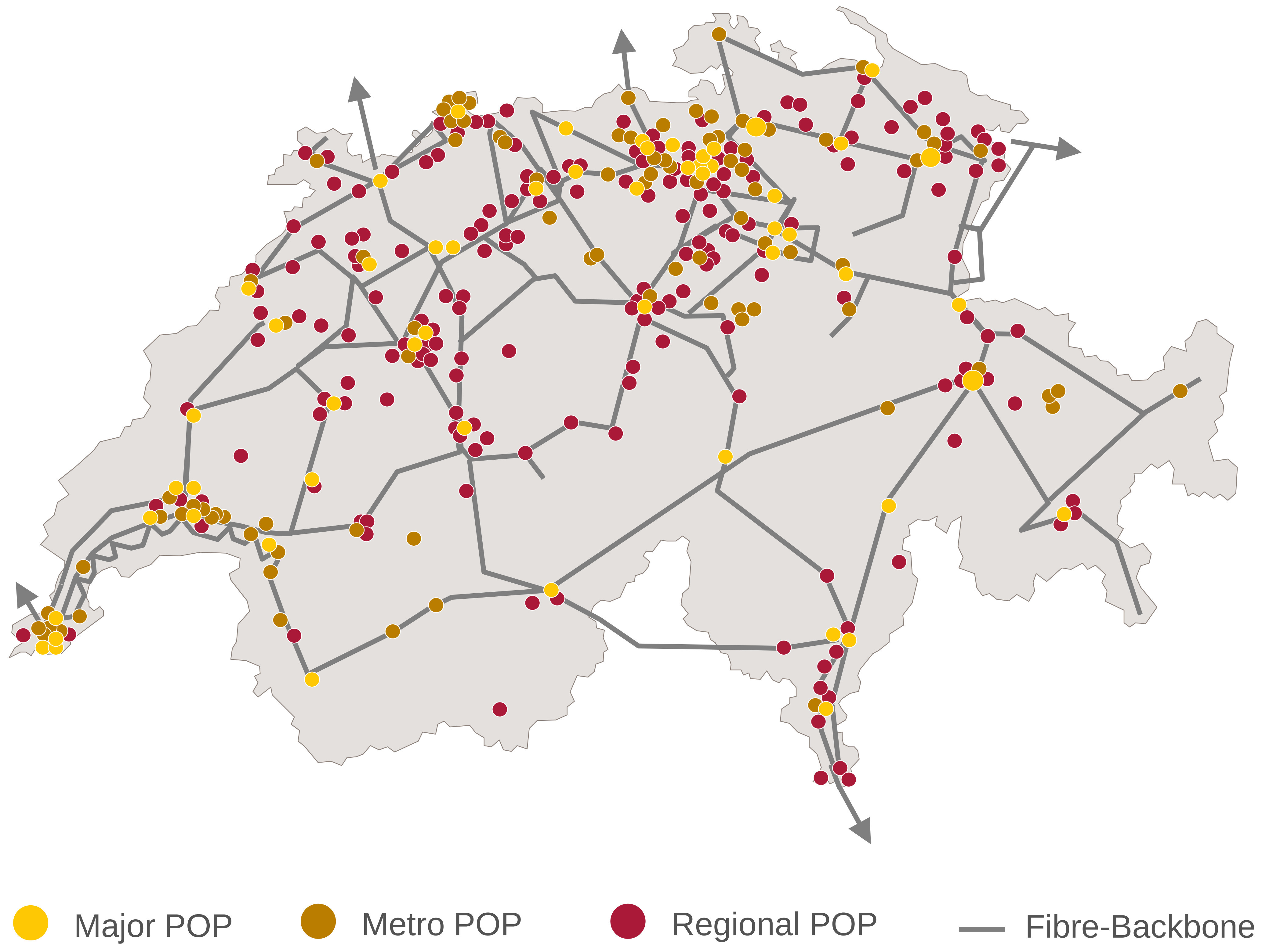
UPC Switzerland has a well invested and upgradeable high-speed broadband network

HFC network

- **UPC has announced availability of 1GB/s in their entire network on 25-Sep-19**
- 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



- 18,000km fibre optics data network that covers 60% of households
- High-speed broadband Internet with roadmap

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)]	~93%	

Long-term structural advantage

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 fibre, based on Swisscom reporting; the fibre 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 1

Fixed line network highly complementary to 5G

The convergence of fixed and mobile communications is, and will be, an important trend in the development of EU communications over the long term. ***The complementarity of the two technologies is likely to be essential to progress further with 5G. The existing fixed infrastructure could supply backhaul for mobile infrastructures in certain circumstances, to save investment and speed up deployment of an integrated or converged infrastructure****, and the mobile Core and RAN networks could be similarly integrated, in suitable conditions*

But ***mobile substitution for fixed broadband is limited*** *and fixed narrowband voice substitution by mobile voice has slowed*

The data throughput of DOCSIS 3.1 already rivals optical fibre*: 10 Gbps downstream, 2 Gbps upstream, under ideal conditions. As SamKnows found in a 2014 study for the European Commission, the average copper cable broadband connection in Europe is faster than fibre optics (66.57 Mbps for DOCSIS versus 53.09 Mbps for fibre).*

Unfortunately, cable networks are not available everywhere but, where they are, ***they have greatly accelerated the deployment of next generation networks because upgrading them is much cheaper than deploying new fibre***

European Commission - Fixed and Mobile Convergence in Europe: Quality Measurements for 5G and Network Densification
2018

