LUCERNE
Capital Management

# *Lucerne comments in respect of 26 September 2018 Telenet EGM and minutes*

Lucerne welcomes the EUR 600 million extraordinary dividend and it appreciates the fact that the Telenet board took the time to answer the questions raised by Lucerne prior to and during the EGM. Lucerne hopes that the constructive approach signaled by the Telenet board *during* the EGM is a departure from its untenable position vis-à-vis Lucerne and its other minority shareholders *prior* to the EGM. To date, Lucerne has not been offered a coherent response as to why the Telenet board chose to – unilaterally, without warning and without reaching out to Lucerne for clarification – suggest that Lucerne was not in fact a 3%-shareholder and to deny Lucerne its right afforded to it under Belgian law to add items to the agenda aimed at (i) ensuring a transparent and transparent capital allocation policy, and (ii) examining and improving corporate governance. Purporting to be open to a constructive dialogue during an EGM on these subjects is a poor substitute for respecting minority shareholders' rights.

Lucerne is looking forward to the capital remuneration and allocation policy to be unveiled in December 2018. It is reassuring in this respect that, as per the CEO's final comment during the EGM, "*Liberty Global is starting to see the relevance of Operating Free Cash Flow*" – which Lucerne has been stressing for some time – and enthusiastically noting that "*they're getting there*". Lucerne also appreciates the Telenet board acknowledging its comments in relation to items such as the company's car fleet capitalization project as "*spot on*". As Lucerne also pointed out during the meeting, it remains enthusiastic about the operational performance of Telenet and its CEO John Porter. Again, the concerns that Lucerne has do not relate to operational issues, but rather to the corporate governance and a fair and equal treatment of shareholders.

These concerns have unfortunately still not been addressed. On the contrary, the information shared by Telenet's CEO during the EGM revealed that Telenet is regularly confronted with proposals by Liberty Global which are "*unconvincing*" from a corporate benefit point of view. It remains unclear how these situations of inherent conflict of interest between Telenet and its majority shareholder are handled, and whether the internal procedures within Telenet and the verification by its auditor appropriately address and eliminate such conflicts. Lucerne therefore remains critical of the Telenet board's position in respect of conflicts of interest, both on a personal level (in respect of the Telenet directors who are incentivized at Liberty Global level) as well as on an intragroup level.

The Chairman's statement that "*the art here is to avoid conflicts*" is not reassuring, as it remains Lucerne's view that such conflicts have in fact arisen in the past and will continue to arise under the current corporate governance structure, combined with the interpretation of the Telenet board of its obligations vis-à-vis Telenet's minority shareholders under Belgian law. In addition, Telenet appears to be sharing a wealth of information with Liberty Global which is not shared with other shareholders, based on a "*framework*" which is neither transparently shared with these other shareholders nor appears to be closely monitored in any way.

As such, Lucerne will continue to press the Telenet board for full transparency and for full compliance with Belgian law, the Belgian Corporate Governance Code and Telenet's own Corporate Governance Charter. Should the Telenet board continue to demur, Lucerne will be forced to take further action as appropriate.

35 Mason Street, 2nd Floor, Greenwich, Connecticut 06830 | Phone +1 (203) 983 4400 | Fax +1 (203) 983 4401