Telenet Group Holding

NAAMLOZE VENNOOTSCHAP/ LIMITED LIABILITY COMPANY

Liersesteenweg 4
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Commercial Registry Mechelen no. 90.008
VAT BE 0477.702.333 RLP Mechelen

Special Report of the Board of Directors in accordance with Article 596 and as far as needed and applicable Articles 582 and 560 of the Belgian Company Code

25 April 2008

The Board of Directors has the honor to report to the extraordinary general shareholders' meeting of Telenet Group Holding NV (the "Company") in accordance with Article 596, and as far as needed and applicable Articles 582 and 560, of the Belgian Company Code.

The present special report relates to the proposed increase of the share capital of the Company through a contribution in cash with issuance of new shares in the Company and with cancellation of the preferential subscription rights of the existing holders of shares and, in as far as needed and applicable, the holders of profit certificates, warrants or other securities issued by the Company, whereby the new shares could potentially have an issuance price below the fraction value of the existing shares in the Company. This proposal will be submitted to an extraordinary general shareholders' meeting of the Company to be held before Notary Public.

In accordance with Article 596 (in connection with the cancellation of the preferential subscription rights of the existing holders of shares and, in as far as needed and applicable, the holders of profit certificates, warrants or other securities issued by the Company, to the benefit of the employees of the Company and its Belgian subsidiaries) and, as far as needed and applicable, in accordance with Article 582 (in connection with the proposed issuance of new shares at an issuance price which may potentially be lower than the fraction value of the existing shares in the Company) of the Belgian Company Code, the Board of Directors further discusses in the present report the proposed transaction, and in particular the issuance price of the new shares and the financial consequences of the transaction for the existing holders of financial instruments issued by the Company.

To the extent that the proposed issuance price of the new shares were to be below the fraction value of the existing shares of the Company and the subsequent equalization of the fraction value of all of the then existing shares could be qualified as an amendment to the respective rights attached to the different categories of shares, or as a substitution of certain categories of shares for shares of different category, this will be explained and justified hereinafter by the Board of Directors, as far as needed and applicable, in accordance with Article 560 of the Belgian Company Code.

This report must be read together with the report that will be prepared by the statutory auditor of the Company in accordance with Article 596 and, as far as needed and applicable, Article 582 of the Belgian Company Code.

1. Summary of the proposed transaction : share purchase plan for employees

The Board of Directors proposes, in the same way as in 2006 and 2008, to make a new offer of shares to the employees of the Company and its Belgian subsidiaries. Each of these employees would be offered the possibility to subscribe during a certain period to new shares in the Company up to a maximum amount of four months of gross salary at an issuance price equal to the average closing stock price of the Company's shares as listed on Euronext Brussels during a 30-day period preceding (but not including) the day of the opening of the subscription period, reduced by a discount of 16.67%.

In this respect, the Board of Directors proposes to cancel the preferential subscription rights of the shareholders of the Company and, in as far as needed and applicable, of the holders of profit certificates, warrants or other securities issued by the Company, in accordance with Article 596 of the Belgian Company Code to the benefit of the employees of the Company and its Belgian subsidiaries.

The offer to the employees of the Company and its Belgian subsidiaries will consist of a capital increase whereby the subscription per participant is limited to a maximum amount of four months of gross salary (it being understood that each employee will have the possibility to subscribe for a minimum amount of EUR 12,500, even if this amount is higher than four months of gross salary), in accordance with the tax regime described in No. 36/14-36/18 of the Commentary on the Income Tax Code '92, whereby the shares cannot be transferred during a period of two years after the date of their issuance.

In accordance with the provisions of Article 584 of the Belgian Company Code, if the capital increase is not fully subscribed, the share capital will only be increased with the amount of the subscriptions received. The shares which are not subscribed to shall not be issued.

The Board of Directors proposes that the new shares to be issued to the employees would:

(a) be common shares, with the same rights and benefits as the existing common shares of the Company (other than the Golden Shares and the Liquidation Dispreference Shares, as defined in the Articles of Association of the Company), without nominal value;

(b) benefit, at the time of the issuance, from reduced withholding tax (the so-called VPPR-advantage), which advantage may be represented by one separate VPPR-strip per new share;

(c) participate in the Company's profits from and for the full fiscal year that has started on January 1, 2008 in the same manner as the existing common shares of the Company; and

(d) be subscribed to in cash and immediately be fully paid-up.