Attractive valuation compared to precedents

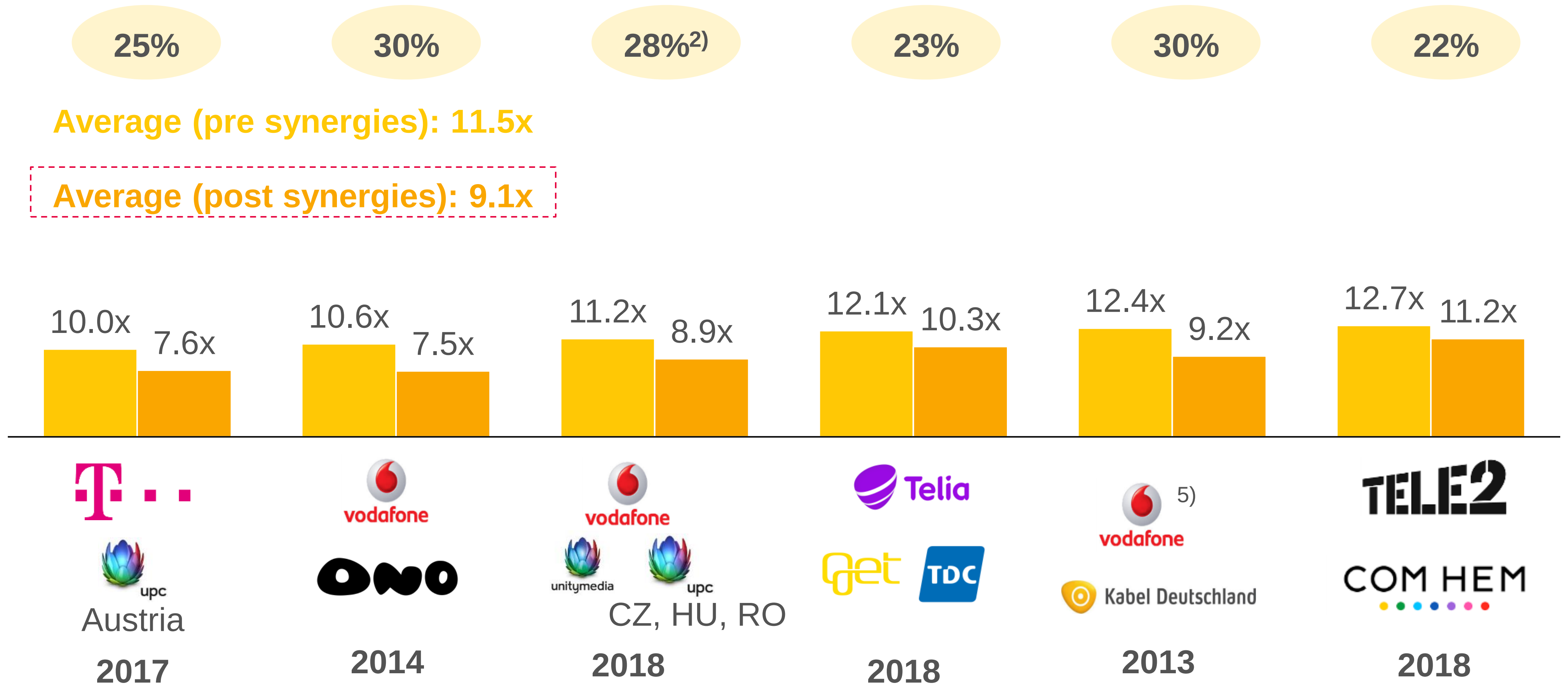
Favourable multiples relative to precedent convergence transactions even when based on trough FY'19 financials and more so when considering low Swiss interest and tax rates

EV / EBITDA[1] – UPC Switzerland

Pre expected synergies · Post expected synergies[6] · Post expected synergies/CH-adjusted[9]

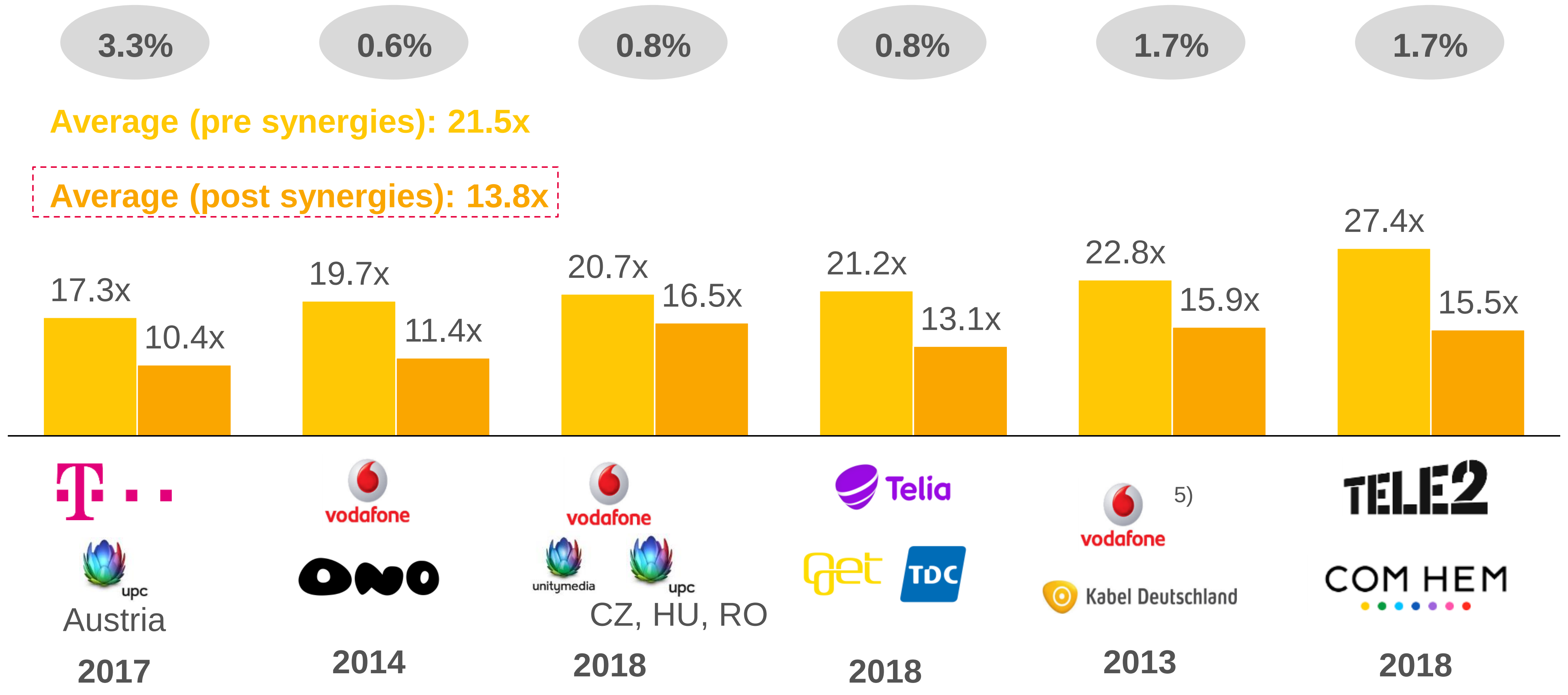
EV / OpFCF[1] – UPC Switzerland

LTM EV / EBITDA[1] - Precedents



Pre expected synergies · Post expected synergies[6]

LTM EV / OpFCF[1] - Precedents



Tax rate[7] · Interest rate[8]

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
9) Assuming 2x premium on EV/EBITDA and 3x premium on EV/OpFCF (based on Sunrise and Swisscom average vs WE PTT average including Proximus, DT, KPN, Orange, Telekom Italia and Telefonica)

Source: Company filings and public announcements

Illustration of Swiss premia due to lower interest and tax rate

CHFm	**EU**		**Switzerland**
Revenue	**100**		**100**
EBITDA	**50**		**50**
% margin	*50.0%*		*50.0%*
Capex	(18)		(18)
% capex intensity	*18.0%*		*18.0%*
NWC	0		0
Tax[1)]	(7)		(5)
% tax rate[2)]	*27.5%*		*18.0%*
Interest	(8)		(4)
% cost of debt[3)]	*4%*		*2%*
Net debt[4)]	200		200
Leverage[5)]	*4.0x*		*4.0x*
FCF	**17**		**23**
FCF yield	**6.00%**		**6.00%**
Implied Eq.V.	289		376
Implied EV	489		576
EV / OpFCF (EBITDA – Capex)	**15.3x**	~3x premium	**18.0x**
EV / EBITDA	**9.8x**	~2x premium	**11.5x**

