Lucerne addresses Telenet board and statutory auditor KPMG in new letter

Following a disappointing roadshow on 9 July 2018 by the Telenet CEO, Mr. Porter, and its Chairman, Mr. De Graeve, new information has come to light which has only confirmed and deepened Lucerne's concerns as to the Telenet – Liberty Global relationship.

As a result, on 20 July 2018, Lucerne wrote another letter to the Telenet Board. Given the nature and contents of this letter, it was also sent to Telenet's statutory auditor, Mr. De Bock of KPMG.

In short, the letter notes the following:

- The disappointing road show performance, in which the CEO and Chairman both noted their hesitance at "breaking ranks" with Liberty Global as it could lead to them being fired without any changes to Liberty Global's stranglehold on Telenet;
- New information having come to light which clarifies the way in which Liberty Global operates Telenet as a "*controlled subsidiary*" (as the Liberty Global CEO calls it), with large numbers of Telenet employees reporting directly to Liberty Global employees and the Liberty Global-nominated majority on the Telenet board having to vote in accordance with the wishes of the Liberty Global CEO;
- Lucerne's opinion that this scheme runs contrary to Belgian law, the principles laid down in the Belgian Corporate Governance Code and, possibly, the Market Abuse Regulation;
- Compared to similar companies (e.g. Com Hem), the agency cost (or the corporate governance discount) of the Telenet board's lackluster management of Telenet amounts to approximately EUR 4 billion at the current share price;
- The depressed market value, combined with a complete lack of dividends since 2013, is hurting all minority shareholders, including the employees of the company who see their stock options turn worthless every year as well as Belgian retail investors;
- Lucerne calls upon the independent board members – Mr. De Graeve, Mr. Van Biesbroeck and Ms. Franck – to finally take action and to start acting in accordance with Belgian law and their fiduciary duty to Telenet.

Further to the above, Lucerne has requested the Telenet board to provide or make public **<u>by 1 August 2018 at the latest</u>**, the following information:

- Details of all Liberty Global shares and/or option rights held by the Telenet board members;
- Details in relation to the application of the personal and intra-group conflict of interest rules for past transactions and resolutions;
- Clarity on (i) the information-sharing arrangement between Liberty Global and Telenet (including an explanation of how this fits in with Telenet's obligation to treat its shareholders equally and with its obligations under the Market Abuse Regulation) and (ii) the voting instructions by the Liberty Global CEO, Mr. Fries, to the individual Liberty Global-appointed Telenet board members;
- The Lazard fairness opinion of 2017 and the long term (3-4 year) plans for Telenet which Liberty Global has received (and has apparently even prepared) but the other minority shareholders (and the market) have not.

Further to the above, Lucerne is now holding all Telenet board members – including the independent board members – jointly and severally liable for any damages Lucerne has suffered to date and will suffer as a result of their behaviour.

Lucerne has also reiterated its surprise that the independent board members and the Liberty Global-nominated board members have the same legal counsel (which is also the counsel to Liberty Global), given the opposing interests and duties which clearly follow from the above.

Pieter Taselaar and Thijs Hovers have commented as follows:

> "*The time of running Telenet solely for the benefit of Liberty Global and for the personal benefit of the Liberty Global-nominated directors, but to the detriment of all other stakeholders in Telenet, is running out. By challenging Liberty Global's stranglehold on Telenet we are aiming to protect not just our own investors but rather all of Telenet's minority shareholders as well as its employees and other stakeholders.*"