

# **Telenet Group Holding**

NAAMLOZE VENNOOTSCHAP/ LIMITED LIABILITY COMPANY

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## **Special Report of the Board of Directors in accordance with Articles 583, 596 and 598 of the Belgian Company Code**

27 April 2009

### **1. Introduction**

This special report has been prepared by the Board of Directors of the public limited liability company "Telenet Group Holding" (the "Company"):

- on the one hand, in accordance with Article 583 of the Belgian Company Code in connection with the proposal to issue one hundred eighty thousand (180,000) warrants (the "Stock Options"); and
- on the other hand, in accordance with Article 596 and Article 598 of the Belgian Company Code in connection with the proposal to cancel the preferential subscription rights of the existing shareholders in order to be able to offer the Stock Options to the Chief Executive Officer of the Telenet group.

The aforementioned proposals will be submitted to an extraordinary general shareholders' meeting to be held before notary public. In this report, the Board of Directors provides further background with respect to the proposed issuance of the Stock Options in accordance with Article 583 of the Belgian Company Code, and the proposed cancellation of the preferential subscription rights of the existing shareholders in accordance with Article 596 and Article 598 of the Belgian Company Code. In this respect, reference is also made to the report of the statutory auditor of the Company in accordance with Article 596 and Article 598 of the Belgian Company Code.

### **2. Description of the transaction**

The Board of Directors proposes to issue one hundred eighty thousand (180,000) Stock Options within the framework of a stock option plan, pursuant to which one hundred eighty thousand (180,000) Stock Options will be offered immediately upon their issuance to the Chief Executive Officer of the Telenet Group, a self-employed service provider.

In order to be able to grant the Stock Options to the Chief Executive Officer of the Telenet group, the Board of Directors proposes to cancel the preferential subscription rights of the existing shareholders, and in as far as necessary, of the holders of profit certificates, warrants or other securities issued by the Company. The Stock Options will be granted immediately upon their issuance to the Chief Executive Officer of the Telenet Group.

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The terms and conditions of the Stock Options are attached hereto as Annex A. For information purposes only, the main terms of the Stock Options can be summarized as follows:

- *Stock Option Plan.* The Stock Options are issued in the framework of a stock option plan (the "Plan - 2009") for the Chief Executive Officer of the Telenet group.
- *Stock Options with respect to shares of the Company.* Each Stock Option will entitle the holder thereof to subscribe to one (1) new ordinary share of the Company.
- *Shares.* The shares to be issued by the Company upon exercise of the Stock Options shall be ordinary shares of the Company (other than the Golden Shares and Liquidation Dispreference Shares of the Company, as defined in the Company's articles of association), and shall have the same rights and benefits (including as to dividend rights) as the ordinary shares of the Company that are outstanding immediately preceding the exercise of the Stock Options concerned. The shares to be issued by the Company upon exercise of the Stock Options shall benefit, at the time of their issuance, from the reduced withholding tax rate of 15%, *i.e.* the so-called "VVPR" status, with respect to the dividends, if any, that the Company may declare in its absolute discretion. Where applicable, such VVPR-right can be represented by a separate instrument.
- *Stock Option Agreement.* The grant of the Stock Options will be reflected in a stock option agreement (the "Stock Option Agreement"). The Stock Option Agreement shall (amongst others) state the date of grant of the Stock Options (*i.e.* the date of the issuance of the Stock Options), the number of Stock Options granted (*i.e.* one hundred eighty thousand (180,000)), the rules relating to the vesting of the Stock Options, the term of the Stock Options (*i.e.* five (5) years), the exercise price of the Stock Options and any other relevant fact and/or condition.
- *Issuance Price of the Stock Options.* The Stock Options will be offered free of charge.
- *Exercise Price of the Stock Options.* The exercise price of the Stock Options will be equal to the average of the closing prices of the Company's shares as traded on Euronext Brussels during the thirty (30) day period preceding the adoption date (*i.e.* the date upon which the shareholders approve the issuance of the Stock Options).

Upon exercise of a Stock Option and issue of shares in accordance with the terms and conditions of the Plan-2009, the exercise price of the Stock Option will be allocated to the share capital of the Company.

However, to the extent that the amount of the exercise price of the Stock Option exceeds the fraction value (*fractiewaarde / valeur fractionnelle*) of the shares of the Company immediately preceding the exercise of the Stock Option concerned, a part of the exercise price equal to such fraction value shall be booked as share capital, whereby the balance, if any, shall be booked as issue premium. The issue premium, if any, shall serve as guarantee for third parties in the same manner as the Company's share capital and shall be booked on an unavailable account that can only be decreased or booked away

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pursuant to a resolution of a general shareholders' meeting passed in the manner required for an amendment to the Company's articles of association.

- *Term.* The Stock Options have a term of five (5) years as of the date of the issuance by the general shareholders' meeting.
- *Exercise period.* Stock Options which have vested can only be exercised during the following periods: (i) as of February 22 until April 10, (ii) as of May 10 until June 10, (iii) as of August 10 until October 10, and (iv) as of November 10 until December 15. The Board of Directors of the Company or the HRO Committee may in its absolute discretion, provide for additional exercise periods. The Board of Directors or the HRO Committee of the Company may also amend the aforementioned exercise periods if such periods were to coincide with applicable restricted or other periods during which the exercise of Stock Options would be restricted or not permitted pursuant to a dealing code or other restrictions imposed by the Company's Board of Directors or any other applicable rules or regulations.
- *Vesting.* The Stock Options shall vest in sixteen equal instalments as follows: per quarter, a portion equal to one sixteenth of the aggregate number of Stock Options shall vest on the first day of the quarter concerned. The first quarter during which Stock Options will vest is the quarter immediately following the quarter in which the Date of Grant falls.

