

# ANNUAL REPORT

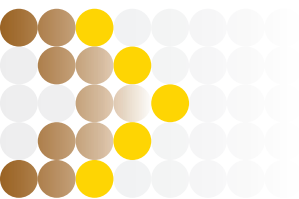
CONSOLIDATED ANNUAL ACCOUNTS

2009



**telenet**

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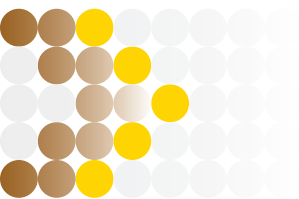


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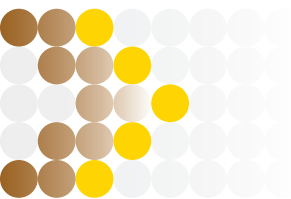
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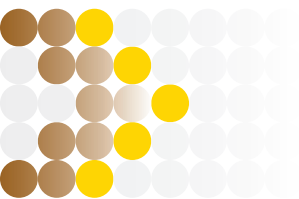
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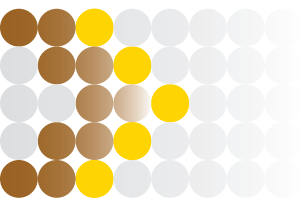
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## Consolidated annual report of the board of directors for 2009 to the shareholders of Telenet Group Holding NV

The Board of Directors of Telenet Group Holding NV has the pleasure to submit to you the consolidated annual report of the fiscal year ending December 31, 2009, in accordance with Article 119 of the Belgian Company Code.

In this report the Board of Directors also reports on all relevant corporate governance events that took place during the year 2009 concerning the share capital, the shareholders, the Board of Directors and the management of Telenet Group Holding NV (the "Company") in accordance with the 2004 Belgian Corporate Governance Code and taking into account certain new developments and corporate governance principles set out in the update of the Belgian Corporate Governance Code (version 2009).



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# 1 INFORMATION ON THE COMPANY

Telenet is a leading provider of media and telecommunication services in Belgium. Through our broadband network in Flanders and parts of Brussels, we offer our primary products which comprise basic and premium cable television in analog and digital formats, broadband internet and fixed and mobile telephony services, primarily to residential subscribers. In addition, we provide services to business customers across Belgium under the brand Telenet Solutions. Telenet is listed on the Euronext Brussels Stock Exchange under the ticker symbol TNET and is part of the BEL20 stock market index. Additional information on Telenet and its products can be obtained from our website <http://www.telenet.be>.

Following the October 2008 Interkabel agreement, Telenet acquired from the PICs certain cable television assets, including (i) substantially all of the rights that Telenet did not already hold to use the broadband communications network owned by the PICs (the Telenet Partner Network) and (ii) the analog and digital television activities of the PICs, including the entire subscriber base (together with the acquisition of the rights to use the Telenet Partner Network, the Interkabel Acquisition). Previously, in 1996, Telenet acquired the exclusive right to provide point-to-point services, including broadband internet and telephony services, and the right to use a portion of the capacity of the Telenet Partner Network. Whenever we refer to "Combined Network", we refer to the joint combination of the Telenet Network and the Telenet Partner Network.

## 1.1. Analog television

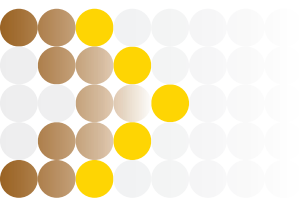
Basic cable television is the principal medium for the provision of television services in Flanders. Almost all Belgian television households are passed by the bi-directional HFC cable network. The high penetration of our basic cable television business has resulted in a steady source of revenue and cash flow.

Subscribers to basic analog and digital television services totalled 2,342,000 at the end of December 2009 compared to 2,402,000 at the end of December 2008. Our total basic television subscribers comprise 1,342,000 subscribers receiving an analog television service and 1,001,000 digital television subscribers to either the Telenet Digital TV or the acquired INDI digital service platform.

We experienced a total annual net organic loss of 60,000 basic cable TV subscribers within our Combined Network in 2009 compared to a net organic loss of 45,000 in 2008. The higher rate of organic attrition reflects both our enlarged footprint following the Interkabel Acquisition in October 2008 as well as increased competition in the residential TV market in Flanders following the incumbent's "free TV" offer. This net organic loss excludes migrations to our digital TV platform and represents customers churning to competitor's platforms, such as other digital television providers and satellite operators, or customers having moved out of our service footprint.