The Board of Directors proposes the following special features of the offer to the employees, subject to possible changes:

(a) the new shares can be subscribed to by the following persons:

  (i) all employees which are employed by the Company or its Belgian subsidiaries during a period of at least six months at the time of the opening of the subscription period with an employment agreement of indefinite duration; and

(ii) by one or more financial intermediaries acting, either in their own name and for their own account, or in name and for the account of the employees referred to under paragraph (i), with the obligation for these financial intermediaries to place the thus subscribed shares with the subscribers to these shares.

(b) the issuance price shall be determined on the basis of the average closing stock price of the Company's shares as listed on Euronext Brussels during a 30-day period preceding (but not including) the day of opening of the subscription period, reduced with 16.67%;

(c) the shares subscribed cannot be transferred during a period of 2 years (after date of issuance).

The Board of Directors provided for the possibility that the employees can subscribe for a maximum amount of four months of gross salary (it being understood that each qualifying employee will have the right to subscribe for a minimum of EUR 12,500). The Company therefore estimates the maximum subscription amount at EUR 23.5 million in the event of a full subscription.

The Board of Directors proposes to the extraordinary general shareholders' meeting of the Company to authorize the Board of Directors to determine the total amount of the offer to the employees, the final issuance price, the number of shares to be issued, the criteria and procedure for subscription by the employees, and the subscription period.

2. Purpose of the capital increase – Interest of the Company

The Company wishes to grant its employees and the employees of its consolidated subsidiaries (hereinafter, together with the Company, collectively referred to as "Telenet") the possibility to subscribe to the share capital of the Company and therefore to motivate them and bind them to the long-term evolution of Telenet, and this in a tax friendly manner for the employees.

The capital increase reserved to the employees requires the cancellation of the preferential subscription rights of the existing shareholders and in as far as necessary and applicable, of the holders of profit certificates, warrants or other securities issued by the Company.

3. Issuance price of the new shares

While the Company's stock price on the date of this report is above the current fraction value of the Company's shares (i.e. currently (rounded) EUR 9.89), the offer to the employees may potentially be effected at an issue price below the fraction value of the existing shares. Whether this will eventually be the case, will depend on the evolution of the Company's stock price prior to the opening of the subscription period. As described above, it will be proposed to determine the issuance price of the new shares at the average closing stock price of the Company's shares as listed on Euronext Brussels during a 30-day period prior to (but not including) the day of the opening of the subscription period, reduced with 16.67%.

If the issuance price of the new shares were to be equal to, or below, the fraction value of the existing shares prior to the issuance of the new shares, the issuance price shall be fully allocated to the share capital of the Company. If the issuance price of the shares were to be higher than the fraction value of the existing shares prior to the issuance of the new shares, an amount equal to the fraction value per share shall be allocated to the share capital of the Company per share that is subscribed to, whereby the balance shall be booked on the "Issuance Premium" account, which shall serve as a guarantee to third parties in the same manner as the share capital and of which can only be disposed of in the manner required for an amendment to the Articles of Association.

The Board of Directors is of the opinion that the proposed price for the new shares is justified, amongst others for the following reasons. Firstly, the Board of Directors wishes to grant the employees of Telenet the possibility to subscribe to new shares at attractive conditions, which is justified in the framework of the incentive objectives of the offer. In addition, the shares shall also be subject to a non-transferability regime, as described above. This element also justifies the proposed price.

4. Financial consequences of the transaction

Hereinafter, the Board of Directors discusses the financial consequences of the proposed transaction.

a) With respect to the evolution of the share capital and the number of shares

On the date of this report, the share capital of the Company amounts to EUR 1,087,953,657.10, represented by 110,006,756 shares without nominal value that each represent 1/110,006,756 of the share capital. The fraction value of the shares currently amounts to (rounded) EUR 9.89 per share

To the extent that the new offered shares are subscribed to, the share capital and the number of outstanding shares shall increase. As described above, the share capital will increase upon issuance of the shares with an amount equal to the issuance price of the shares. To the extent that the issuance price of the shares exceeds the fraction value of the then existing shares of the Company (i.e. currently (rounded) EUR 9.89), the portion of the issuance price in excess of the fraction value shall be booked as an issuance premium. In such case, the share capital will increase in proportion to the number of new shares that are issued, and all shares, including the new shares, will represent an equal portion of the share capital. On the other hand, to the extent that the issuance price of the new shares is lower than the fraction value of the then existing shares of the Company, the issuance price shall be fully allocated to the share capital. In such case, the share capital will also increase, but the fraction value per share of all shares will reduce, since the new shares will be issued at an issuance price lower than the fraction value of the existing shares.