All Stock Options will immediately and automatically vest upon a change of control over the Company.

For a detailed description of the terms and conditions of the Stock Options, reference is made to Annex A of this report.

### **3. Objective of the proposed transaction**

As explained above, the Stock Options will be granted to the Chief Executive Officer of the Telenet Group within the framework of a stock option plan.

The number of 180,000 Stock Options takes into account the term of three years during which the Company intended to use the Stock Option Plan 2007, as mentioned in the report of the Board of Directors pursuant to the Articles 583, 596 and, for as far as necessary, 598 of the Belgian Company Code to the extraordinary general shareholders' meeting held on December 27, 2007.

In relation to the proposed issuance of 180.000 Stock Options, it is proposed to the extraordinary shareholders' meeting to annul 180.000 Stock Options issued on December 27, 2007 (but which are not yet granted), so the total amount of Stock Options issued within the framework of the Stock Option Plan 2007 (ESOP 2007), the Stock Option Plan 2008 (ESOP 2008, whereby the general shareholders' meeting of May 29, 2008 has issued and granted 317.000 Stock Options to the Chief Executive Officer and whereby 317.000 Stock Options of the ESOP 2007 were annulled) and the Stock Option Plan 2009 (subject of this report), remains three million three hundred thousand (3.300.000), not taking into account the Stock Options that are forfeited due to termination of employment of (former) employees-beneficiaries. It is proposed to the extraordinary general shareholders' meeting to annul the concerned 180,000 Stock Options, issued on December 27, 2007, because the issuance price of these Stock Options was determined on December 27, 2007 to be at least EUR 19.45 (in accordance with the Belgian Company Code). As a consequence, the concerned Stock Options would most likely not be accepted if they would be granted today.

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The aim of the Plan-2009 is the realisation of certain corporate and human resources goals, such as:

- to encourage and motivate the Chief Executive Officer of the Telenet group;
- to enable the Company to keep a Chief Executive Officer with the requested experience and skills;
- to align the interest of the Chief Executive Officer of the Telenet group closer to those of the shareholders of the Company by giving them the opportunity to share in the potential increase of the value of the Company.

The Board of Directors believes that pursuing the above goals is in the interest of the Company. In addition,

- the granting of the Stock Options can be considered as a tax efficient incentive for this person.
- the grant of the Stock Options would enable the Company to benefit from new means within the Company at the moment of the exercise of the Stock Options.
- the Stock Options would allow the Company to offer to the beneficiary of the Stock Options a (potential) participation in the share capital of the Company, which can be regarded as an incentive for the participant to value and increase his loyalty and engagement.

**4. Objective of the proposed cancellation of the preferential subscription right**

In order to be able to offer the Stock Options to the Chief Executive Officer of the Telenet group, the Board of Directors proposes to cancel the preferential subscription rights of the existing shareholders, and in as far as necessary, those of the holders of profit certificates, warrants and other securities issued by the Company. The Stock Options will be granted the Chief Executive Officer of the Telenet group, i.e. Mr. Duco Sickinghe.

**5. The proposed exercise price of the Stock Options**

The exercise price of the Stock Options is equal to the average of the closing prices of the Company's shares as traded on Euronext Brussels during a period of thirty (30) days prior to the date of the issuance (i.e. the date on which the shareholders approve the issuance of the Stock Options).

Whether or not the respective Stock Options will be exercised (in those circumstances provided for in the Plan-2009) will depend on the individual decision of the participant. It can be expected that a Stock Option will only be exercised if and to the extent the stock exchange price of the Company's shares at the time of exercise is higher than the exercise price of the Stock Options. This would enable the participant to realize a capital gain on the share (not taking into account possible tax or other related costs) upon a subsequent sale of the share.

By determining the proposed exercise price in function of the price of the shares of the Company, as described above, the participant would in principle not be granted a discount to the applicable stock price of the Company's shares at the time of grant. Furthermore, the participant would only be able to realize a capital gain if and to the extent the stock exchange price at the time the participant sells the shares that he acquired upon the exercise of the Stock

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Options is higher than the exercise price and to the extent the participant is able to exercise the Stock Options according to the terms and conditions of the Plan-2009 at that time. This is in line with the human resource and incentive objectives of the Company as described above. Accordingly, the Board of Directors believes that the exercise price of the Stock Options as described above is justified.

**6. Financial consequences of the proposed transaction for the shareholders**

Below, 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 special report, the share capital of the Company amounts to €1,089,632,787.60, represented by 110,304,496 shares without nominal value, each representing one 110,304,496<sup>th</sup> of the share capital of the Company. The fraction value of the shares currently amounts to (rounded) €9.88 per share.

The exercise of the Stock Options during their term will lead to an increase of the share capital of the Company through the issuance of new shares of the Company, as indicated above.

