

Altice Europe N.V.  
FAO: The Board of Directors  
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Netherlands  
To: [jurgen.van.breukelen@altice.net](mailto:jurgen.van.breukelen@altice.net)  
\*to be distributed to all board members

Dear Chairman and Members of the Board,

**Recommended offer for Altice Europe N.V. by Next Private B.V. – Objections and concerns**

*Introduction*

1. We write to you, again, on behalf of Lucerne Capital Management, LP and certain funds managed by it, including The Lucerne Capital Master Fund, LP, The Lucerne Capital Special Opportunities Fund, Ltd and The Lucerne Capital Focus Fund I LP ("**Lucerne**").

*Summary*

2. As you are aware, the vast majority of Altice Europe's minority shareholders believe that the public offer is nothing more than an illicit attempt by Mr Drahi to exploit the Covid-19 pandemic to yet again transfer massive value to himself, to the detriment of the minority shareholders. For this reason, the offer is set up in a way that the minority shareholders are forced to sell their shares at a price pre-determined by Mr Drahi, regardless of their level of willingness to accept the offer price voluntarily. As it is structured in a pre-wired fashion, and as Mr Drahi already has the required majority to vote through the pre-wired restructuring measures himself, Mr Drahi is apparently hoping to push out the minorities quickly while avoiding any sort of scrutiny of the price by the courts.
3. Lucerne believes that this scheme is unlawful under Dutch law. It remains incomprehensible to Lucerne that the independent members of the Board, led by Mr Van Breukelen, would lend themselves to rubber stamp such an obviously improper scheme. Given the prior behaviour of the "independent" members of the Board in allowing Messrs Drahi and Weill to extract hundreds of millions of euros from the company through related party transactions and other schemes, we have serious concerns in relation to your judgment where it concerns related party transactions involving Mr Drahi. We urge you now to consider seriously our questions and concerns and to engage with us, instead of choosing to hide behind various legal and financial advisors and their opaque and increasingly incomprehensible recommendations and opinions.
4. The documentation published on 24 November 2020 does nothing to address the concerns voiced by the overwhelming majority of the minority shareholders. The artificial addition of the "Adverse Recommendation Change" is, in essence, meaningless, as the wording clearly shows that the Board may not make any such Adverse Recommendation Change at all, except in extremely narrow circumstances which will never materialize.

5. Coming up with artificial solutions which provide no actual protection for minority shareholders after the fact (even when they are "*tailor-made and negotiated by the Board in light of the particularities of this Transaction*") is no substitute for the actual protections which the independent members of the Board should have agreed if they had in fact fulfilled their fiduciary duties, such as a hard acceptance threshold; Mr Drahi not being allowed to vote on items where he so clearly has a conflict of interest; and sticking to the Dutch law requirement of providing a reasonable exit opportunity for minority shareholders – which this is clearly not.
6. We urge the independent members of the Board to take seriously their fiduciary duties vis-à-vis the minority shareholders. If, however, the independent members of the Board are dead-set on continuing on this misguided path, you leave Lucerne and other minority shareholders with no other alternative than to request the Enterprise Chamber to order an investigation into the course of affairs and the management of Altice Europe, and to request immediate measures preventing the pre-wired restructuring measures from being brought to a vote on the 7 January 2021 EGM.

*Our previous objection letter and your response; the 24 November 2020 documentation*

7. As we set out in our previous objection letter of 1 October 2020, Lucerne is a long time investor in Altice Europe N.V. ("**Altice Europe**") and has owned shares since they were publicly traded following Altice Europe's January 2014 IPO. Lucerne funds own 21.959.170 shares in Altice Europe, representing a value of approx. EUR 98.82 million.
8. In our previous letter, we sought various assurances and requested relevant information in relation to the offer for Altice Europe by Next Private B.V. ("**Next Private**"), an entity controlled by Altice Europe's President, Mr. Drahi. On 15 October 2020, the "*non-conflicted directors of the board of Altice Europe*" responded to our letter. Unfortunately, your letter was devoid of content, and instead pointed out that "*a substantial number of documents*" would be made available at the time of Next Private's launch of the offer, including a detailed description of "*the Board's decision making process and its considerations and assessment of the Transactions, including the fairness of the offer price, post-offer restructurings and other material conditions and terms thereof*".
9. On 24 November 2020, Next Private formally launched the offer. Lucerne has carefully studied the documentation published in relation to the offer on 24 November 2020, as the Board had suggested it should. Unfortunately, these documents do not provide any meaningful answers to Lucerne's valid and important questions at all. Additionally, various new concerns have arisen, which we will set out below.