The exact evolution of the share capital pursuant to the proposed issuance of new shares shall depend on the subscription to the shares and on the amount of the final issuance price. These elements cannot yet be determined on the date of this report. Nonetheless, a simulation of the possible evolution on the basis of a numeric example has been included under point 5 below. As appears from this simulation, the effects of the proposed issuance are expected to be limited.

b) Evolution of certain rights attached to the shares

Currently, all shares entitle the holders thereof to one vote and all shares have equal rights to participate in possible profits of the Company. Furthermore, all shares have equal preferential subscription rights for capital increases through contributions in cash (if such preferential subscription rights are not cancelled or limited) and equal rights to participate in the liquidation proceeds in the event of liquidation of the Company (this does not apply to the Liquidation Dispreference Shares, as defined in the Articles of Association of the Company). To the extent that new shares are issued, these shares will have the same voting rights, dividend rights, preferential subscription rights and liquidation rights as the existing common shares. Consequently, the relative value of each of the voting rights, dividend rights, preferential subscription rights and liquidation rights of the existing shares shall dilute. Further reference is made to the simulation under point 5 below. This dilution will, with respect to certain rights attached to the portion of the share capital that is represented by the shares (such as voting rights, preferential subscription rights and liquidation rights), be amplified if the new shares are issued at an issuance price below the fraction value of the then existing shares and if after such issuance all shares represent an equal, though lower, portion of the share capital.

c) *Evolution of the participation in the accounting net equity*

The statutory net equity of the Company amounted to EUR 1,109,477,702.18 on December 31, 2007. The consolidated net equity of the Company amounted to EUR 170,063,000 on December 31, 2007. On the basis of these figures, on December 31, 2007, the participation of each of the then existing shares in the statutory net equity was equal to (rounded) EUR 10.15 per share (based on the 109,313,539 then outstanding shares), and the participation of each of the then existing shares in the consolidated net equity was equal to (rounded) EUR 1.55 per share (based on the 109,313,539 then outstanding shares).

If the capital increase is subscribed to, the net equity shall increase with the same amount. The issuance price shall indeed be allocated to the net equity as share capital (and issuance premium, as the case may be).

If the issuance price of the shares is higher than the participation of the existing shares in the statutory, respectively consolidated, net equity of the Company, the issuance of the shares would, from an accounting point of view, entail a dilution to the benefit of the existing shares. Conversely, if the issuance price of the shares is lower than the participation of the existing shares in the statutory, respectively consolidated, net equity of the Company, the issuance of the shares would, from an accounting point of view, entail a dilution to the benefit of the new shares.

5. Simulation

For the purpose of illustration, a numeric example of the possible financial consequences of the proposed issuance of the new shares has been included below. This simulation is based on a hypothetical issuance price of EUR 12.00 and EUR 13.00. These issuance prices are not an indication of, and do not express an expectation of, the final issuance price of the new shares. The number of shares to be issued may be higher or lower than the number of shares to be issued in the event of full subscription to the capital increase at the relevant hypothetical prices. If the final issuance price is higher, less new shares will be issued (if the capital increase is fully subscribed to). If the final issuance price is lower, more new shares will be issued (if the capital increase is fully subscribed to).

The simulation is also based on the following elements and assumptions:

(1) If the issuance price of the new shares amounts to EUR 12.00 and the maximum issuance of EUR 23.5 million is fully subscribed to, 1,958,333 new shares will be issued. If the issuance price of the new shares amounts to EUR 13.00 and the maximum issuance of EUR 23.5 million is fully subscribed to, 1,807,692 new shares will be issued

(2) The number of shares of the Company amounts to 115.467.190 shares on a fully-diluted basis. This is based on the following securities of the Company which are outstanding on the date of the present report:

   (a) The Company has 110,006,756 outstanding shares on the date of this report.

   (b) The Company has approved in 2004 two option plans pursuant to which the board of directors granted "Class A Options" to senior management and "Class B Options" to management. Each Class A Option entitles the holder thereof, subject to certain conditions to subscribe to one Class A Profit Certificate against payment of €5.08. Each Class B Option entitles the holder thereof, subject to certain conditions, to one Class B Profit Certificate against payment of €6.35. Each Class A Profit Certificate and Class B Profit Certificate can be converted into one share of the Company. On the date of this report, there are 1,502,824 outstanding Class A Options and 578,842 outstanding Class B Options. There are currently no Class A Profit Certificates outstanding and 78,768 Class B Profit Certificates outstanding.