Source: FactSet, as of 2-Oct-19, KPMG corporate tax rates table 2019
1) Tax expenses calculated on PBT, assuming D&A and capex to be equal; 2) EU tax rate based on average corporate tax rate of Germany, France, Spain, and Italy; 3) Based on illustrative debt spread of 1.75% and risk free rate of 2.3% for EU (using sample of countries as per tax rate average) and 0.5% for Switzerland (based on last 10Y average of 10Y bond yield); 4) Assuming CHF0m cash; 5) Based on European cable players

EV / RGU and EV / Customer multiples clearly justified by UPC Switzerland's higher value Swiss customers while EBITDA and OpFCF metrics compares even more favourably

OpFCF / RGU (CHF)

RGU = Individual service subscriber

Sunrise / UPC Switzerland		1.5x	1.6x	1.7x	n/a	3.0x	4.8x	Average 2.5x
	160	110	99	97	n/a	53	33	+0.7x

EBITDA / RGU (CHF)

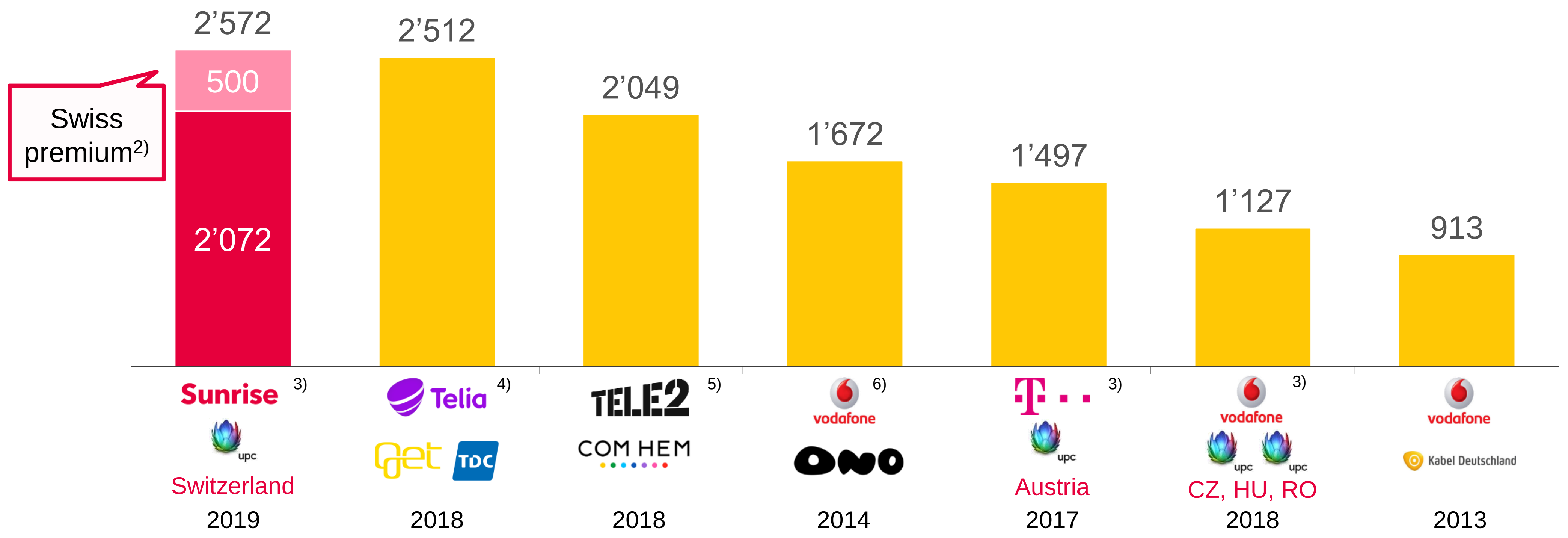
Sunrise / UPC Switzerland		1.3x	1.6x	1.6x	1.6x	2.6x	3.5x	Average 2.0x
	260	207	162	158	158	100	74	+0.2x

Revenue / RGU (CHF)

Sunrise / UPC Switzerland		1.1x	1.3x	1.4x	2.2x	3.0x	3.4x	Average 2.1x
	529	479	396	371	236	179	156	+0.3x

EV / RGU (CHF)

Sunrise / UPC Switzerland	1.0x	1.3x	1.5x	1.7x	2.3x	2.8x	Average 1.8x



OpFCF / Customer (CHF)

Customer = Unique Customer Relationship, irrespective of # of services used

Sunrise / UPC Switzerland		1.6x	1.3x	n/a	2.4x	3.5x	6.2x	Average 3.0x
	351	218	271	n/a	148	100	56	+1.0x

EBITDA / Customer (CHF)

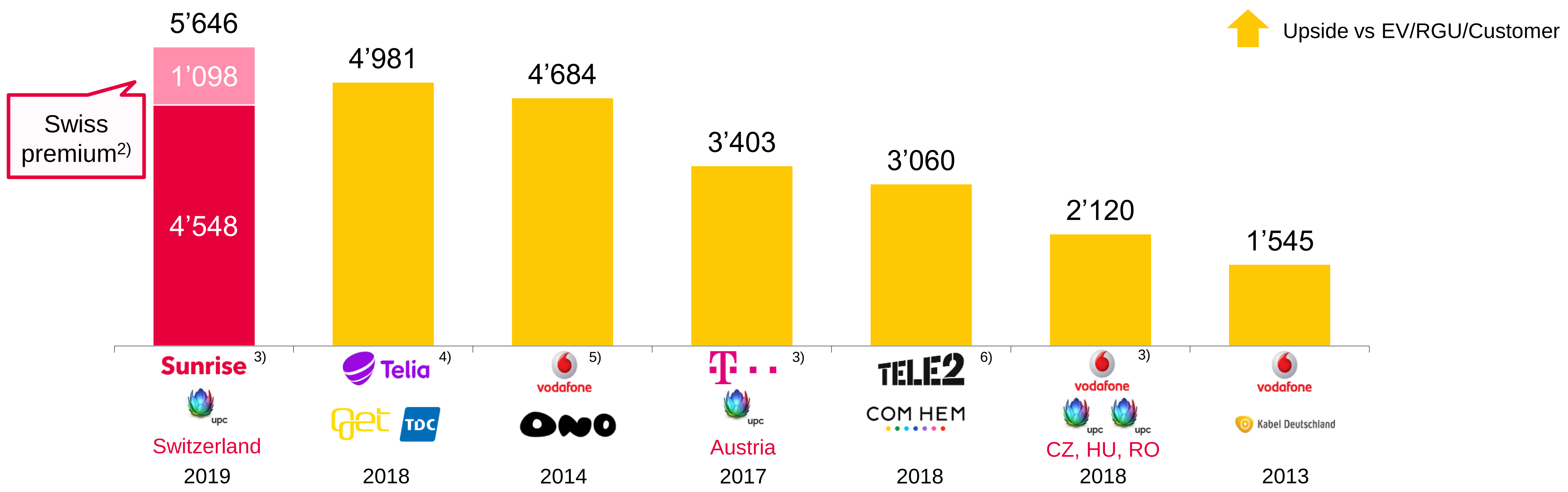
Sunrise/UPC Switzerland		1.4x	1.3x	1.6x	2.4x	3.0x	4.6x	Average 2.4x
	571	411	442	358	241	189	125	+0.4x