*Developments since 11 September 2020*

10. Since the 11 September 2020 Announcement, there has been news about several highly effective Covid-19 vaccines which has led to a recovery in the markets, Altice Europe published its excellent Q3 2020 numbers which confirm its previous guidance of EUR >1 billion free cash flow, and Altice Europe shares traded at EUR 4.41<sup>1</sup> just hours before the launch of the offer. As you will have seen,

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<sup>1</sup> Closing price of 24 November 2020.

even after the offer was announced, independent analysts from e.g. Deutsche Bank and Kempen still set price targets significantly above the offer price of EUR 9,50<sup>2</sup> and EUR 6,80<sup>3</sup> respectively. In fact, Altice Europe shares traded at EUR 4.50 per share at close of trading last Friday. Still, the Board remains dead-set on pushing Mr Drahi's expropriation scheme through at EUR 4.11.

11. In fact, whereas Lucerne spent quite some time explaining its views around the price (for which we refer you to our objection letter of 1 October 2020), you responded in your 15 October 2020 letter with one paragraph, stating the following:

"When considering the financial aspects of the Transaction, the Board has considered customary valuation metrics and circumstances and concluded that the offer price represents a fair price. This view has been supported by fairness opinions by Lazard Frères SAS (**Lazard**) and LionTree Advisors LLC (**LionTree**)."

12. This is quite obviously not a substantive response at all. While the lack of a substantive response is troubling in and of itself, this has not, unfortunately, been remedied by the information published on 24 November 2020. Whereas you had said that your position statement would include an explanation of the fairness of the offer price and the post-offer restructurings, this is not in fact the case. We note the following.

*The LionTree fairness opinion of 10 September 2020*

13. Lucerne understands that the "non-conflicted members of the board of Altice Europe" are relying solely on a fairness opinion by LionTree. Lucerne has the following observations on this respect.
14. **First**, LionTree is not an objective third party at all. Lucerne had never heard of LionTree, but it has since learned that it is a small boutique advisory firm which advises on deals involving Mr Drahi on a regular basis (see e.g. the deals relating to Sotheby's<sup>4</sup> and Suddenlink Communications<sup>5</sup>, and Cheddar<sup>6</sup>). Apparently, it is looking to provide more paid advice to Mr Drahi in the future:

"As a result of the acquisition of equity interests in Suddenlink Communications by Altice SA, we and certain of our partners held an indirect interest in a vehicle that owned equity securities of Altice USA, Inc., an affiliate of the Acquiror. Such equity securities of Altice USA,

<sup>2</sup> See Deutsche Bank's updated note of 28 October 2020.

<sup>3</sup> See Kempen's 15 September 2020 report ("Rating BUY, Price Target EUR 6.80").

<sup>4</sup> FT 20 August 2019, 'Sotheby's sale to Patrick Drahi attracts new investor criticism', <https://www.ft.com/content/2914ac28-c2c7-11e9-a8e9-296ca66511c9> ("Ms Keeling also questioned why Sotheby's had picked boutique investment bank LionTree as its financial adviser. The asset manager insinuated in its letter that the New York-based adviser was conflicted as it had first approached the auction house on behalf of Mr Drahi and two other unnamed buyers.")