The exact evolution of the Company's share capital as a consequence of the exercise of Stock Options cannot be predicted since it will depend on (i) the exercise price of the Stock Options, (ii) whether the Stock Options will be exercised or not and (iii) the fractional value of the shares of the Company outstanding immediately before the exercise of the Stock Options. The exercise price of the Stock Options will be determined at the moment of grant in accordance with the terms and conditions of the Stock Options as indicated in section 2 above. Hence, the exercise price cannot yet be determined at the date of this report. Furthermore, whether the Stock Options will be exercised or not, will depend upon (amongst others) the compliance with the terms and conditions of the Stock Options and the decision of the individual holder of the Stock Options. The exercise of the Stock Options is neither automatic nor compulsory. The exercise will also depend on the price of the shares of the Company as listed on Euronext Brussels on the date of exercise of the Stock Options, as it can be expected that a Stock Option will only be exercised if and to the extent the stock exchange price of the Company's shares at the time of exercise is higher than the exercise price of the Stock Options. As a result, there is no certainty whether the Stock Options will be exercised or not.

Although the exact evolution of the Company's share capital cannot yet be determined at the date of this report for the reasons set forth above, a simulation of the possible evolution on the basis of a numeric example has nevertheless been included under point 7 below.

*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 the 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 new shares are issued upon the exercise of the Stock Options, these shares will have the same voting rights, dividend rights, preferential subscription rights and liquidation rights as the existing ordinary 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 7 below.

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

As appears from the consolidated annual statements of the Company as per December 31, 2008, the consolidated accounting net equity of the Company on December 31, 2008 amounted to €170,161,584 or (rounded) €1.54 per share (based on the 110,299,104 shares then outstanding). According to the statutory annual accounts, the statutory accounting net equity of the Company on December 31, 2008 amounted to €1.076.692.507 or (rounded) €9.76 per share (based on 110,299,104 shares then outstanding).

In the assumption that all Stock Options have vested, are immediately exercisable (regardless of the relevant terms and conditions of the Stock Options) and have been exercised, upon exercise of the Stock Options, an amount equal to the product of the number of Stock Options and the exercise price of the Stock Options shall be allocated to the accounting net equity of the Company as share capital (and issuance premium, as the case may be).

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

In any event, from an investor's perspective, it can be expected that a Stock Option will only be exercised if and to the extent the stock exchange price of the Company's shares at the time of exercise is higher than the exercise price of the Stock Options. This would entail a financial dilution of the other shareholders at the time of exercise of the Stock Options.

**7. Simulation**

For the purpose of illustration, a numeric example of the possible financial consequences of the issue and exercise of the Stock Options has been included below. This simulation is based on a hypothetical exercise price of the Stock Options of respectively € 12.00, € 13.00 and € 14.00. These exercise prices are not an indication of, and do not express an expectation of, the final exercise price of the Stock Options, which will be determined in accordance with the terms and conditions of the Stock Options as indicated in section 2 above.

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

- (1) The simulation is based on the assumption that all Stock Options have vested, are immediately exercisable (regardless of the relevant terms and conditions of the Stock Options) and have been exercised.
- (2) The simulation of the evolution of the share capital has been calculated on the basis of the share capital and number of issued and outstanding shares at the date of the present report, i.e. €1,089,632,787.60 and 110,304,496 outstanding shares. The simulation of the evolution of the share capital does

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not take into account the evolution of the share capital upon issue of other shares still to be issued as further described in paragraphs (3)(b) to (3)(d) below

- (3) The simulation of the dilution is based on a total of 115,467,190 outstanding shares on a fully-diluted basis prior to the exercise of the Stock Options. This is based on the following:
- a) On the date of this report, the Company has 110,304,496 issued and outstanding shares.
  - b) The Company has approved 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 758,910 outstanding Class A Options and 284,425 outstanding Class B Options. There are currently 577,364 Class A Profit Certificates outstanding and 241,995 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 converted into shares, 1,862,694 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 Company's general shareholders' meeting approved the issue of three million three hundred thousand (3,300,000) stock options within the framework of a stock option plan (ESOP 2007). The general shareholders' meeting of May 29, 2008 has approved the issue of 317,000 new stock options (ESOP 2008) and destroyed 317,000 stock options issued on December 27, 2007. It is proposed now to the general shareholders meeting of May 28, 2009, to destroy 180,000 stock options issued under the ESOP 2007. For the purposes of the simulation below, it is assumed that a total of 3,120,000 stock options (under the ESOP 2007 and ESOP 2008) were outstanding, not taking into account the stock options that are forfeited due to termination of employment of (former) employees-beneficiaries.
- d) The general shareholders' meeting of May 29, 2008 has also approved the issuance of new shares for a total subscription amount of € 23.5 million within the framework of the new stock purchase plan for the employees of the Company and its subsidiaries. The issuance of this capital increase has not taken place yet. For the purposes of the simulation below, this issuance has not been taken into account. Reference is made to the report of the Board of

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Directors of the Company in accordance with article 596 of the Belgian Company Code within the framework of this new stock purchase plan.

- e) This simulation does not take into account the capital decrease that will be proposed to the extraordinary shareholders' meeting of May 28, 2009. If this capital decrease is approved, this will influence the number and the exercise price of the Class A and Class B Options, the stock options 2007, the stock options 2008, the Stock Options, the number of the Class A and Class B Profit Certificates and the number of the ordinary shares that can be issued by conversion of the Class A and Class B Profit Certificates (by unification of titles) into ordinary shares of the Company.