Going forward, we foresee sustained competition in the residential TV market both from existing platforms and DTT (digital terrestrial television). Hence, we will increasingly pursue our strategy of converting the majority of our single play basic cable TV subscribers to multiple play, while optimizing our diversified TV product portfolio through DTT later this year following our recently signed agreement with Norkring België NV.





## 1.2. Digital & premium television

Following the launch of our interactive digital television ("iDTV") service in 2005, customers now receive a wider range of basic digital channels, together with certain interactive features, in addition to a range of basic analog channels. Therefore, iDTV customers have the choice between several set-top box types available for purchase or rent. Following the launch of High Definition (HD) on our iDTV platform in 2007, our customers have access to additional HD channels and HD premium content. Our current digital cable television service includes a combination of premium sports and movie channels, a wide range of thematic channels, and a variety of on-demand content and other interactive features. Our premium content is acquired through various studio contracts, including Universal Studios, MGM, Twentieth Century Fox, Paramount, Sony, Disney and Warner Brothers. These contracts generally require us to make payments on the basis of a minimum number of subscribers, with adjustments made on a sliding scale once minimum subscriber levels have been attained.

At the end of December 2009, we served 1,001,000 digital TV customers, up 49% compared to the prior year period. The vast majority of our digital TV customers opt for the interactive Telenet Digital TV platform (938,000 subscribers at the end of December 2009) with the remaining 63,000 subscribers watching digital TV through an INDI set-top box. In 2009, we attracted a net 329,000 new Telenet Digital TV customers compared to 218,000 in 2008 (+51% year-on-year). We believe this to be a solid achievement, especially in light of intensified competition in the residential market.

Our digitalization ratio, which measures the total base of digital TV customers (both Telenet Digital TV and INDI) relative to our total cable TV subscriber base, continued to grow, reaching 43% at the end of December 2009 compared to 28% at the end of December 2008. It should be noted that the Q4 2008 digitalization ratio within the Combined Network was diluted by the integration of the acquired Interkabel TV subscriber base, being predominantly analog. In the course of Q4 2009, we terminated our analog PayTV services and migrated most of the remaining 6,000 premium analog PayTV subscribers on the Telenet Partner Network to our interactive digital platform.

In cooperation with the local broadcasters, we have built a large broadcasting on-demand library, including the majority of their historical and current content and previews of local series. In addition, our digital platform supports additional functionalities such as e-mail, short message services, online photo albums

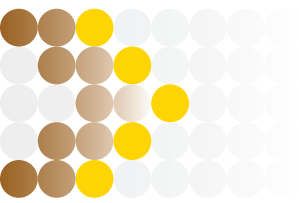
and access to government services and programs. Other features include several interactive search engines such as telephony directories, train information, job searches and public and air transportation information.

In order to access our premium iDTV offerings, we offer digital set-top boxes in a sale or a rental model. We offer a choice of "Digibox" and "Digicorder" set-top boxes with alternative specifications and functionality, such as the ability to record and playback digital content viewed on our service. Both types allow for High Definition broadcasting and at the end of December 2009 the proportion of HD set-top boxes within our Combined Network already amounted to 52%. These set-top boxes act as an interface between the subscriber and the Telenet Network, and operate on the Multimedia Home Platform ("MHP") standard, an open standard platform that provides us with the flexibility to integrate applications from a variety of sources. There currently is no dominant standard used for digital set-top box operating platforms, but the MHP standard has been adopted by CableLabs Inc. under the OCAP or Tru2way standard.

## 1.3. Broadband internet

We are the leading provider of residential broadband internet services in Flanders. Through our Hybrid Fiber Coaxial upgraded network, we offer our residential subscribers a broadband internet service at a downstream data transfer speed of up to 25 MBps. Our current residential offerings include multiple tiers, which range from Telenet "BasicNet", which allows end users to receive data from the internet at a downstream data transfer speed of up to 1 MBps, to "TurboNet XL", which offers end users a downstream speed of up to 25 MBps. In February 2010, we unveiled our next generation broadband internet lineup. Throughout 2010, we will gradually increase the download speeds and volume caps on our existing product range for both existing and new customers. Furthermore, we have reconfirmed our status of fastest internet provider within our footprint through the launch of FiberNet. Relying on the latest EuroDocsis 3.0 technology, we are able to offer high-speed internet services with unprecedented download speeds of 100 MBps and beyond.