<sup>5</sup> Bloomberg 26 May 2015, 'Little LionTree Poised to Reap Big Money From Cable Takeovers', <https://www.bloomberg.com/news/articles/2015-05-26/little-liontree-poised-to-reap-big-money-from-cable-takeovers> ; WSJ 22 December 2015, 'Cable Deal Hits New Bumps', <https://www.wsj.com/articles/cable-deal-hits-new-bumps-1450830849>

<sup>6</sup> FT 30 April 2019, 'Cable operator Altice USA gobbles up Cheddar for USD 200m', <https://www.ft.com/content/d37152bc-6b64-11e9-80c7-60ee53e6681d>

Inc. were fully disposed of during 2020. We and our affiliates may seek in the future to provide investment banking and capital markets services to the Company, the Acquiror [Next Private B.V., Mr Drahi's subsidiary], and their respective affiliates and their related entities or entities in which they have a significant direct or indirect interest, and expect to receive fees for the rendering of these services."<sup>7</sup> (underline added)

15. It is incomprehensible to Lucerne that the independent board members, in assessing the fairness of a related party transaction whereby Mr Drahi sells all of Altice Europe's assets to himself, relies on a small advisory firm which has in the past received large fees from Mr Drahi himself and is apparently looking to do more work for Mr Drahi. Lucerne would therefore appreciate the Board's views on why it selected LionTree and why it has not chosen to hire a truly independent valuator. Finally, it seems that the Board agreed that LionTree would only be paid the principal portion of its fee if and when the offer would successfully complete:

"We will receive a fee for our services, a portion of which is payable in connection with this opinion and the principal portion of which is contingent upon the successful completion of the Transaction."

16. This means that, notwithstanding the above, LionTree has at least one more financial interest in declaring the price "fair", whereas the independent members of the Board could easily have agreed a fixed fee with LionTree.
17. **Second**, the fairness opinion supplied by LionTree is meaningless for the minority shareholders. It is provided "*solely for the benefit of the Non-Executive Directors of the Board of Directors of the Company*"; it "*does not constitute a recommendation to any stockholder as to whether or not any holder of Company Stock should tender such Company Stock in connection with the Tender Offer or how such stockholder should vote or act with respect to the Transaction or any other matter*"; and minority shareholders cannot rely on the accuracy of any of the fairness opinion:

"Except for the Non-Executive Directors of the Board of Directors of the Company (in their capacity as such), this opinion is not intended to be relied upon by, and may not be relied upon, by any person (including security holders, affiliates, employees, or creditors of the Company), and we do not accept any responsibility or liability for the contents of this opinion to any such persons."

18. LionTree has apparently also been sure to be provided with an indemnity against any liability to arise out of providing the fairness opinion, which is not exactly a vote of confidence as regards the quality and contents of its own opinion.<sup>8</sup>

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<sup>7</sup> Fairness Opinion LionTree, p. 5.

<sup>8</sup> Fairness Opinion LionTree, p. 4: "We will receive a fee for our services, a portion of which is payable in connection with this opinion and the principal portion of which is contingent upon the successful completion of the Transaction, and the Company has agreed to reimburse certain of our expenses arising, and indemnify us against certain liabilities that may arise, out of our engagement."

19. **Third**, the fairness opinion contains a whole host of other assumptions which beg the question why the independent board members would be comfortable recommending the offer on this basis. For example, it states that:
- "In connection with our review, with your consent, we have assumed and relied upon, without independent verification, the accuracy and completeness of the information provided to, discussed with, or reviewed by us for the purpose of this opinion. In addition, with your consent, we have not made any independent evaluation or appraisal of any of the assets or liabilities (contingent or otherwise) of the Company, or any of its subsidiaries, nor have we been furnished with any such evaluation or appraisal."<sup>9</sup>
20. As such, LionTree relied only on information provided by the Board; no independent evaluation or appraisal was made. As to the provision of information to LionTree and Lazard: can the Board please confirm that Messrs Drahi, Okhuijsen, Weill and Dexter Goei of Altice USA, Inc. were not involved in this process in any possible way?
21. **Fourth**, the fairness opinion states on multiple occasions that it is only accurate as at 10 September 2020 (see e.g. p. 3: "*Our opinion is necessarily based on economic, monetary, market, and other conditions as in effect on, and the information available to us as of, the date hereof and our opinion speaks only as of the date hereof*"). It therefore disregards Altice Europe's Q3 earnings figures, which confirm the EUR >1 billion cash flow guidance and Altice Europe's strong results, and the market recovery since 10 September 2020.
22. In fact, and rather bizarrely, the fairness opinion does not seem to have taken into account Mr Drahi's prior comments from 20 May 2020 that Altice Europe would be turning out "more than EUR 1 billion" in cash flow within two quarters. Does LionTree believe that the Altice Europe Board's own free cash flow guidance is not relevant to a discounted cash flow valuation of the company? Please confirm if and how the EUR >1 billion of free cash flow guidance was taken into account by LionTree when drafting the fairness opinion.
23. Apparently, the independents in the board, led by Mr Van Breukelen, are fine with ignoring the later information to further Mr Drahi's quest to expropriate the minority shareholders at EUR 4.11 per share. This begs the question: why is this? Why don't the independent members of the Board simply instruct a valuator who is actually competent and independent to provide an independent valuation of Altice Europe's shares as per a date which is actually relevant for the minority shareholders? Why are the independents content with a discount to the market price?<sup>10</sup>