Revenue / Customer (CHF)

Sunrise/UPC Switzerland		1.2x	1.1x	2.2x	2.0x	3.4x	4.4x	Average 2.4x
	1,161	949	1,040	537	592	337	264	+0.4x

EV / Customer (CHF)

Sunrise / UPC Switzerland	1.1x	1.2x	1.7x	1.8x	2.7x	3.7x	Average 2.0x



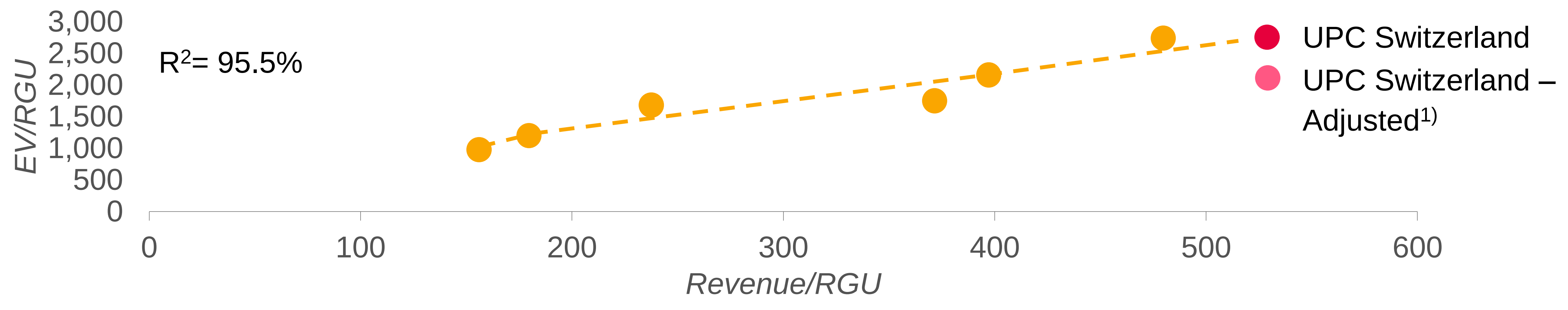
Note: RGUs and customers exclude B2B customers; RGU and customer data as of LTM of announcement date reported in respective transaction presentations; All non-CHF denominated metrics have been converted using appropriate FX as at announcement date

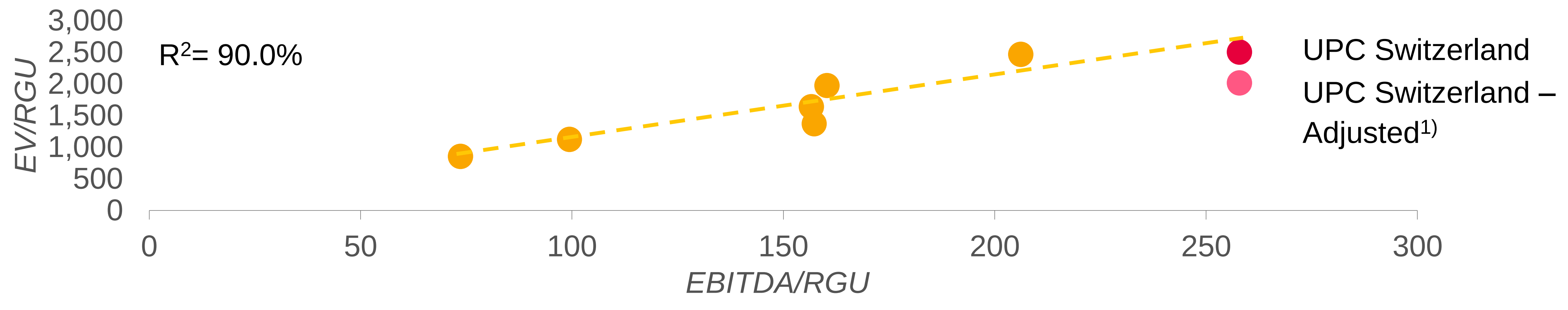
1) Cable BB ARPU. ARPU for VOD / LGI transaction only taking into account Germany;
2) Assuming 2x premium on EV / EBITDA and 3x premium on EV / OpFCF (based on trading comparables and impact Swiss interest and tax rates);
3) RGU defined as Total RGUs + Mobile subscribers, Customers defined as cable customer relationships;
4) RGU defined as Get RGUs + TDC RGUs, Customer defined as homes connected;
5) Segment Com Hem + Segment Boxer;
6) RGU includes Telephony, Broadband, TV and Mobile

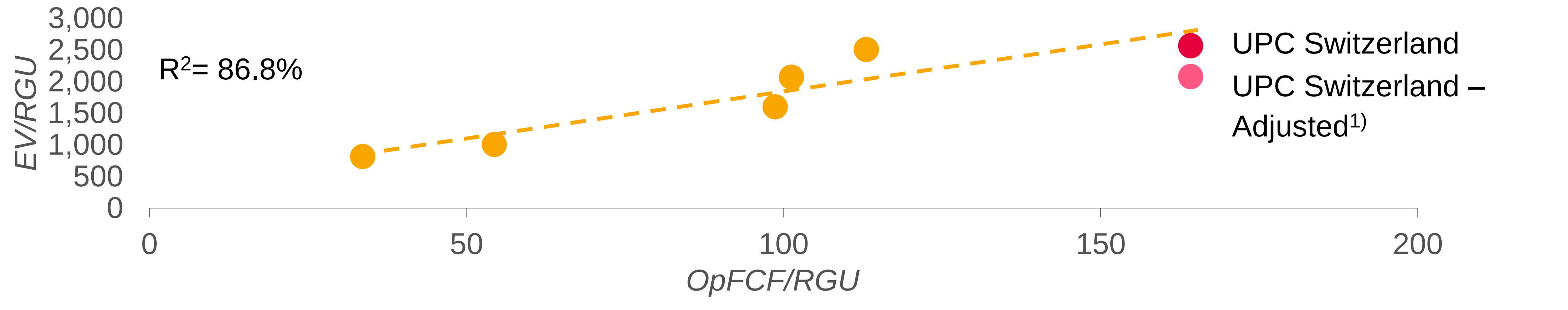
Source: Company filings and press release, Factset, Ampere analysis