It remains our goal to constantly upgrade the product specifications of our broadband products to underline our speed leadership and the reliability of cable versus competitive offers. Today's internet browsing experience increasingly requires larger bandwidth capacity as multimedia applications, social networking and video – rich entertainment sites become an important part of our digital lifestyle. Thanks to the



continued investments in both new technologies and its network, Telenet is well positioned to meet the rapidly growing consumer needs and to deliver a wholly new internet experience to its entire customer base.

We believe that our combination of network superiority, service quality, tiered products offering a range of speeds, and brand recognition of our internet offering has enabled us to achieve rapid growth. Our ability to continue to grow this market, however, will depend in part on increases in the number of households with a personal computer in Flanders and parts of Brussels. Moreover, we believe that the uptake of notebooks, smartphones, gaming consoles and other IP-enabled equipment will further drive broadband growth in Flanders and Brussels.

2009 was a buoyant year for our broadband internet service with record net additions since the launch of high-speed internet in 1996. Over the whole of 2009, we added 131,000 net new broadband subscribers, up 28% compared to the prior year period when we added 102,000 net new broadband subscribers. The strong growth in net additions was both driven by higher sales and decreasing churn. We ended the year with 1,116,000 broadband internet subscribers, up 13% compared to the prior year period. Consequently, broadband penetration (as a % of homes passed) further expanded from 35.6% at the end of 2008 to 39.9% at the end of 2009. We believe the robust growth of our broadband subscriber base resulted from multiple factors, including (i) product and speed leadership over competing technologies; (ii) the reliability of our network; and (iii) our appealing pricing structures resulting from the internet component in our bundles carrying upgraded internet specifications compared to our stand-alone internet products. Finally, churn<sup>[1]</sup> improved throughout the year, reaching 7.2% in 2009, an improvement of 1.1 percentage points compared to the prior year.

## 1.4. Telephony

We offer our residential subscribers local, national and international long distance fixed line telephony services, mobile telephony services and a variety of value-added features. In Flanders, we believe that we are currently the largest competitor to Belgacom, the Belgian incumbent, due in part to our emphasis on customer service and innovative tariff plans.

[1] Churn is calculated as total product disconnects during a quarter (or for the full year, as appropriate), divided by the average subscriber base at the beginning of the quarter (or year) and at the end of the quarter (or year), multiplied in the case of the quarterly churn calculation by four to achieve the annualized result.

We succeeded in adding 112,000 net new fixed telephony customers over the year, up 38% year-on-year when we added an aggregate 81,000 net new subscribers. Our fixed telephony subscriber base showed an 18% increase compared to the whole of 2008, reaching 741,000 at the end of December 2009 thanks to the broad appeal of our product bundles and flat fee rate plans for both domestic and international call destinations. The penetration of our fixed telephony service (as a % of homes passed) hit 26.5% at the end of December 2009 compared to 22.7% at the end of 2008. Churn showed a noticeable improvement from 8.2% in 2008 to 6.6% in 2009. The majority of our telephony subscribers use VoIP technology which utilizes the open standards EuroDocsis protocol, and through which we are able to provide both internet and telephony services.

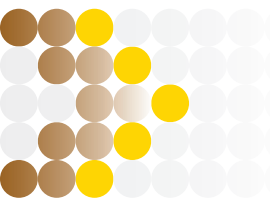
Our mobile telephony offer was launched in August 2006 under the Telenet Mobile brand name. Since we do not have our own mobile telecommunications network, this service was established through an MVNO partnership with Mobistar, the second largest mobile operator in Belgium, providing all network services. In February 2009, we signed a Full-MVNO agreement with Mobistar, which will provide us with greater flexibility in terms of product offers and which will enable us to roll out fixed-mobile convergent products. We have started the build of our own proprietary mobile infrastructure, including a mobile switch, mobile rating and billing platform.

