

# Telenet Group Holding

PUBLIC LIMITED LIABILITY COMPANY / NAAMLOZE VENNOOTSCHAP

Liersesteenweg 4  
2800 Mechelen, Belgium  
RLP number 0477.702.333

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Special report of the board of directors pursuant to, as far as needed and applicable,  
Article 604 of the Belgian Company Code

March 20, 2012

## **1. Introduction**

This special report has been prepared by the board of directors of Telenet Group Holding NV in accordance with Article 604 of the Belgian Company Code with respect to the proposal to renew the powers of the board of directors to increase the company's share capital within the framework of the authorized capital. The proposal will be submitted to an extraordinary general shareholders' meeting of the company to be held on April 25, 2012. The board of directors has set out in this report the circumstances in which the board of directors will be able to use its powers under the authorized capital, and the purposes that it shall pursue.

## **2. Current authorized capital**

At the date of this report, the company's share capital amounts to €294,190,333.96, represented by 113,516,857 shares. Within the framework of the aforementioned general shareholders' meeting, the board of directors will propose to the shareholders' meeting to reduce the share capital with an amount of €3.25 per share. Currently, the Board of directors has no powers to increase the share capital in the framework of the authorized capital.

According to article 7 of the articles of association, the board of directors was authorized, subject to the conditions set forth in the report prepared in accordance with Article 604 of the Belgian Company Code, to increase the share capital in one or more times for an amount of maximum € 5,000,000, for the purposes and under the conditions expressly set forth in the report in accordance with Article 604 of the Belgian Company Code, prepared on September 2, 2005 and submitted to the extraordinary general shareholders' meeting of September 20, 2005. This authorization applied for a period of 5 years as from the publication in the Belgian Official Journal of the amendment to the articles of association and is no longer valid.

## **3. Proposal to renew the authorized capital**

The board of directors proposes to the general shareholders' meeting to renew the powers of the board of directors in connection with the authorized capital and to set the amount of the authorized capital at €5,000,000.00.

The technique of the authorized capital offers the board of directors in principle a degree of flexibility and expedience that may be necessary to ensure an optimal management of the company. The prior disclosures, formalities and time windows to convene a shareholders' meeting and obtain a

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shareholders' meeting approval to execute a capital increase are elaborate, and often cannot be reconciled with the speed with which market opportunities arise and disappear again. For example, the time to convene a general shareholders' meeting takes more than one month. During this period, market circumstances can change significantly. If the board of directors is not able to seize potential market opportunities that would arise, this could be to the disadvantage of the company.

If the shareholders approve the proposal of the Board of directors, Article 7 of the Company's Articles of Association will read as follows:

*By virtue of a resolution of the extraordinary general shareholders' meeting held on April 25, 2012, the board of directors may increase the capital of the company on one or several occasions by a maximum amount of € 5,000,000.00. This authorization is valid for a period of five years as from the date of publication in the Annex to the Belgian Official Journal of an extract of the minutes of the extraordinary shareholders' meeting of the company held on April 25, 2012. These powers of the board of directors can be renewed.*

*The board of directors may increase the capital by contributions in cash or in kind within the limits of applicable law, by capitalization of reserves, whether available or unavailable for distribution, with or without the issuance of new shares (with or without voting rights). The board of directors may also use this authorization for the issuance of convertible bonds, warrants or bonds to which warrants or other securities are attached, and for the issuance of other securities.*

*In accordance with the applicable provisions of the articles of association and applicable law, when using its powers under the authorized capital, the board of directors may, in the interest of the company, limit or cancel the preferential subscription right, including in favour of one or more specific persons other than personnel of the company or of its subsidiaries.*

*Where, in the event of a capital increase decided by the board of directors pursuant to the authorized capital, an issue premium is paid, this issue premium will be automatically booked under the account "Issue premium", which shall, like the share capital, serve as the guarantee for third parties, and which can, except the possibility to convert this reserve into share capital, only be reduced or cancelled on the basis of a new lawful resolution of the general shareholders' meeting passed in the manner required for an amendment to the company's articles of association.*

*When using its powers under the authorized capital, the board of directors is authorized, with power of substitution, to amend the company's articles of association to reflect the outstanding share capital and outstanding shares.*

This proposal is to grant the board of directors sufficient flexibility in order to structure and implement stock-based incentive plans, as well as other potential raisings, as and when deemed appropriate or necessary, as further described below.

#### **4. Circumstances and purposes for the use of the authorized capital**

The board of directors intends to use its powers under the authorized capital in circumstances where, in the interests of the company, the convening of a general shareholders' meeting would be undesirable or not appropriate. Such circumstances could for instance arise when:

- the costs related to the convening of a shareholders' meeting are not in balance with the amount of the proposed capital increase;
- a prior convening of a shareholders' meeting would lead to an untimely announcement of the transaction, which could be in the disadvantage of the company;
- it appears to be necessary to be able to respond quickly to certain market opportunities;

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- due to the urgency of the situation it appears that a transaction within the framework of the authorized capital is necessary in the interests of the company.

The board of directors would be able to use its powers under the authorized capital (amongst other things):

- to issue shares, stock options, warrants and other securities to the personnel, collaborators and service providers of the company and its subsidiaries, and to structure stock based incentive or remuneration plans for such personnel, collaborators and service providers; or
- to finance (in whole or in part) takeovers or acquisitions of companies, businesses or assets, or other types of mergers, partnerships or strategic alliances;

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Done on March 20, 2012,

On behalf of the Board of directors

By: \_\_\_\_\_  
Frank Donck  
Director

By: \_\_\_\_\_  
Duco Sickinghe  
Director