UPC's EV / RGU and EV / Customer are in line with precedents based on customer value and at a discount when adjusting for the Swiss premium

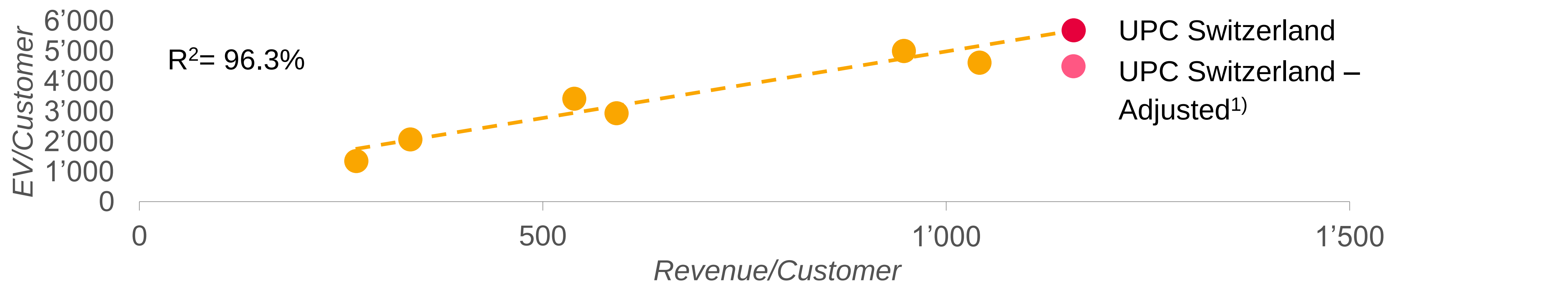
Regression against EV / RGU

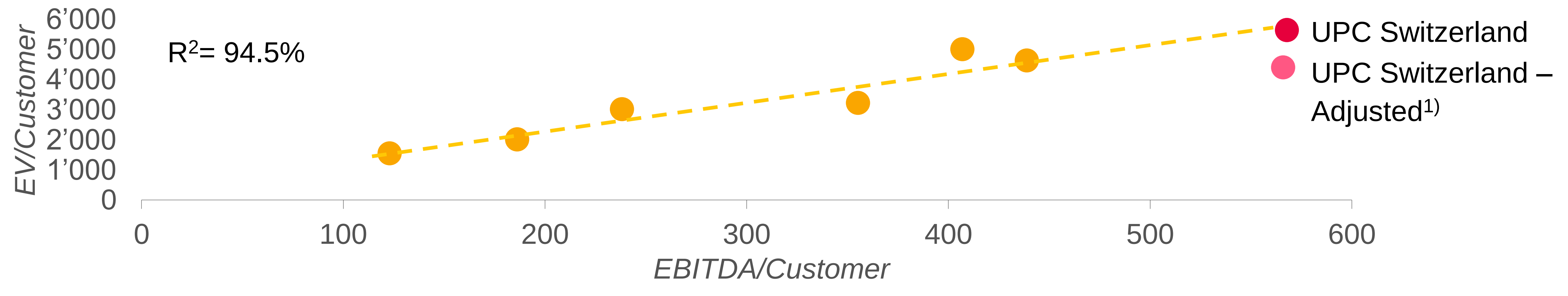


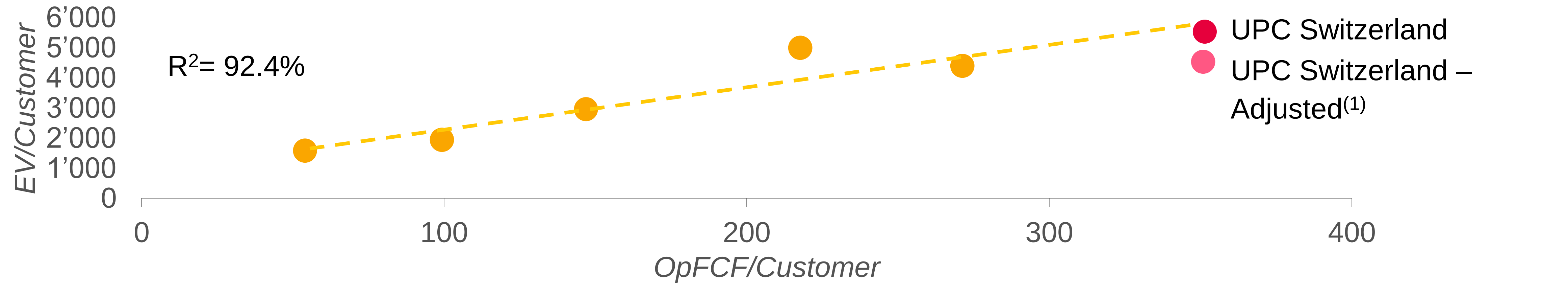




Regression against EV / Customer







1) UPC Switzerland adjusted EV based on assumption of 2x premium on EV/EBITDA and 3x premium on EV/OpFCF

Fairness of transaction from a financial perspective confirmed by ValueTrust fairness opinion

freenet assertion	Key facts
ValueTrust fairness opinion indicates significantly more downsides than upsides	• The **ValueTrust fairness opinion** does not indicate significantly more downside than upside but **rather considers more downside cases in its simulations to take a more conservative stance** ("Even though the simulation considers both Business Plan upsides and downsides, the simulation result reflects a comparatively conservative view on UPC's stand-alone enterprise value as more downside than upsides were considered", page 33 of the fairness opinion
Total downside for Sunrise of CHF3.6bn in the worst case	• **ValueTrust has determined the absolute ceteris paribus impact of different parameters** as first part of its analysis while in a second step a Monte Carlo simulation was conducted to determine the UPC enterprise value considering all downsides and upsides ("In a first step, the absolute ceteris paribus impact of each parameter on UPC's stand-alone enterprise value was assed (see tornado chart). In a second step, a Monte Carlo simulation was performed to determine UPC's expected enterprise value considering all downsides and upsides", page 32 of the fairness opinion) • **Simply adding the downsides and upsides is a misinterpretation** as the ceteris paribus analysis considers the impact of each parameter and summing up the downsides or upsides would ignore any correlation between the parameters
Very expensive valuation for UPC Switzerland	• ValueTrust fairness opinion indicates that **the transaction is fair from a financial point of view** (please refer to page 45 of the fairness opinion) • This is underpinned by the valuation resulting from applying various valuation methodologies (please refer to page 45 of the fairness opinion) • The simulation indicates that the **probability of UPC's expected enterprise value falling below CHF6.3bn is only c. 15%** (please refer to page 44 of the fairness opinion) • The **transaction value per RGU** considering the high ARPU **is competitive and within market** (please refer to page 36 of the fairness opinion)