At the end of October 2009, we carefully initiated our first mobile-focused marketing campaigns tailored towards our existing customer base. At the same time, we redesigned our product offers and tariff structures including subsidized smartphones for postpaid subscribers taking a two-year contract. Through these offers, we aim to cross-sell mobile telephony services to our existing customer base, while we seek a higher ARPU resulting from higher use of both mobile voice and data. Our revamped mobile offering led to an anticipated sharp acceleration in the number of net additions in Q4 2009. In the final quarter of the year, we welcomed 24,000 net new mobile customers bringing the total level of net additions for the year at 42,000 including a voluntary clean-up of 6,000 inactive subscribers in the course of Q3 2009. At the end of December 2009, we serviced 129,000 active mobile customers compared to 87,000 at the end of December 2008. In 2010, we anticipate making further inroads in the mobile market through the planned implementation of our Full-MVNO, but in disciplined and carefully-weighted steps.

### Interconnection

Interconnection is the means by which users of one telephony network are able to communicate with users of another telephony network. For a subscriber located on one telephony network to complete a telephone call to a receiver served by





another telephony network, the subscriber's network service provider must interconnect to the network serving the receiver. Typically, the network serving the receiver charges the subscriber's service provider a fee to terminate the communication, which is based on a call set-up charge and on the length of the telephone call. Interconnection costs and revenue have a significant impact on our financial results, and we have focused heavily on managing this cost.

Our interconnection practices are subject to comprehensive regulation by the Belgian Institute for Post and Telecommunications. Following the adoption of a new regulatory framework in Belgian law, the BIPT decided in August 2006 to implement a three-year gliding path to near reciprocity between the interconnection tariffs applied by Telenet and those applied by Belgacom starting on January 1, 2007. From January 1, 2009 Telenet can only charge to Belgacom the Belgacom termination charge to Telenet plus 15%. Consequently, over 2009, we incurred a termination rate decrease of 55% versus the prior year, with a negative impact on our telephony revenue of approximately €8.8 million.

## 1.5. Business services

Telenet Solutions offers a range of voice, data and internet products and services that are tailored to the size and needs of each customer. We provide services to business customers throughout Belgium and parts of Luxembourg. Our business customers include small and medium size enterprises with between five and 100 employees; larger corporations; public, healthcare and educational institutions; and carrier customers that include international voice, data and internet service providers.

With full year 2009 revenue of €76.9 million, our business services division generated flat revenue compared to the prior year. We believe this is a good achievement in light of the current tough economic environment and intense competitive market, the loss of a large fibre access wholesale contract in the southern part of Belgium and our deliberate termination of selected low-margin wholesales voice and video businesses, representing €3.3 million in total. This transition will allow us to improve profitability of our business division going forward and to increase focus on our core data and internet products and our unique service positioning in this market.

On a like-for-like basis, our underlying revenue trend was up 5%. In 2009, we have only seen a minor impact from the economic downturn on our business services division, primarily impacting our corporate LAN interconnect services, while our

voice and data revenue came in better than anticipated thanks to our successful IP-VPN and iFiber solutions.

## 1.6. Network

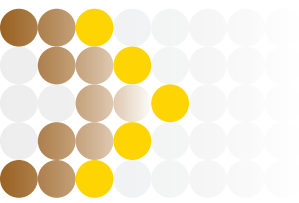
The Combined Network passes approximately 2.8 million homes and businesses in Flanders and parts of Brussels, to which we are able to offer analog and digital cable television, broadband and narrowband internet and telephony services.

The Combined Network includes our high performance optical fibre backbone network which we constructed and which extends over 12,700 kilometres across Flanders and parts of Brussels. Through the Telenet Solutions acquisition, we acquired additional network assets that provide high capacity data transport across Belgium and parts of Luxembourg, where we own the electronic components and currently lease the fibre, the assets of which are also part of the Telenet Network. Through the acquisition of UPC Belgium, we acquired additional network assets that provide access to approximately 187,000 homes in the Brussels and Leuven areas.

Our fibre backbone currently runs several protocols. However, we expect over time that Internet Protocol ("IP") will carry an increasing proportion of our communications traffic. Additional IP-based services may also be supported by our systems in the future. We are able to use multi protocol label switching ("MPLS") to route our IP traffic, which enables us to more efficiently tag data to better manage traffic on the Combined Network. This means, for example, that voice packets can be given priority over data packets to avoid interruption to voice communications.