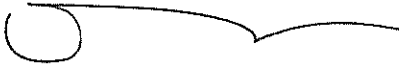
Based on the foregoing, the evolution of the share capital and the number of shares as a result of the issuance of the new shares can be illustrated as follows:

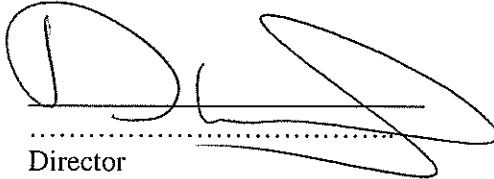
\* \* \*



Done at Mechelen, on April 27, 2009,

On behalf of the Board of Directors,

By:   
\_\_\_\_\_  
Frank DONCK  
Director

By:   
\_\_\_\_\_  
.....  
Director

**ANNEX A**  
**STOCK OPTION PLAN**

**TELENET GROUP HOLDING NV**

**STOCK OPTION PLAN 2009**

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## TELENET GROUP HOLDING NV

### STOCK OPTION PLAN 2009

The present plan contains the issue and exercise conditions of the "2009 Stock Options" of the Company, issued on May 28, 2009.

#### 1. DEFINITIONS AND CONSTRUCTION

##### 1.1. Defined terms

The following terms and expressions that are not defined elsewhere in these conditions shall have the following meaning herein, save where the context requires otherwise:

- Adoption Date:*** means the date on which the Stock Options have been issued by shareholders' meeting of the Company.
- Beneficiary:*** means the person or persons validly designated by the Selected Participant, being either his spouse, legal heirs or other family members, in order to exercise the rights of the Selected Participant under the Plan and the Stock Option Agreement after the death of the Selected Participant. The designation and revocation of a Beneficiary must be done in writing in accordance with the applicable law. In the absence of any valid designation, the heirs of the Selected Participant shall be deemed to be the Beneficiary in accordance with the applicable law of inheritance. In the event that there are several heirs, all heirs acting jointly or one person designated by all heirs acting jointly shall be deemed to be the Beneficiary.
- Board of Directors:*** means the board of directors (*raad van bestuur / conseil d'administration*) of the Company.
- Business Day:*** means a day on which banks are open for business in Belgium, excluding however Saturdays and Sundays.
- Company:*** means Telenet Group Holding NV, a company organized and existing under Belgian law, registered with the register of legal persons under number 0477.702.333.
- Date of Grant:*** means the date on which the Stock Options are granted to the Selected Participant.
- Date of Termination of the management agreement:*** means the effective date of termination of the management agreement of the Selected Participant.
- Exercise Period:*** means the periods during which the Selected Participant can exercise the Stock Options granted to him, provided and to the extent that the Stock Options are exercisable in accordance with the conditions set

forth in the Plan, in the Stock Option Agreement and any other arrangement that may exist between the Selected Participant and the Company.

**Exercise Price:** means the price at which each share subject to a Stock Option may be acquired/subscribed to upon the exercise of the Stock Option.

**HRO Committee:** means the Human Resources and Organization committee, or such other committee as appointed by the Board of Directors, that has been established by the Board of Directors and that renders advice regarding or, as the case may be, makes decisions with respect to the Plan.

**Plan:** The present 2009 stock option plan.

**Selected Participant:** means Mr. Duco Sickinghe, Chief Executive Office of the Telenet group.

**Stock Option:** means the right to subscribe to a new share to be issued by the Company in accordance with the terms and conditions set forth in the Plan and the applicable Stock Option Agreement, such right constituting a warrant (*warrants / droit de souscription*) issued by the Company.

**Stock Option Agreement:** means the agreement between the Selected Participant and the Company with respect to the Stock Option(s), which may impose specific conditions or may contain additional provisions with respect to the Stock Options granted to such Selected Participant, taking into account that these conditions and provisions may not be incompatible with the provisions of the Plan.

**Stock Option Price:** means the price, if any, which the Selected Participant owes to the Company for the acquisition of the Stock Option itself.

**Vested Stock Option:** means a Stock Option that has become definitively acquired by the Selected Participant in accordance with the conditions set forth in the Plan and the Stock Option Agreement, without prejudice to the possibility that the Stock Option can lapse and become null and void in cases where it is not exercised or can no longer be exercised pursuant to certain conditions set forth in the Plan and the relevant Stock Option Agreement.

In addition, the following terms will have the following meaning in the Plan:

- (a) “*articles of association*” means the articles of association (*statuten / statuts*) of the Company, as in force from time to time;
- (b) “*control*” has the meaning as determined in Article 5 and following of the Belgian Company Code;
- (c) “*person*” means, depending on the context, any individual or natural person, any legal entity with separate legal personality, partnership, joint venture, corporation, association, limited liability company, trust, unincorporated organization, or any governmental entity (or any department, agency or political subdivision thereof);

- (d) “*share*” means a share issued by the Company, representing the Company’s share capital;

## 1.2. Construction

- (a) Article and paragraph headings are inserted for ease of reference only and shall not affect the construction of the Plan.
- (b) Save where specifically required or indicated otherwise, words importing one gender shall be treated as importing any gender, words importing individuals shall be treated as importing corporations and vice versa, words importing the singular shall be treated as importing the plural and vice versa, and words importing the whole shall be treated as including a reference to any part thereof.
- (c) The Plan has been drafted in an English and a Dutch version. In case of discrepancies between the English and Dutch version, only the Dutch version shall be authentic and prevail. Notwithstanding the foregoing, Belgian legal concepts which are expressed in English language terms, are to be interpreted in accordance with the Belgian legal terms to which they refer, and the use herein of Dutch and/or French words in the Plan as translation for certain words or concepts shall be conclusive in the determination of the relevant legal concept under Belgian law of the words or concepts that are so translated herein.