If all Class A and Class B Options are exercised and if all Class A and Class B Profit Certificates (i.e. the currently outstanding Class B Profit Certificates and the Class A and Class B Profit Certificates to be issued upon the exercise of the Class A and Class B Options) are subsequently converted into shares, 2.160.434 additional shares will be created.

The simulation is based on the assumption that all options have been exercised into profit certificates and that the profit certificates have been converted into shares

(c) On December 27, 2007 the general shareholders' meeting of the Company approved the issue of three million three hundred thousand (3,300,000) stock options within the framework of a stock option plan. It is, however, now being proposed to the general shareholders' meeting to annul 317,000 stock options that were issued on December 27, 2007. For the purposes of the simulation below, it is therefore assumed that a total of 2,983,000 stock options were issued on December 27, 2007.

The simulation is based on the assumption that all respective stock options can be exercised and have also been exercised.

(d) It is also proposed to the extraordinary general shareholders' meeting of the Company that will have to decide on the approval of the new stock purchase plan for the employees, which is the subject matter of this report, to issue three hundred seventeen thousand (317,000) new stock options within the framework of a stock option plan for the Chief Executive Officer of the Telenet Group.

This simulation is based on the assumption that all respective stock options can be exercised and have also been exercised.

(3) The evolution of the share capital was calculated on the basis of the share capital at the date of the present report, i.e. EUR 1,087,953,657.10.

On the basis hereof, the evolution of the share capital and the number of shares as a result of the issuance of the new shares can be illustrated as follows:

Done at Mechelen on April 25, 2008.

On behalf of the Board of Directors,

By:	__________________ Mr. F. Donck Director	By:	__________________ Mr. D. Sickinghe Director

Maximum amount of issuance	23,500,000.00	23,500,000.00
(including issuance premium)		
Issuance price per new share	12.00	13.00
Prior to the capital increase:		
Share capital (in euro)	1,087,953,657.10	1,087,953,657.10
Number of shares (prior to dilution)	110,006,756	110,006,756
Fraction value per share (in euro)	9.89	9.89
The capital increase:		
Number of new shares	1,958,333	1,807,692
Capital increase (in euro)	19,367,717.54	17,877,893.11
Issuance premium (in euro)	4,132,278.46	5,622,102.89
Capital increase and issuance premium (in euro)	23,499,996.00	23,499,996.00
Fraction value per share (in euro)	9.89	9.89
After the capital increase:		
Share capital (in euro)	1,107,321,374.64	1,105,831,550.21
Number of shares (prior to dilution)	111,965,089	111,814,448
Fraction value per share (in euro)	9.89	9.89
Dilution:		
Number of outstanding shares		
Issued outstanding shares	110,006,756	110,006,756
Shares issuable upon conversion of Class A Profit Certificates	1,502,824	1,502,824
Shares issuable upon conversion of Class B Profit Certificates	663,883	663,883
Shares issuable within the context of the Stock Options 2007	2,983,000	2,983,000
Shares issuable within the context of the Stock Options 2008	317,000	317,000
Total	115,467,190	115,467,190
Dilution as a result of the capital increase		
On the basis of currently issued and outstanding shares (before dilution)		
Outstanding shares (other than shares issuable in the capital increase)	110,006,756	110,006,756
Shares issuable within the framework of the capital increase	1,958,333	1,807,692
Total	111,965,089	111,814,448
Dilution	1.75%	1.62%
On a fully diluted basis		
Outstanding shares (other than shares issuable in the capital increase)	115,467,190	115,467,190
Shares issuable within the framework of the capital increase	1,958,333	1,807,692
Total	117,425,523	117,274,882
Dilution	1.67%	1.54%

6. Article 560 of the Belgian Company Code (as far as needed and applicable)

As described above, all shares shall represent an equal portion of the share capital of the Company upon the realization of the proposed capital increase.

To the extent that in the framework of the offer to employees new shares are issued below the fraction value of the then existing shares in the Company, and that subsequently the fraction value of the shares is equalized, and to the extent this could be regarded as a transaction which falls within the scope of Article 560 of the Belgian Company Code, the Board of Directors is of the opinion that such equalization of the fraction values of all then existing shares is justified, since it is provided amongst other things that each share shall have equal voting rights and shall have the same rights and benefits as the other common shares of the Company (except for the Golden Shares and the Liquidation Dispreference Shares, as defined in the Articles of Association of the Company), and since the capital increase in the framework of the offer to the employees is in the interest of the Company, as described above.

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