<sup>9</sup> Fairness Opinion LionTree, p. 2 and 3.

<sup>10</sup> In fact, under the (at least partially incorrect) heading "*premia to market price*", the Board now notes in its Position Statement that: "*The Offer represents: (...) a discount of 6.2% to the volume-weighted average price per Share A on Euronext Amsterdam for the twelve (12) month period prior to and including the Reference Date.*" For some reason, this wording on a discount seems to have been dropped from both the 24 November 2020 and the 11 September 2020 Altice Europe press releases.

24. To date, Lucerne has not seen any actual valuation of Altice Europe which supports the independents' views on the price being fair. In Lucerne's view, Dutch law clearly requires the independents to obtain a truly independent valuation of Altice Europe, especially given the obvious related party transaction aspects at play. It is disconcerting that the independents have not done so, especially given the near-unanimous criticism of the offer price, and the role of the independent directors in this process.
25. All of these questions have been posed repeatedly, by various shareholders, and it seems as if the independent members on the Board are dead set on avoiding any sort of transparency where it concerns the fairness of the offer price.
26. **Fifth and finally**, Lucerne has understood that SFR – a 100%-subsidiary of Altice Europe – initiated legal action against Orange, claiming **EUR 2.4 billion** from Orange.<sup>11</sup> We understand that the last hearing in that case was to be scheduled for 29 April 2020. Can the Board please confirm the latest status of the case, and confirm how LionTree incorporated this enormous potential value, which is approximately equal to the consideration of Mr Drahi's entire bid for Altice Europe's remaining shares, in its fairness opinion, especially in light of LionTree's statement that it has "*not made any independent evaluation or appraisal of any of the assets or liabilities (contingent or otherwise) of the Company, or any of its subsidiaries, nor have we been furnished with any such evaluation or appraisal*"<sup>12</sup>? Furthermore, how did the Board weigh this asset in its deliberations as regards the offer price?

*Terms of the offer*

27. In our previous letter to you, we noted our concerns in relation to the unusual condition in the Announcement that Mr Drahi could unilaterally "waive down" the minimum acceptance level:
- "If we understand the Announcement correctly, even if zero shares were to be tendered under the Offer, Mr Drahi would *still* be looking to squeeze out all minority shareholders and would seek to do so by virtue of (i) Mr Drahi being able to unilaterally waive down the minimum acceptance level; and (ii) Mr Drahi owning 77.58% of Altice Europe's issued share capital."
28. You did not respond to our concerns in this respect. We note from the documentation provided on 24 November 2020 that there have been no amendments to this condition. In fact, the Position Statement notes the following:
- "The Offeror may waive this acceptance level condition, but the Board has negotiated that the Offeror can only do so after consultation with Altice Europe. In such consultation, the Offeror and Altice Europe, represented by the Board, can exchange and discuss their views on such waiver and the consequences thereof."
29. This "negotiated" outcome by the Board is useless on its face, both for the Board and for minority shareholders, as it still leaves Mr Drahi with a complete right to waive down the acceptance level to a

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<sup>11</sup> Annual Report Altice Europe 2019, p. 266.