## 1.3. Meaning of references

- (a) Any reference to “*writing*” or “*written*” includes any method of reproducing words or text in a legible and non-transitory form.
- (b) Unless expressly indicated otherwise in the Plan or the applicable Stock Option Agreement, or except when applicable law provides otherwise, any period or instance of time referred to herein shall be calculated or determined as follows:
  - (i) Any reference to an hour of day shall be a reference to Belgian time (GMT+1, CET).
  - (ii) Any reference to a day shall be a reference to a calendar day.
  - (iii) Any term shall start on the subsequent day after the day on which the event triggering such period of time has occurred. The expiry day of a term shall be included in the term. If such expiry day is not a Business Day, then the term shall be extended to the first next Business Day following such day.
  - (iv) A “*quarter*” means a three month-period, either starting on January 1 and ending on March 31, or starting on April 1 and ending on June 30, or starting on July 1 and ending September 30, or starting on October 1 and ending on December 31.

## 2. **PURPOSE OF THE PLAN**

The aim of the Plan is to realize the following corporate and human resources goals:

- (a) to encourage and motivate the Selected Participant;

- (b) to enable the Company to retain a Chief Executive Officer with the required experience and skills; and
- (c) to align the interests of the Selected Participant closer to the interests of the shareholders of the Company by giving him the opportunity to share in the potential increase of the value of the Company.

### 3. NUMBER, NATURE AND FORM OF THE STOCK OPTIONS

#### 3.1. Number of Stock Options

The aggregate number of Stock Options created pursuant to the present Plan amounts to one hundred eighty thousand (180,000).

#### 3.2. Shares to be issued upon exercise of the Stock Options

- (a) Each Stock Option shall entitle the holder thereof to subscribe to one new share to be issued by the Company.
- (b) The shares to be issued by the Company upon exercise of the Stock Options shall be ordinary shares of the Company (other than the Golden Shares and Liquidation Dispreference Shares of the Company, as defined in the Company's articles of association), and shall have the same rights and benefits (including as to dividend rights) as the ordinary shares of the Company that are outstanding immediately preceding the issuance of the new shares as a consequence of the exercise of the Stock Options concerned.
- (c) The shares to be issued by the Company upon exercise of the Stock Options shall, upon their issuance, benefit from the reduced withholding tax rate of 15%, *i.e.* the so-called "VVPR" status, with respect to the dividends, if any, that the Company may declare in its absolute discretion. Where applicable, such VVPR-right can be represented by a separate instrument.

#### 3.3. Registered form

- (a) The Stock Options are in registered form.
- (b) The Stock Options and the ownership thereof and any other right thereto or interest therein shall be recorded in a warrant register that is kept at the registered office of the Company.
- (c) Only the person which has been recorded in the warrant register of the Company as owner of a Stock Option will be recognized as holder of such Stock Option.
- (d) The Stock Options cannot be converted into a bearer instrument.
- (e) The Stock Options shall not be listed at any time on a securities exchange, regulated market or similar securities market.



**4. ADMINISTRATION OF THE PLAN**

- (a) The HRO Committee or any other body or person designated by the HRO Committee shall administer the Plan.
- (b) Subject to the provisions of the Plan and in as far as the decisions are in line with the purpose of the Plan, the HRO Committee, as the case may be in consultation with the Board of Directors, is entitled to:
  - (i) determine the possible additional conditions pursuant to which Stock Options are to be granted to the Selected Participant;
  - (ii) determine the possible additional conditions pursuant to which Stock Options shall become Vested Stock Options, shall become exercisable or shall be transferable; and
  - (iii) determine, define and interpret all rules, regulations or other measures required or desirable for the administration of the Plan, whereby all such decisions will be binding on the holder of the Stock Options.

**5. GRANTING OF THE STOCK OPTIONS**

**5.1. Grant of Stock Options**

The Stock Options are granted to the Selected Participant at the Adoption Date.

**5.2. Stock Option Agreement**

- (a) Stock Options granted pursuant to Article 5.1 shall be evidenced by a Stock Option Agreement to be signed by the Selected Participant to indicate his acceptance of the terms and conditions of the Stock Options and the grant thereof.
- (b) The Stock Option Agreement shall (amongst others) state the Date of Grant of the Stock Options, the number of Stock Options granted, the rules relating to the vesting of the Stock Options, the Stock Option Price (if any), the term of the Stock Options, the Exercise Price and any other relevant fact and/or condition.

**6. CONDITIONS OF THE STOCK OPTIONS**

**6.1. Stock Option Price**

The Selected Participant shall owe no Stock Option Price to the Company when the Stock Options are granted to him.

## 6.2. Exercise Price

- (a) The Exercise Price of a Stock Option will be equal to the average of the closing prices of the Company's shares as traded on Eurolist by Euronext of Euronext Brussels during the thirty (30) day period preceding the Date of Grant of the Stock Options.
- (b) Upon exercise of a Stock Option and issue of a new share in accordance with the terms and conditions of the Plan, the Exercise Price of the Stock Option will be allocated to the share capital of the Company.