The fibre backbone of the Combined Network connects to the coaxial local loops of the Combined Network, which extend over 67,000 kilometres throughout Flanders and parts of Brussels. The portion of the network starting at the head end and terminating at the end user is referred to as the HFC access network or the "local loop." Residential customers connect to the Combined Network through a coaxial connection from one of our nodes. Our coaxial network operates at a minimum capacity of 450 MHz. At the end of 2009, we completed the upgrade of our network bandwidth capacity to 600 MHz and the deployment of EuroDocsis 3.0 technology across our entire footprint, which will result in a new set of leading broadband products to be rolled out during 2010.

The completion of our 600 MHz bandwidth upgrade of our core network has set the foundation for the future development of our Hybrid Fibre Coax network. Under our "Digital Wave



2015” investment program, we have the ambition to bring our network and services offering to the next level as we believe that a fibre-rich and flexible network provides unmatched capacity for future growth. One of the cornerstones remains our Pulsar node splitting project which will allow us to build a next-generation network capable of capturing the changing consumer needs, new internet applications and future services and technology.

Amplifiers are used in the coaxial network to amplify both downstream and return path signals on the local loop. On average, approximately 1,400 homes are served by each of the approximately 2,399 nodes in the Combined Network. These nodes generally offer the homes they serve a total capacity of 2 GBps. Network quality usually deteriorates as customer penetration rates on any particular node increase. When required, the scalability of our network enables us to address this problem, within limits, through node “splits” in which we install additional equipment at the node so that the same 2 GBps capacity serves approximately 550 homes per node or less.

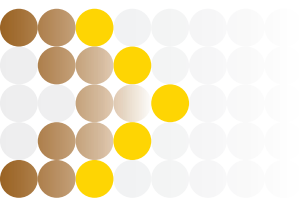
Basic analog services can be delivered directly through a wall socket. Other services require a network interface unit, or “NIU”. The NIU separates the incoming signal according to service and enables return path communications without causing interference.



## 2.1. Consolidated statement of comprehensive income

in thousands of euro, except per share data

|                                                                                         | FOR THE YEARS ENDED |                 |
|-----------------------------------------------------------------------------------------|---------------------|-----------------|
|                                                                                         | DEC 31, 2009        | DEC 31, 2008    |
| <b>Revenue</b>                                                                          | 1,197,421           | 1,018,846       |
| Cost of services provided                                                               | (688,891)           | (589,267)       |
| <b>Gross profit</b>                                                                     | <b>508,530</b>      | <b>429,579</b>  |
| Selling, general and administrative expenses                                            | (210,022)           | (190,833)       |
| <b>Operating profit</b>                                                                 | <b>298,508</b>      | <b>238,746</b>  |
| Net finance expenses                                                                    | (153,662)           | (191,263)       |
| Share of the loss of equity accounted investees                                         | (484)               | (433)           |
| Profit before income tax                                                                | 144,362             | 47,050          |
| Income tax benefit (expense)                                                            | 88,728              | (62,270)        |
| <b>Profit (loss) for the period</b>                                                     | <b>233,090</b>      | <b>(15,220)</b> |
| <b>Other comprehensive income for the period, net of income tax</b>                     | <b>-</b>            | <b>-</b>        |
| <b>Total comprehensive income for the period, attributable to Owners of the Company</b> | <b>233,090</b>      | <b>(15,220)</b> |
| <b>Earnings (loss) per share</b>                                                        |                     |                 |
| Basic earnings (loss) per share in €                                                    | 2.09                | (0.14)          |
| Diluted earnings (loss) per share in €                                                  | 2.08                | (0.14)          |



In 2009, we generated revenue of €1,197.4 million, up 18% compared to the prior year period, which produced revenue of €1,018.8 million. Excluding the impact of the acquisitions of both Interkabel (fully consolidated since the start of Q4 2008) and BelCompany (fully consolidated since the beginning of Q3 2009), our revenue growth amounted to 9% for the full year of 2009. This progress is directly linked to the robust subscriber growth for our core residential products of broadband internet, fixed telephony and digital television, a growing uptake of our multiple play bundles and a higher ARPU per customer relationship as a result of customers increasingly subscribing to two or more products.