<sup>12</sup> Fairness Opinion LionTree, p. 2 and 3.

level he already controls, without the Board being able to do anything if he persists. Please let us know should the Board disagree with Lucerne's view that the Board will not actually be able to stop Mr Drahi from waiving down the acceptance level if he so chooses.

30. You have also not confirmed to us that Mr Drahi will not vote his shares on the pre-wired restructuring measures at the 7 January 2020 EGM, as we had requested. Essentially, this means Mr Drahi gets to push through the pre-wired restructuring measures with his existing majority of the voting rights. The "public offer" is thus little more than a deceptive scheme designed to cover up a forced sale of all of Altice Europe's assets to the majority shareholder Mr Drahi at a price set by him, and to the detriment of the Company's minority shareholders.
31. The Board is apparently of the opinion that Mr Drahi is entitled to expropriate the minority shareholders' shares on the sole basis that he owns more than half of the shares in Altice Europe. We understand that this is exactly what Mr Drahi's people have been telling the minority shareholders in various calls, suggesting that the minority shareholders have no legal recourse or alternative and should thus tender at EUR 4.11. This is highly misleading, inappropriate, and legally and factually inaccurate.
32. There are two other "protections" for the minority shareholders. The first is a list of things that no members of the Altice Europe group of companies (the "Group") shall do as long as Altice Europe has minority shareholders. These are the following:
- "(i) agree to and enter into a related party transaction with any material shareholder (including the Offeror and its Affiliates) which is not at arm's length;
  - (ii) take any action which disproportionately prejudices the value of, or the rights relating to, any minority shareholder's Listed Shares; and
  - (iii) neither the Offeror nor any of its Affiliates shall charge the Group any management fees or holding costs that are not related to the Group, and the Group shall not pay the Offeror or its Affiliates any such fees or costs."<sup>13</sup>
33. In other words, members of the Group will not – or no longer? – breach their existing legal duties vis-à-vis the minority shareholders. This is, strangely, "without prejudice" to the post-settlement restructurings. All of these obligations would apply regardless, as any other action would obviously already be contrary to Dutch law. As such, this doesn't offer minority shareholders with any actual additional protection.
34. The final addition is the "Adverse Recommendation Change". This is also called the "Fiduciary Out". The Position Statement assures us that it was "tailor-made and negotiated by the Board in light of the particularities of this Transaction"<sup>14</sup>, which sounds useful, but isn't when you study the provisions. Although "Adverse Recommendation Change" is formulated very broadly in the "Definitions" section

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<sup>13</sup> Position Statement of 24 November 2020, p. 15.

<sup>14</sup> Position Statement of 24 November 2020, p. 17.

of the Position Statement, which offers some hope, it soon transpires that the Board may not make any such Adverse Recommendation Change at all, except in extremely narrow circumstances. This doesn't inspire any confidence that minority shareholders will receive any protection, especially in light of the prior corporate governance incidents at Altice Europe. Furthermore, the wording only seems to restrict the independent members of the Board's ability to actually fulfil their Dutch law fiduciary duties, which they are bound by law to perform in the first place.

35. It is very simple: coming up with artificial solutions which provide no actual protection for minority shareholders (even when they are "tailor-made and negotiated by the Board in light of the particularities of this Transaction") is no substitute for the actual protections which the independent members of the Board should have agreed if they had actually fulfilled their fiduciary duties, such as a hard acceptance threshold; Mr Drahi not voting his conflict of interest; and sticking to the Dutch law requirements of the statutory squeeze out, which guarantees minorities an independent review of the squeeze out price by an impartial court, as provided for by Dutch and European law. While the independent members of the Board may now, potentially, somewhere down the line have an out (the "Adverse Recommendation Change"), they have in effect already given the game away to Mr Drahi. This is deeply disturbing and again does not bode well for minority shareholders.