However, to the extent that the amount of the Exercise Price of the Stock Option exceeds the fraction value (*fractiewaarde / valeur fractionnelle*) of the shares of the Company immediately preceding the exercise of the Stock Option concerned, a part of the Exercise Price equal to such fraction value shall be booked as share capital, whereby the balance, if any, shall be booked as issue premium. The issue premium, if any, shall serve as guarantee for third parties in the same manner as the Company's share capital and shall be booked on an unavailable account that can only be decreased or booked away pursuant to a resolution of a general shareholders' meeting passed in the manner required for an amendment to the Company's articles of association.

Following the issue of the shares and capital increase resulting therefrom, each of the Company's issued and outstanding shares representing the Company's share capital, shall represent the same fraction of the Company's share capital.

## 6.3. Term of the Stock Options

The Stock Options shall have a term of five (5) years as of the Adoption Date. The Stock Options shall therefore (in any event) automatically lapse and become null and void at 24:00 hours in the evening, on the fifth anniversary date of the Adoption Date.

## 7. **TRANSFER OF THE STOCK OPTIONS**

### 7.1. Decease

In the event of the decease of the Selected Participant, the Vested Stock Options of the Selected Participant shall be transferred to the relevant Beneficiaries of the Selected Participant and shall remain exercisable at the time and under the terms established in the Plan and the Stock Option Agreement. The Stock Options that are not Vested Stock Options at the time of the decease of the Selected Participant will automatically lapse and become null and void upon the date of decease of the Selected Participant.

### 7.2. Transferability of the Stock Options

Except for a transfer contemplated under Article 7.1 above, and except if the HRO Committee were, in its absolute discretion, to decide otherwise, the Stock Options cannot be transferred by the Selected Participant once they have been granted to the Selected Participant.

## 8. EXERCISE OF THE STOCK OPTIONS

### 8.1. General

Stock Options can only be exercised during an Exercise Period (as specified in Article 8.3 below) provided and to the extent that they have become Vested Stock Options and have become exercisable (in accordance with Article 8.2 below) prior to or during a certain Exercise Period.

### 8.2. Vesting and exercisability of the Stock Options

#### 8.2.1. *General vesting mechanism of the Stock Options*

The Stock Options granted to the Selected Participant shall vest, *i.e.* become Vested Stock Options, in sixteen equal installments as follows:

- (a) per quarter, a portion equal to one sixteenth of the aggregate number of Stock Options granted to the Selected Participant shall vest on the first day of the quarter concerned;
- (b) the first quarter during which Stock Options shall vest, shall be the quarter immediately following the quarter in which the Date of Grant falls; the following installments shall vest during the subsequent quarters.

#### 8.2.2. *Acceleration of vesting*

Notwithstanding Article 8.2.1 above, all Stock Options will immediately and automatically vest and become Vested Stock Options upon a change of control over the Company.

#### 8.2.3. *Exercisability of the Stock Options*

Unless stipulated otherwise in the Stock Option Agreement, a Vested Stock Option shall be exercisable by the Selected Participant as of the first Exercise Period following the moment upon which it became a Vested Stock Option and can be further exercised during any subsequent Exercise Period until the term of the Stock Option concerned expires.

#### 8.2.4. *Consequences of the termination of the management agreement upon initiative of the Company*

Without prejudice to the provisions of the following paragraphs and unless the HRO Committee decides more favorably for the Selected Participant upon the Date of Termination of the management agreement of the Selected Participant, when the management agreement of the Selected Participant is terminated upon initiative of the Company for other reasons than breach of contract or serious misconduct, the Selected Participant may exercise all Stock Options that have become Vested Stock Options on or prior to the Date of Termination of the management agreement, in the first two Exercise Periods following the Date of Termination of the management agreement. The Stock Options that did not become Vested Stock Options on or prior to the Date of Termination of the management agreement will lapse and become null and void upon such date. The Vested Stock Options that are not exercised in the aforementioned first two Exercise Periods shall automatically lapse and become null and void after such first two Exercise Periods.

For purposes of this Article 8.2.4, a termination of a management agreement immediately followed by the signing of an employment agreement or a new management agreement with the Company or a subsidiary will not be considered as a termination of the management

agreement of the Selected Participant, unless the HRO Committee decides otherwise.

Upon termination of the Selected Participant's management agreement for breach of contract or serious misconduct, all Stock Options shall, whether vested or not, automatically and immediately lapse and become null and void.

8.2.5. *Consequences of the termination of the management agreement upon initiative of the Selected Participant*

Without prejudice to the provisions of the following paragraphs and unless the HRO Committee decides more favorably for the Selected Participant upon the Date of Termination of the management agreement of the Selected Participant, when the management agreement of the Selected Participant is terminated upon initiative of the Selected Participant, the Selected Participant may exercise all Stock Options that have become Vested Stock Options on or prior to the Date of Termination of the management agreement, in the first Exercise Period following the Date of Termination of the management agreement. The Stock Options that did not become Vested Stock Options on or prior to the Date of Termination of the management agreement will lapse and become null and void upon such date. The Vested Stock Options that are not exercised in the aforementioned first Exercise Period shall automatically lapse and become null and void after such first Exercise Period.