We generated €607.7 million of Adjusted EBITDA in 2009, including a nonrecurring post-employment benefit expense of €6.6 million, compared to €506.4 million in 2008. This represents a 20% increase compared to the prior year period, of which 14% was organic. This implies an Adjusted EBITDA margin of 50.7% for the full year compared to 49.7% for the prior year. In Q4 2009, we incurred a €6.6 million nonrecurring expense linked to post-employment benefits for some of our employees who are former Electrabel (ICS) employees. Excluding the nonrecurring post-employment benefit expense, our Adjusted EBITDA would have amounted to €614.2 million, equivalent to a 51.3% margin.

We recorded a net profit of €233.1 million for the full year of 2009 compared to a net loss of €15.2 million in 2008.

## 2.2. Revenue by service

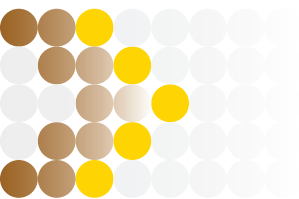
in thousands of euro

|                                    | FOR THE YEARS ENDED |                                             |                          |
|------------------------------------|---------------------|---------------------------------------------|--------------------------|
|                                    | DEC 31, 2009        | DEC 31, 2008 AS RE-PRESENTED <sup>(3)</sup> | DEC 31, 2008 AS REPORTED |
| Cable television:                  |                     |                                             |                          |
| Basic Subscribers <sup>(1)</sup>   | 322,271             | 244,325                                     | 244,325                  |
| Premium Subscribers <sup>(1)</sup> | 115,398             | 77,985                                      | 77,985                   |
| Distributors/Other                 | 56,516              | 29,820                                      | 29,820                   |
| Residential:                       |                     |                                             |                          |
| Internet                           | 402,010             | 375,055                                     | 353,682                  |
| Telephony <sup>(2)</sup>           | 224,278             | 214,900                                     | 210,845                  |
| Business                           | 76,948              | 76,761                                      | 102,189                  |
| <b>Total Revenue</b>               | <b>1,197,421</b>    | <b>1,018,846</b>                            | <b>1,018,846</b>         |

Our revenue in 2009 remained well balanced, with analog cable television, residential internet and residential telephony all representing significant proportions of our total revenue.

- [1] Basic and premium cable television substantially comprises residential customers, but also includes a small proportion of business customers.
- [2] Residential telephony revenue also includes interconnection fees generated by business customers.
- [3] As of January 1, 2009, all revenue from business subscribers to coaxial broadband internet and fixed telephony have been reallocated from Business services revenue to Residential broadband internet and Residential telephony revenue. The purpose of this reallocation is to match revenue with subscriber data since business subscribers to these coaxial products were already counted in the broadband internet and fixed telephony statistics.





### 2.2.1. Cable television

Our aggregate cable television revenue, which consists of basic cable TV and premium cable TV revenue, amounted to €437.7 million in 2009 compared to €322.3 million in 2008, an increase of 36% year-on-year.

Our basic cable television revenue comprises the basic subscription fee for both analog and digital TV customers (both Telenet Digital TV and INDI). In 2009, we generated €322.3 million of basic cable television revenue, marking a 32% increase compared to the €244.3 million we achieved in 2008. The substantial year-on-year increase is primarily a consequence of the Interkabel Acquisition and to a lesser extent due to the approximately 6% increase of the basic TV subscription fee, implemented as of February 2009.

The steadiness of our basic cable revenue reflects the sustained high penetration of our basic cable services and stable basic cable television tariffs. In line with expectations, we continued to observe a net decrease in our cable television customer base as a result of increased competition from other digital television and satellite operators in our area.

Our premium cable television revenue reflects the robust growth of our digital TV base. Digital TV customers typically generate an ARPU which is approximately twice as high as the analog cable TV ARPU, through the use of on-demand content, the uptake of our thematic and premium channel packages, as well as recurring rental fees. Total premium cable television revenue generated by our Telenet Digital TV, INDI and PayTV customers reached €115.4 million in 2009, up from €78.0 million for the prior year period, an increase of 48%.

### 2.2.2. Distributors/Other

Distributors/Other revenue includes revenue related to the sale of set-top boxes, revenue from cable television activation and installation fees and an increasing share of other services such as online advertising on our portal and community websites. Furthermore, this revenue line also includes the contribution from the acquired mobile telephony distribution channel BelCompany, which was fully consolidated as of June 30, 2009.