*Corporate governance*

36. As set out in its 1 October 2020 letter, Lucerne is not only deeply concerned about the offer price itself, which in no way reflects the true value of the company, but also about the way in which the offer is structured. In particular, this concerns the position of the minority shareholders, the role of Mr Drahi (the "President" and controlling shareholder) and his family company A4 S.A. ("Vice-President"), and the questions surrounding the (lack of) independence of the board, given their fiduciary duties towards the company and all stakeholders (including the (minority) shareholders).
37. The Board has confirmed on multiple occasions that Altice is effectively controlled by Mr Drahi (see e.g. the board minutes of the 27 June 2019 AGM: "*The Board is aware that Altice is effectively controlled by Mr. Drahi and that it is not on the agenda to change this. (...) The Board is also aware that Altice is still controlled by one shareholder. It is not on the agenda to change that.*"). Mr Drahi's most recent attempt to sell Altice Europe to himself by a price set by himself has caused Lucerne to investigate prior corporate governance incidents at Altice Europe.
38. This has been a disconcerting exercise. To name some examples:
- (a) Apparently, last year, Mr Drahi, through an entity called *Quadrans*, entered into unspecified "rental agreements for office space" with Altice Europe, whereby Altice Europe will pay Mr Drahi a staggering EUR 449.1 million.<sup>15</sup> We have not seen any explanation of this amount or

<sup>15</sup> Annual Report Altice Europe 2019, p. 80: "*Lease and other financial liabilities with the Company's equity holder related to lease liabilities as recorded under IFRS 16 Leases for rental agreements for office space in France for the Altice France Group entered into by the Group with Quadrans, a company controlled by the ultimate beneficial owner of the Group for €449.1 million (zero as of December 31, 2018 as IFRS 16 is effective as of January 1, 2019).*"

why it was deemed to be in the corporate interest to pay nearly half a billion euros to Mr Drahi for office space.

- (b) Mr Drahi licenses the Altice brand to Altice Europe. Apparently, the so-called "brand licence and services agreement" was adjusted to ensure that Altice Europe will now pay Mr Drahi with 30 million (!) option rights for Altice Europe's right to use the Altice brand.
- (c) There are also various other related party transactions with Mr Drahi mentioned in the reports.<sup>16</sup> As these are not described in any detail, it is unclear why these were entered into, how these were in the corporate interest of Altice Europe, and what the exact terms were.
- (d) Following Weill's appointment, several transactions were entered into between Altice Europe and Mr Weill. Altice France S.A. sold a 51% stake in Groupe L'Express S.A. ("**Groupe L'Express**") to News Participations S.A.S. ("**News Participations**"), of which Weill is the controlling shareholder and president. The price for the shares was just EUR 19.000 while apparently, an Altice subsidiary invested EUR 23 million in Groupe L'Express just prior to the closing of the sale.<sup>17</sup> This was dubbed a "key audit matter" by Deloitte.<sup>18</sup> There are numerous other examples of wealth transfers from Altice Europe to Mr Weill through News Participations.<sup>19</sup>

- 39. For all of the above transactions, Lucerne would like to understand how they were in the corporate interest of Altice Europe. Please also provide us with the relevant independent valuations which Lucerne assumes were commissioned for each related party transaction.
- 40. The above is in addition to the excessive remuneration of Mr. Weill, which includes an additional right to acquire in aggregate up to 50,000,000 Preference Shares B (which comes to EUR 205.5 million against the EUR 4.11 bid price). The course of affairs in relation to this package was illustrative of Altice Europe's governance: when the remuneration committee decided not to recommend this remuneration package, Mr Drahi decided to simply ignore the remuneration committee. He also

<sup>16</sup> See e.g. the Annual Report Altice Europe 2017, p. 215: "During 2016 there was a transaction with an entity controlled by the controlling shareholder to sell a €9.0 million stake (\$10 million equivalent) in CVC 1 B.V." and the Annual Report Altice Europe 2015, p. 34: "The increase in operating expenses related to equity holders was mainly due to consulting fees of EUR 0.5 million paid to Altice Media Group, an affiliate of the Group (and controlled by the ultimate beneficial owner). These fees were paid in the context of the acquisition of a minority interest in NextRadioTV. This caption also includes fees paid to our CFO as part of a consulting agreement with the Group for an aggregate amount of EUR 1.0 million."

<sup>17</sup> Annual Report Altice Europe 2019, p. 204.

<sup>18</sup> Annual Report Altice Europe 2019, p. 316-319.