For purposes of this Article 8.2.5, a termination of a management agreement immediately followed by the signing of an employment agreement or a new management agreement with the Company or a subsidiary will not be considered as a termination of the management agreement of the Selected Participant, unless the HRO Committee decides otherwise

8.2.6. *Consequences of retirement, disability or serious injury*

In the event of termination of the management agreement of the Selected Participant as a consequence of retirement, disability or serious injury resulting in the incapacity to work for a period exceeding eighteen months, all Stock Options, will vest and become Vested Stock Options immediately, and shall remain exercisable, pursuant to the terms and conditions set forth in the Plan and the Stock Option Agreement until the applicable term of the Stock Options expires.

8.3. Exercise Period

During the term of the Stock Options, Vested Stock Options can only be exercised during the following periods: (i) as of February 22 until April 10, (ii) as of May 10 until July 10, (iii) as of August 10 until October 10, and (iv) as of November 10 until December 15. If the last day of an Exercise Period is not a Business Day, the Exercise Period shall end on the last Business Day preceding the day that would otherwise be the last day of the Exercise Period.

The Board of Directors or the HRO Committee may in its absolute discretion, provide for additional Exercise Periods. The Board of Directors or the HRO Committee may also amend the aforementioned Exercise Periods if such periods were to coincide with applicable restricted or other periods during which the exercise of Stock Options would be restricted or not permitted pursuant to a dealing code or other restrictions imposed by the Board of Directors or any other applicable rules or regulations.

8.4. Partial exercise

The Selected Participant may exercise all or part of its Vested Stock Options in accordance with the terms and conditions of the Plan and the Stock Option Agreement. However, a Stock

Option may not and cannot be exercised with respect to fractions of shares.

8.5. Exercise procedure

A Stock Option shall be deemed to have been exercised upon receipt by the Company, at the latest on the last Business Day of the Exercise Period during which the Stock Option is exercised, of:

- (a) a written notice (in the form prescribed by the Company) given by the holder of the Stock Option concerned and stating that a Stock Option or a specified number of Stock Options is/are exercised;
- (b) evidence of the complete payment of the Exercise Price within five (5) days following the last Business Day of the Exercise Period in which the Stock Options were exercised, for the number of shares as indicated in the notice referred to in paragraph (a), by bank transfer to a blocked account of the Company whose number shall be communicated by the Company;
- (c) in the event that a Stock Option is exercised by a person or persons other than the Selected Participant, suitable proof of the right of this person or these persons to exercise the Stock Option;
- (d) any and all declarations and documents, which the Board of Directors or the HRO Committee deems desirable or necessary in order to comply with all applicable legal and regulatory provisions.

8.6. Issuance of shares

- (a) The Company shall only be obliged to issue a share as a result of the exercise of a Stock Option after all of the preceding conditions set forth in Article 8.5 have been fulfilled and following the completion of the capital increase mentioned below.
- (b) In the event of an exercise of Stock Options, provided the conditions set forth in Article 8.5 have been fulfilled, the Board of Directors, or two members thereof, shall, in accordance with Article 591 of the Company Code (or any other provision having the same purport), have the capital increase resulting from the exercise of the Stock Options concerned, and the payment and issuance of the corresponding shares, recorded before a notary public within 60 days following the expiry of the Exercise Period in which the Stock Options concerned were exercised.
- (c) If at the time of exercise of the Stock Options the Company's ordinary shares are admitted to trading, at the Company's initiative, on a regulated market or other trading platform, the Company shall take such actions and make such filings as shall be necessary to have the shares that are issued upon the exercise of the Stock Options concerned admitted to the trading on such regulated market or trading platform.
- (d) The Company may at its discretion postpone the delivery of the shares issued upon exercise of Stock Options, if this is necessary in order to comply with the applicable regulations or provisions of whatever nature, including but not limited to public offers, registrations and other obligations with respect to the shares of the Company, as the Company deems appropriate.

## 9. ADJUSTMENTS

### 9.1. General

Notwithstanding Article 501 of the Belgian Company Code (or any other provision having the same purport), the Company may proceed with all actions that it deems appropriate in relation to its capital, its articles of association, its financial conditions or its management, even if such actions would lead to a reduction of the benefits allocated to the holders of the Stock Options, including but not limited to mergers, acquisitions, capital increases or decreases (including those subject to a condition precedent), incorporation of reserves in the capital with issuance of new shares, the distribution of dividends, the issuance of warrants, convertible bonds or other securities entitling the holder to subscribe to or acquire shares or other securities of the Company, the amendment of arrangements or provisions relating to the distribution of profits or liquidation proceeds (except if an amendment to the arrangements or provisions relating to the distribution of profits or liquidation proceeds would result in all of the then outstanding and existing shares having preferred rights relating to the distribution of profits or liquidation proceeds as compared to the shares to be issued upon exercise of the Stock Options).

Should the rights of a holder of Stock Options with respect to the Stock Options of such holder be affected by such decision or transaction, then the holder of the Stock Options shall not be entitled to a change of the Exercise Price, a change of the exercise conditions or any other form of (financial or other) compensation, unless the Board of Directors would explicitly decide otherwise.

### 9.2. Reorganizations of the Company's shares

In the event that at any time as of the Adoption Date up to the exercise of a Stock Option, the Company (i) sub-divides its shares into a larger number of shares, or (ii) combines its shares into a smaller number of shares, then the number of shares to be issued upon exercise of the Stock Option after the occurrence of one of such events shall be adjusted so that, after giving effect to such adjustment, the holder of the Stock Option shall be entitled to receive the number of shares upon exercise of the Stock Option that such holder would have owned or have been entitled to receive had this Stock Option been exercised immediately prior to the occurrence of the event concerned.