Distributors/Other revenue jumped €26.7 million in 2009 compared to the prior year level to €56.5 million, of which BelCompany accounted for €17.1 million. In 2009, the revenue generated by set-top box sales and other customer premise equipment was €5.2 million compared to €8.4 million for the

prior year. This decrease is predominantly attributable to the marked shift to set-top box rentals, which generate recurring revenue under the form of a monthly rental fee, as opposed to the one-time revenue from set-top box sales.

### 2.2.3. Residential broadband internet

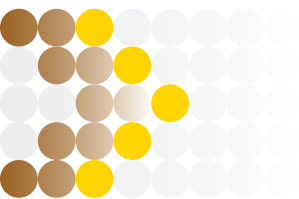
Residential broadband internet revenue in 2009 increased 7% to €402.0 million from €375.1 million a year ago. During the course of the year, we witnessed an acceleration of our residential broadband internet revenue growth from 6% in H1 2009 to 8% in H2 2009. Robust subscriber growth and a lower propensity to downward migrations outweighed a growing proportion of bundle discounts as a result of a higher sales concentration in bundles.

While broadband internet continues to perform as a stable product for the Company, we anticipate that the future mix of broadband internet subscribers may over time be more significantly weighted towards lower-tier options as we gradually penetrate lower market segments induced by further increasing broadband penetration. While the individual broadband ARPU has eroded modestly because of price competition, the proportionate allocation of bundle discounts and new customers taking a lowered-tier broadband product, we believe the roll-out of the latest EuroDocsis 3.0 technology across our entire footprint will provide us the right levers to further increase our subscriber base, while helping to grow the individual broadband ARPU as we migrate customers to the next generation of broadband products as the latter are priced at a premium versus the current product offering.

### 2.2.4. Residential telephony

Our residential telephony revenue, which includes the contribution of both our fixed and mobile telephony businesses, rose 4% in 2009 to €224.3 million compared to €214.9 million in the prior year period. In the course of the year, our top line growth rate picked up from 3% in H1 2009 to 6% in H2 2009. This acceleration in revenue growth is predominantly driven by sustained growth in net additions due to the appeal of our multiple play bundles and flat rate tariff plans, a further slowdown in the erosion of our fixed telephony ARPU as well as a growing contribution from our mobile activities.

The financial performance of our fixed telephony business was impacted by our required adoption of the new regulatory



framework, through which we incur reduced fixed line termination rates to our network. This framework, which intends to reach near reciprocity in interconnect charges with the incumbent's reference rate, was implemented in 2007 and ended at the end of 2009. Consequently, over 2009, we incurred a termination rate decrease of 55% versus the prior year, with a negative impact on our telephony revenue of approximately €8.8 million. Excluding interconnection revenue, our subscription-driven and usage-based fixed telephony revenue showed a healthy 10% growth year-on-year in 2009.

### 2.2.5. Business services – Telenet Solutions

With full year 2009 revenue of €76.9 million, our business services division generated flat revenue compared to the prior year. We believe this is a good achievement in light of the current tough economic environment and intense competitive market, the loss of a large fibre access wholesale contract in the southern part of Belgium and our deliberate termination of selected low-margin wholesales voice and video businesses, representing €3.3 million in total.

Excluding the former elements, our underlying revenue trend was up 5%. In 2009, we have only seen a minor impact from the economic downturn on our business services division, primarily impacting our corporate LAN interconnect services, while our voice and data revenue came in better than anticipated thanks to our successful IP-VPN and iFiber solutions.

## 2.3. Total expenses

Our total operating expenses increased at a slower pace than revenue in 2009 thanks to the operational efficiency improvements which we continued to pursue in our sales, customer care and repair divisions and strict control of our overhead expenses.

Total operating expenses totalled €898.9 million in 2009, a 15% increase compared to the €780.1 million for the comparable period last year. It should be noted that the majority of this expense growth is non-organic and directly related to the acquisitions of both Interkabel and BelCompany. On an organic basis, our total operating expenses grew 5% in 2009, which is just over half our top line organic growth rate.