<sup>19</sup> See e.g. the Annual Report Altice Europe, p. 120 ("The only transactions involving a conflict of interest with a Board Member that were approved in 2019 were the following: • the sale of a 51% equity stake of Groupe L'Express to News Participations S.A.S., in respect of which an Executive Board Member, Mr. Weill, had a conflict of interest, in his capacity as controlling shareholder and president of News Participations S.A.S. (please refer to section 2.4.1 "Significant events affecting historical results – Sale of a majority stake in Groupe L'Express" for more details on this transaction); and • the acquisition by Altice Content Luxembourg SA of a 0.35% stake in Groupe News Participations from News Participations, in respect of which an Executive Board Member, Mr. Weill, had a conflict of interest, in his capacity as controlling shareholder and president of News Participations S.A.S."); p. 205 and p. 208.

ignored Altice Europe's own Board Rules and Altice Europe's own Remuneration Policy. Instead, Mr Drahi simply proposed (as the "Board") to put the proposal to a vote in the General Meeting, and then voted it through as the controlling shareholder in that same general meeting, ignoring an overwhelming majority of minority shareholders who voted against in the process.

41. The lengthy list of cases in Altice Europe's 2018 Annual Accounts showing non-compliance with the Dutch Corporate Governance Code described this incident as follows:

"Best practice provision 3.2.1: In July 2018, the Remuneration Committee did not recommend the grant of the Weill 2018 FPPSs to Mr. Weill, but instead indicated that it is up to the General Meeting to resolve on the grant of the Weill 2018 FPPSs. The Board thereupon resolved<sup>[11]</sup> to propose to the General Meeting to grant the Weill 2018 FPPSs to Mr. Weill without the Remuneration Committee's recommendation<sup>[12]</sup> and explained such in the explanatory notes to the agenda of the extraordinary General Meeting held on July 10, 2018. On July 10, 2018 the General Meeting resolved to grant the Weill 2018 FPPSs to Mr. Weill."

Footnotes 11 and 12 read:

"11 The Non-Executive present at the Board meeting voted against this resolution."

"12 This constitutes a deviation from article 8.2.1 of the Board Rules, which stipulates that the remuneration of the Executive Board Members is determined by the General Meeting upon a proposal of the Board based on a recommendation of the Remuneration Committee. This also constitutes a deviation from the Remuneration Policy, which stipulates that a recommendation of the Remuneration Committee is required for a remuneration proposal by the Board. The Remuneration Policy was amended on a one-time basis for the grant of the Weill 2018 FPPSs and was subsequently returned to its form before the amendment."

42. In the latest general meeting, Mr Drahi – again ignoring concerns by minority shareholders – lowered the threshold for adopting the remuneration policy from three-quarters to 50%+1, making Altice Europe the only Euronext Amsterdam-listed entity to deviate from the legal starting point under Dutch law. Approximately 97% of the minorities voted against, but the resolution passed.
43. All of this is separate from the impermissible 30-year voting agreements Mr Drahi has apparently forced on various shareholders and/or (former) directors, Messrs Goei, Okhuijsen, Berrebi and Weill.<sup>20</sup> These agreements provide that these shareholders/(former) directors are to vote "in favour of all items proposed by Next Alt in the General Meeting for a period of 30 years", aside from providing Mr Drahi with a proxy to represent it and to vote on its behalf in the Altice Europe General Meeting.

<sup>20</sup> Annual Report Altice Europe 2019, p. 115: "Pursuant to the voting arrangements laid down in the shareholders' agreements, in order to ensure the smooth continuation of the Company's business, the AENV Shareholders undertook to cast their votes in good faith during all General Meetings and to vote in favour of all items proposed by Next Alt in the General Meeting for a period of 30 years. Each AENV Shareholder must also give a proxy to Next Alt to represent it and to vote on its behalf in the General Meeting." (underline added)

All of this is also compounded by the fact that Mr Drahi is in full control of nominating, appointing and dismissing both the executive as well as the non-executive members of the Board as he sees fit.