UPC Switzerland – 2019 H1 results in-line with Liberty's turnaround plan

Ahead of Sunrise expectations leading to CHF10-15m higher FY'19 OpFCF expectation

Turnaround plan on track

- **RGU net adds, revenue, OCF targets achieved**
- Success in major investments in UPC TV, 1 Gbps and digitisation
- RGU losses continue to slow down while customer ARPU continues to grow
- Continued strong momentum in mobile base

Successful TV transformation

- **Roll out of UPC TV progressing well, in line with Liberty's expectation for >50% of video base by FY'19** [1)]
- 190k TV boxes deployed by July 2019 [1)]
- Best-in-class TV experience with clear signs of improvements: **NPS significantly higher than legacy TV platform**

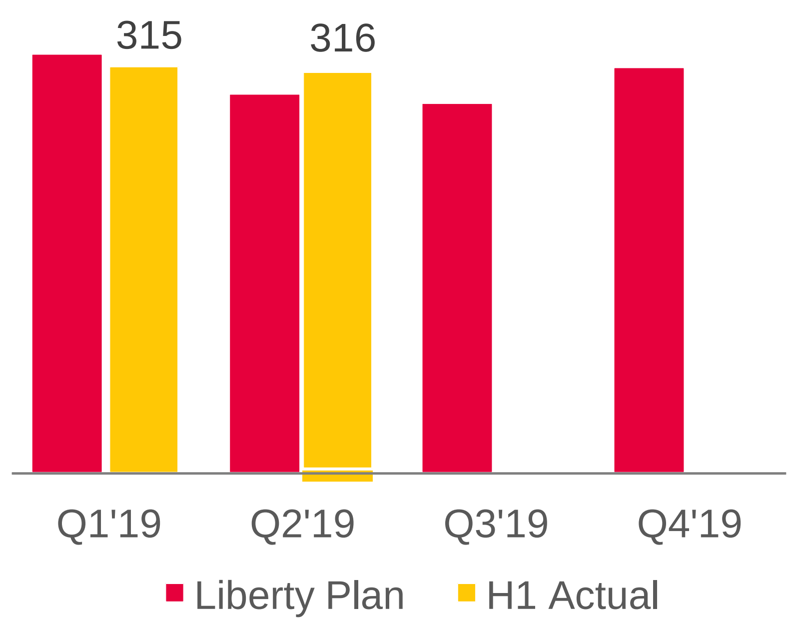
Increasing fixed-mobile convergence

- **Increase in convergent customers: 16% customers subscribe to convergent offerings (4pp increase YoY)** [1)]
- Convergence driving churn benefits resulting in slow down of fixed RGU losses (-28k in Q2'19 vs. -43k in Q1'19)
- Mobile subs net adds of +14k in Q2'19 (Q1: +13k), resulting in ~170k mobile customer base [1)]

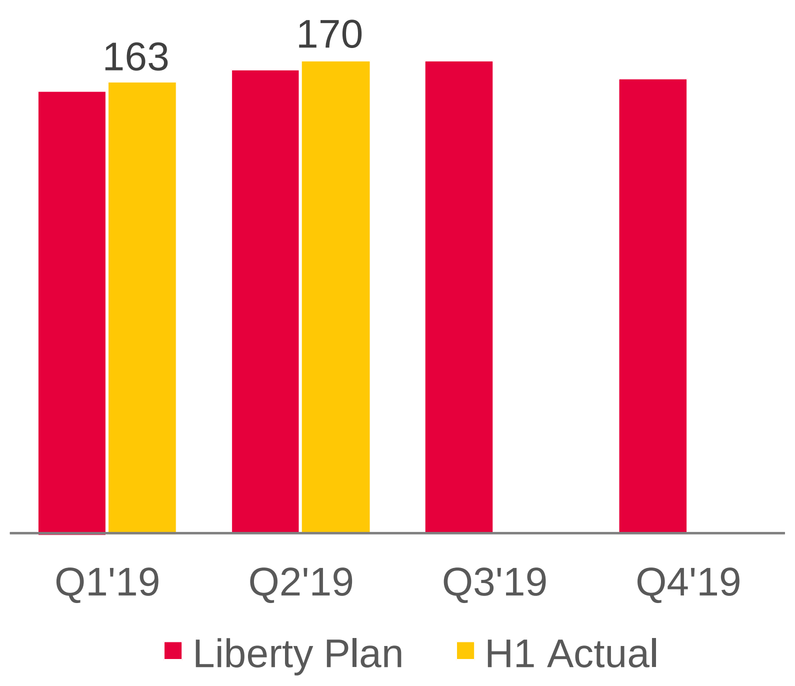
Improved network quality

- **Plan to roll-out 1 Gbps internet product with DOCSIS 3.1 ahead of plan, recently announced to launch in Q3'19**
- Maximum internet speed reached of 600 Mbps, with UPC customers already experiencing average of >250 Mbps [1)]
- Investment expected to contribute to EBITDA stabilization

UPC Switzerland revenue (CHFm) [2)]



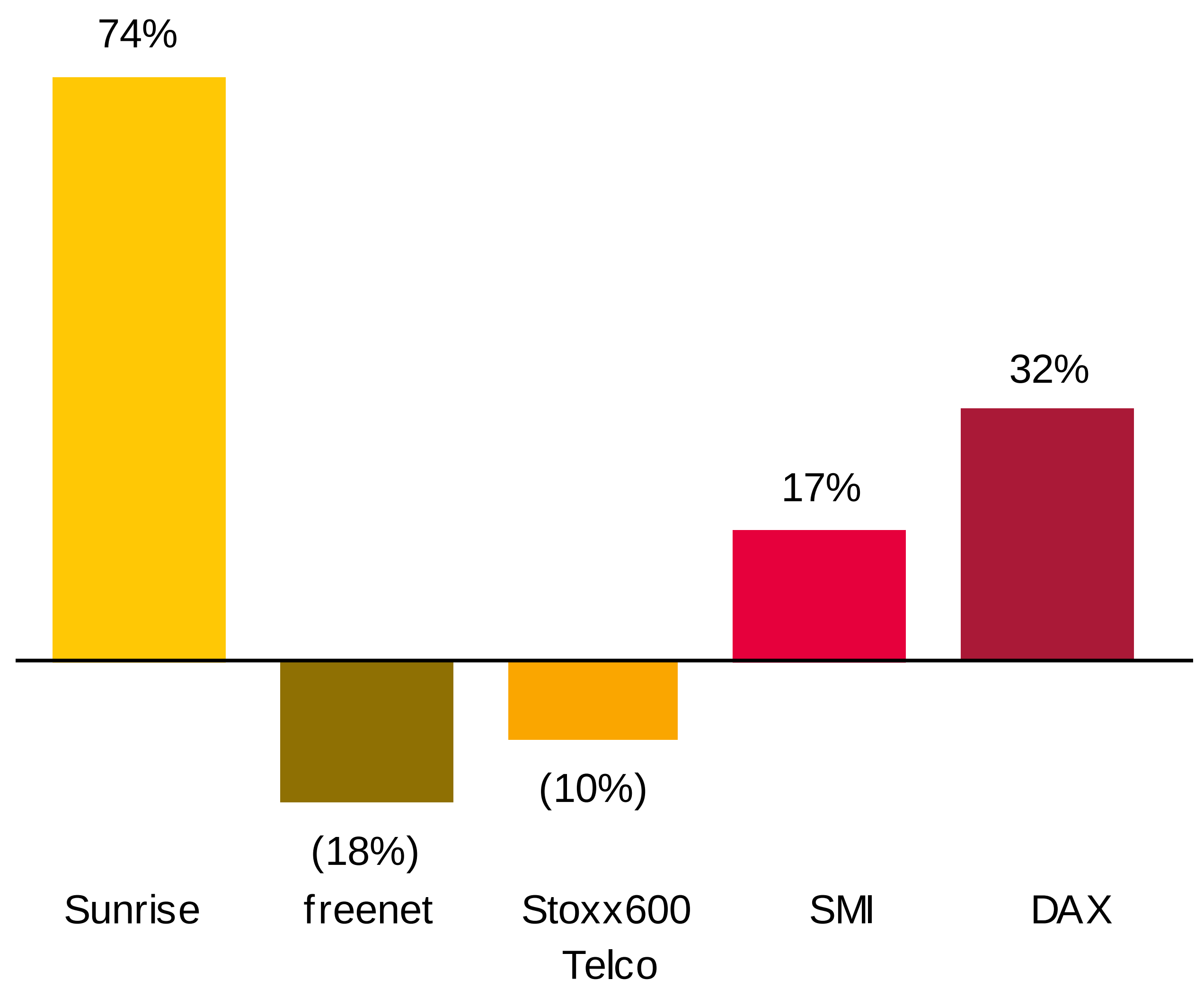
UPC Switzerland OCF (CHFm) [2)]