An adjustment made pursuant to this Article 9.2 shall become effective immediately after the effective date of the event concerned. The Company shall inform the Selected Participants of such adjustment by means of a notice as soon as practicable after the effective date of the event concerned.

### 9.3. Mergers, de-mergers

In the event that at any time as of the Adoption Date up to the exercise of a Stock Option, there is (i) a merger of the Company with or into another person or entity whereby the Company is not the surviving entity, or (ii) a de-merger of the Company, whereby in both (i) and (ii) the shares of the Company are exchanged into shares, other securities, cash or other property of one or more other persons or entities, then the shares to be issued upon exercise of the Stock Option after the occurrence of one of such events shall be adjusted so that, after giving effect to such adjustment, the Selected Participant shall upon exercise of the Stock Option be entitled to receive the number of shares, other securities, cash or other property of the successor or acquiring persons or entities that such holder would have owned or have been entitled to receive had this Stock Option been exercised immediately prior to the occurrence of the event concerned.

An adjustment made pursuant to this Article 9.3 shall become effective immediately after the effective date of the event concerned. The Company shall inform the Selected Participant of such adjustment by means of a notice as soon as practicable after the effective date of the event concerned.

In case of any such merger or de-merger, the Company must procure that the successor or acquiring persons or entities shall expressly assume the due observance and performance of each and every covenant and obligation of the Plan and the applicable Stock Option Agreements to be performed and observed by the Company.

9.4. Exercise of the Stock Options by virtue of law

If a Stock Option which is not exercisable or which cannot be exercised pursuant to the issuance conditions (as determined in the Plan or in the Stock Option Agreement) becomes prematurely exercisable on the basis of the provisions of Article 501 of the Company Code (or any other provision having the same purport) and is also exercised pursuant to said provisions, the shares obtained by exercising the Stock Options shall not be transferable, unless explicitly agreed upon by the Board of Directors, until the time the underlying Stock Options would have become exercisable in accordance with the Plan and the applicable Stock Option Agreement.

10. MISCELLANEOUS

10.1. Binding Nature of the Plan

In case of acceptance of the Stock Options, the Selected Participant shall be bound by, and deemed to have accepted, the terms and conditions set forth in the present Plan. In the event of transfer of the Stock Options (or any right thereto) pursuant to the Plan, the acquirer or transferee shall be bound by, and deemed to have accepted, the terms and conditions set forth in the present Plan, as well as the Stock Option Agreement that has been entered into by the Selected Participant with respect to the Stock Options concerned.

10.2. Taxes and social security

The Company shall be entitled, in accordance with the applicable law or practice, to withhold from the remuneration or payment of the month (or other period) during which the taxable benefit arises or from the remuneration or payment of any other subsequent month(s) or period, if legally required, and/or the Selected Participant shall be obliged to pay to the Company (if requested by the Company or to do so), the amount of any tax and/or social security contributions, if any, attributable to or payable in connection with the grant, vesting or exercise of any Stock Options or attributable to or payable in connection with the delivery of the shares.

The Company shall also be entitled, in accordance with the applicable law or practice, to make the necessary reporting, required as a result of the grant of the Stock Options, their vesting or their exercise or of the delivery or subsequent sale or disposal of the shares, if the Company is legally required to do so.

10.3. Costs and expenses

The costs in relation to the capital increase resulting from the exercise of Stock Options will be borne by the Company. Stamp duties, taxes on stock exchange transactions and other similar duties or taxes that are levied (if at all) in relation to the exercise of Stock Options and/or the

delivery of the shares resulting therefrom will be borne by the holder of the Stock Options concerned.

10.4. Applicable law and competent courts

Stock Options granted under the Plan shall be governed by and construed in accordance with the laws of Belgium. Any dispute arising under the Plan or the Stock Option Agreement of the Selected Participant shall be subject to the exclusive jurisdiction of the courts in the jurisdiction of which the Company shall have its registered office.

10.5. Relation to management agreement

Notwithstanding any provision of the Plan and/or the Stock Option Agreement, the rights and obligations of the Selected Participant as determined under the terms of his management agreement with the Company or any subsidiary (if applicable) shall not be affected by his participation in the Plan. The Selected Participant shall have no rights to compensation or damages in consequence of the termination of his management agreement with the Company for any reason whatsoever, insofar as those rights arise or may arise from the termination of the rights which he would have or of the claims which he could make relating to the exercise of the Stock Options under the Plan as a result of the termination of such management agreement or from the loss or reduction in value of the rights or advantages.

10.6. Notices

- (a) Any notice, demand or other communication ("*notice*") to be given pursuant to the Plan must be made in writing.
- (b) Any notice to be given to the holder of the Stock Options, shall be deemed validly served by delivering it by hand with confirmation of receipt or sending it by registered mail (or such other communication means as the HRO Committee may decide) to such person's address as shall have been communicated by such person to the Company.
- (c) Any notice to be given to the Company shall be deemed validly served by delivering it by hand with confirmation of receipt or sending it by registered mail (or such other communication means as the HRO Committee may decide) to the address of the registered office of the Company.

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