44. All in all, the conclusion must be that Altice Europe has the most abysmal system of corporate governance of any Dutch entity listed on Euronext Amsterdam. In essence, Altice Europe does not subscribe to the Dutch stakeholder model in any meaningful sense of the word, as Mr Drahi and certain of his associates are apparently the only stakeholders worthy of consideration.
45. This has led to massive wealth transfers from Altice Europe to Mr Drahi and Mr Weill of which this "public offer" is simply the latest attempt. When the independent directors object, as they did with Mr Weill astronomical bonus scheme worth several hundred million euro's, they are simply and immediately overruled by Mr Drahi; Mr Van Breukelen et al. have no actual power within Altice Europe's corporate governance, and they seem OK with that for reasons not entirely clear to Lucerne. This does not mean, however, that the independent members of the Board can sit back and allow Mr Drahi to continue to abuse his rights as a controlling shareholder.
46. Barring a convincing explanation from the Board, these related party transactions and the other incidents stemming from Altice Europe's faulty corporate governance listed above merit a proper and independent investigation by an investigator appointed by the Enterprise Chamber, which has jurisdiction over these matters. Should the investigation uncover mismanagement, the relevant corporate resolutions can be suspended or annulled on the basis of Article 2:356 (a) of the Dutch Civil Code and the directors involved can similarly be suspended or dismissed on the basis of Article 2:356 (b) of the Dutch Civil Code, as appropriate.

*Pre-wired restructuring measures*

47. It remains wholly unclear to Lucerne why it is so essential that the pre-wired restructuring measures are pushed through by Mr Drahi himself at the 7 January 2021 EGM. The answer is obvious: it is apparently essential that it does not become clear just how unattractive this offer really is, lest minority shareholders gain the idea that there is an actual alternative to being forcibly expropriated. Or even worse: for an independent court to get involved and consider whether the offer price is fair or not, as Dutch law requires for a squeeze out.
48. Lucerne understands why Mr Drahi is set on avoiding any sort of scrutiny of his low-ball offer, but why are the independent members of the Board? What's wrong with showing some prudence, or independence for that matter, and simply having a vote on the measures by the minority shareholders *after* the acceptance period? In all, this would also limit the obvious risk that shareholders will look to void the pre-wired resolution before the regular Dutch courts afterwards based on Article 2:15 (1) (b) of the Dutch Civil Code, which would potentially spell years of litigation without any pre-wired restructuring measures being able to take place at all.
49. In this spirit, Lucerne hereby requests and urges the Board to remove the Post-Offer Restructurings from the agenda of the 7 January 2021 EGM (items 2(b), 2(c) and 2(d)).

*Further questions*

50. Lucerne notes that the Board has not responded to its questions (a), (c), (d)(i), (e), and (f) as set out in its 1 October 2020 letter. We reiterate our request that you provide us with an answer to those questions and the further questions in this letter. We also kindly request you to provide us with a copy of the Board's answers to the questions posed by Sessa Capital in its 1 November 2020 letter.

*Conclusion*

51. Lucerne, as a minority shareholder, objects to the course of affairs as set out above and as set out in its previous objection letter of 1 October 2020. Please note that these letters constitute letters within the meaning of Article 2:349 of the Dutch Civil Code. Accordingly, all of Lucerne's rights remain reserved, including in particular its rights to request (i) an investigation into the course of affairs and the management of Altice Europe; (ii) suspending voting on the Resolutions in the upcoming 7 January 2021 EGM or the suspension of the voting by entities controlled by Mr Drahi in that EGM; and (iii) the immediate appointment of one or more independent directors.
52. Lucerne remains fully prepared to meaningfully engage with Altice Europe's Board and its majority shareholder, as Lucerne believes this to be in the best interests of Altice Europe and all its stakeholders. As the concerns and objections set out above relate primarily to responsibilities within the remit of Mr Van Breukelen, we hereby propose to set up a call with Mr Van Breukelen (and any additional non-conflicted members of the Board as you see fit) early next week to discuss Lucerne's concerns and questions. Please let us know whether this works for you.
53. Separately, we look forward to receiving your reply in relation to the above. Please respond by 4 December 2020 at the latest.

Sincerely,

**Pieter Taselaar** – Founding Partner & Portfolio Manager

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