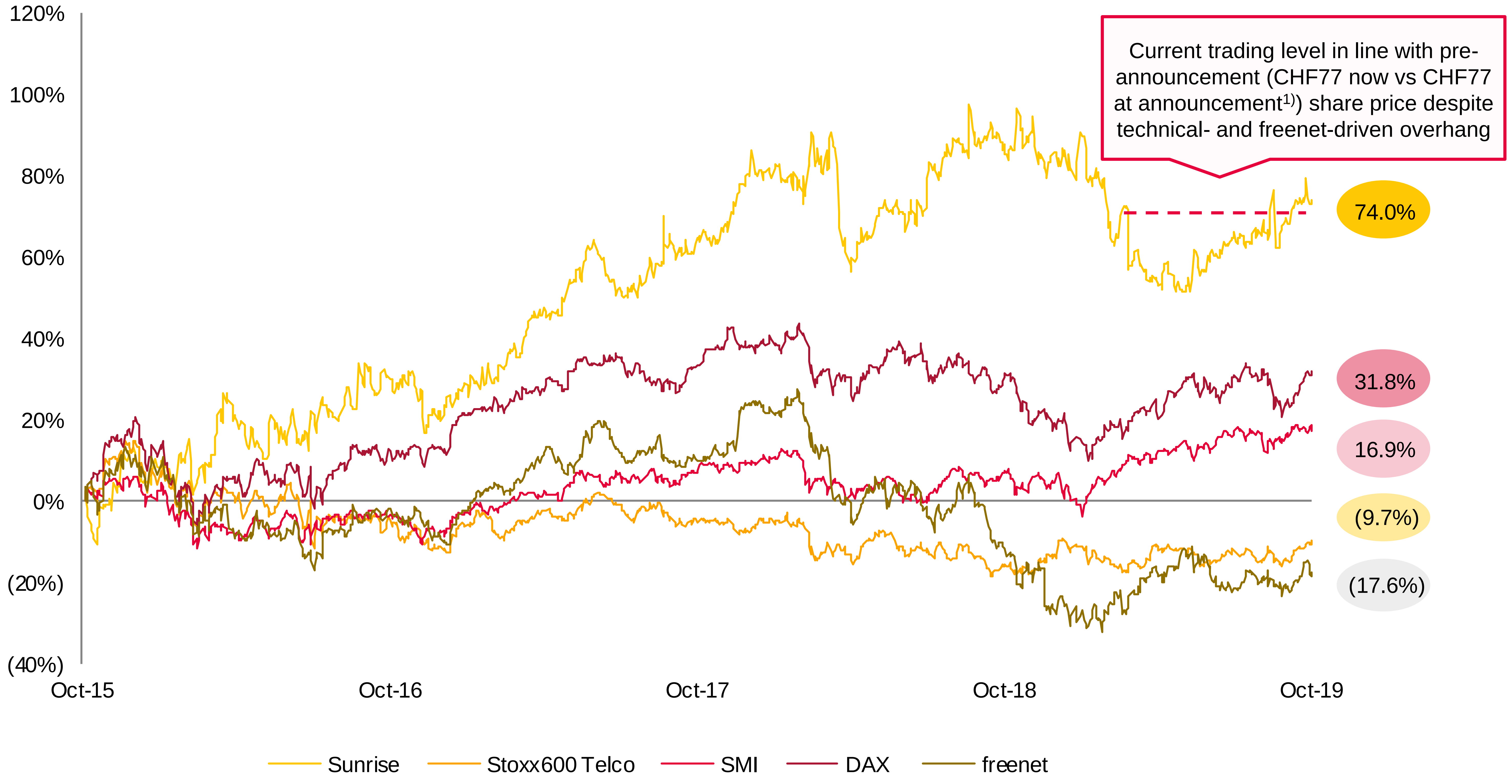
1 As per Liberty Global Q2'19 results presentation, p. 8 & 9
2 Content costs and partner wholesale revenues from MySports channel are higher in Q1 and Q4, due to the relative weighting of Winter sports such as Ice Hockey

Sunrise has outperformed peers historically

Total Shareholder Return
(last 4 years %)



Indexed dividend adjusted share price performance
(last 4 years)



Source: Company filings, Bloomberg as of 04/10/2019
1) Current share price as of 7-Oct-19 ; pre-announcement share price as of 27-Feb-19 (CHF80.9 adjusted for 2018 DPS of CHF4.20)

Broker perspectives on M&A premium and stock overhang

Prior to announcement, brokers have included an element of M&A premium into Sunrise's target price. Post announcement in February, some analysts are pointing to a stock overhang weighing on Sunrise from freenet's stake

M&A premium embedded in Sunrise target price (pre-announcement)

The average of our DCF and multiple valuations points to a fair value of CHF92. To this we add a ***CHF8 M&A premium****, embodying a 50% chance of consolidation, resulting in a total fair value of CHF100*

Kepler Cheuvreux
6-Feb-18

Our 12-month price target is SFr104, ***which is composed of a 70% weighting to a standalone****, ROIC-based value of SFr103/share,* ***and a 30% weighting to an M&A-based value*** *of SFr106.00/share*

Goldman Sachs
5-Feb-19

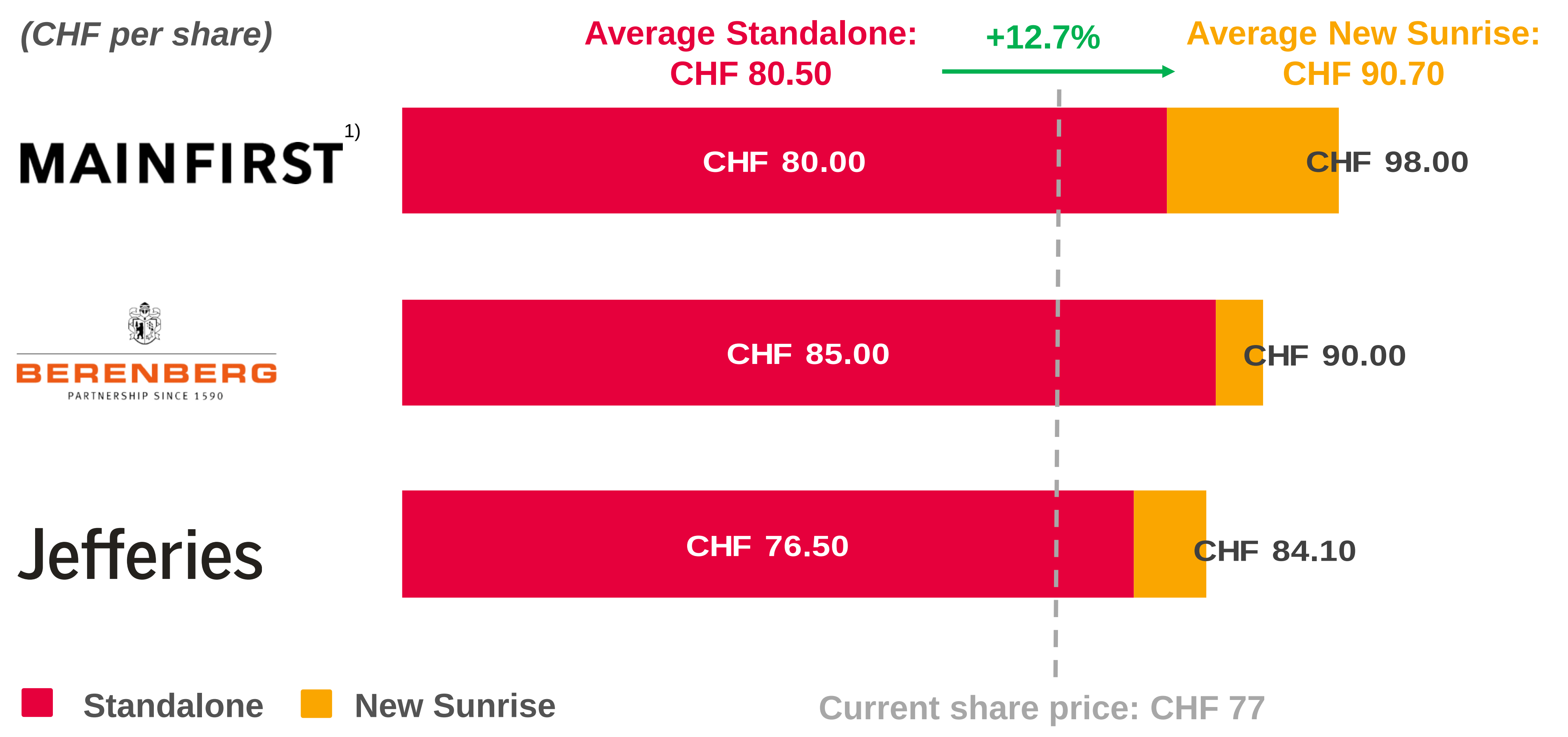
Broker consensus on stock overhang (post-announcement)

… ***Freenet stake looks like a big overhang for Sunrise***

Redburn
30-Sep-19

Broker perspectives on the transaction

Select Research - Standalone vs. New Sunrise Valuation



"Investors are anticipating that the Sunrise/UPC merger will **reduce promotional intensity, and this remains a compelling argument for the merger**"

BNP PARIBAS
September 5th

"The new financing structure significantly reduces the capital increase but also lowers the cost of debt, resulting in a **very attractive FCF/share accretion already by 2022 and expected to double by 2023 compared to the previous structure**. We expect this **to be taken positively by the market** but the AGM (23 October) outcome is still uncertain, in our view"

Vontobel
September 30th

"Sunrise **has been discussing [raising more debt and reducing the rights issue] in recent meetings with investors** (including at our Munich conference last week) and says it has **good support**"

BERENBERG
PARTNERSHIP SINCE 1590
September 30th

"The new financing structure reopens the debate […]. We believe the 32% reduction to the amount of equity raised, together with an attractive accretion outlook and a still high post-deal dividend yield, will be **more digestible to a large part of the shareholder base**"

Jefferies
September 30th

"UPC's solid performance over the past few months suggests that annual **synergies from the deal are now expected to reach 280 million francs**, 45 million more than had previously hoped for. These **savings are particularly valuable** as the battle to roll out 5G networks is heating up"

eureporter
September 13th

1 New Sunrise assumes 100% synergies realisation

Are freenet’s interests aligned with all Sunrise shareholders?

1. **freenet originally supported the UPC transaction at the time the CHF6.3 all-cash offer was made to Liberty and also approved the prior CHF4.1bn rights issue (as a Sunrise Board member)**

2. **Subsequently, freenet requested that Sunrise or Liberty acquire a significant portion of their Sunrise shares at a premium, which the Sunrise Board declined, judging it to be inappropriate and illegal**

3. **freenet’s recent underperformance and leverage pressure may be influencing their views on the UPC transaction**
   - *34% declines in mobile customer numbers every year since 2009*
   - *One of freenet’s largest investment (Ceconomy) has declined in value by ~44% since freenet’s investment in July 2018; in fact it appears that Sunrise is the only investment for freenet that has created value*
   - *freenet is increasingly relying on Sunrise’s dividend for its cash flow. Sunrise dividend contributed 19.6% to freenet’s dividend in 2018*

4. **freenet has limited expertise in this space (beyond their board seat at Sunrise), does not own a mobile radio access or cable network, though does not appear to be well placed to make judgements on 5G, fibre and cable**

5. **freenet’s leverage continues to increase substantially, from 1.4x in 2014 to 4.8x today, 1.3x higher than their own long-term leverage target of less than 3.5x debt/EBITDA**

The Sunrise management team and Board have a track record of delivering value for shareholders and continue to believe that the proposed acquisition of UPC Switzerland and the associated capital increase are in the best interest of shareholders and will create substantial near- and long-term value.