As a percentage of total revenue, our total operating expenses (including depreciation and amortization) declined by 1.5 percentage points year-on-year in 2009 to 75%.

in thousands of euro

|                                                             | FOR THE YEARS ENDED |                  |
|-------------------------------------------------------------|---------------------|------------------|
|                                                             | DEC 31, 2009        | DEC 31, 2008     |
| Cost of services provided <sup>(1)</sup>                    | (688,891)           | (589,267)        |
| Selling, general and administrative expenses <sup>(2)</sup> | (210,022)           | (190,833)        |
| <b>Total expenses</b>                                       | <b>(898,913)</b>    | <b>(780,100)</b> |

### 2.3.1. Cost of services provided

Cost of services<sup>(1)</sup> represented €688.9 million of total operating expenses during 2009, an annual increase of 17%, reflecting both the acquisitions of Interkabel and BelCompany as well as the robust growth of our subscriber base. Specifically, we saw an increase in direct expenses such as external call centre capacity, copyright and content costs, interconnect termination fees and other network operating costs, reflecting the continued strong growth of our subscriber base. However, the increased reliability of our network and further platform upgrades of our digital TV product generated a favourable impact on our service costs on a per RGU basis.

### 2.3.2. Selling, general and administrative expenses

Selling, general and administrative<sup>(2)</sup> (SG&A) expenses represented €210.0 million of total operating expenses during 2009, a year-on-year increase of 10%. This increase in SG&A expenses includes a full-year inclusion of Interkabel and 6 months of BelCompany. Despite the mandatory inflation-led wage adjustment of 4.5% in early 2009, personnel expenses fell 3% in 2009 compared to the prior year period. In Q4 2009, we agreed upon a post-employment benefit settlement with certain of our employees who are former Electrabel (ICS) employees with regards to gas and electricity tariff discounts, which resulted in a nonrecurring expense of €6.6 million. Advertising, sales and marketing expenses rose 10% in 2009 compared to 2008, reflecting higher sales commissions, the impact of the BelCompany acquisition, an increase in overall marketing spend and our first mobile-focused marketing campaigns including subsidized handset offers.

[1] Excluding share based compensation.

[2] Excluding share based compensation



## 2.4. Expenses by nature

Our total operating expenses increased at a slower pace than revenue in 2009 thanks to the operational efficiency improvements which we continued to pursue in our sales, customer care and repair divisions and strict control of our overhead expenses. Total operating expenses totaled €898.9 million in 2009, a 15% increase compared to the €780.1 million for the comparable period last year. It should be noted that the majority of this expense growth is non-organic and directly related to the acquisitions of both Interkabel and BelCompany. On an organic basis, our total operating expenses grew 5% in 2009, which is just over half our top line organic growth rate.

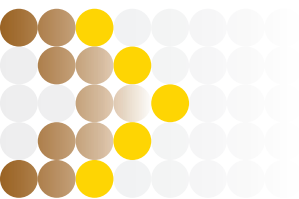
In Q4 2009, we agreed upon a post-employment settlement with certain of our employees who are former Electrabel (ICS) employees with regards to gas and electricity tariff discounts. Through this agreement, we have settled all future post-employment obligations in this regard. The one-off expense of €6.6 million during Q4 2009 does not have an immediate cash impact and eliminates all future impact on our profit and loss of these post-employment employee benefits.

in thousands of euro

|                                                           | FOR THE YEARS ENDED |                |
|-----------------------------------------------------------|---------------------|----------------|
|                                                           | DEC 31, 2009        | DEC 31, 2008   |
| Employee benefits:                                        |                     |                |
| Wages, salaries, commissions and social security costs    | 105,314             | 107,113        |
| Other employee benefit costs                              | 17,736              | 20,006         |
|                                                           | <b>123,050</b>      | <b>127,119</b> |
| Depreciation and impairment                               | 238,999             | 199,535        |
| Amortisation                                              | 55,475              | 54,140         |
| Amortisation of broadcasting rights                       | 8,329               | 8,572          |
| Network operating and service costs                       | 343,237             | 281,877        |
| Advertising, sales and marketing                          | 69,225              | 63,171         |
| Share-based payments granted to directors and employees   | 5,067               | 4,614          |
| Non-recurring post-employment benefits                    | 6,571               | -              |
| Operating charges related to acquisitions or divestitures | 1,293               | 800            |
| Other costs                                               | 47,667              | 40,272         |
| <b>Total costs and expenses</b>                           | <b>898,913</b>      | <b>780,100</b> |

Our depreciation costs are the result of the large investments we have made in our network as well as to investments we have made to build our subscriber base. In addition, the successful introduction of the set-top box rental model further increased our depreciation costs since the latter are being depreciated over a much shorter timeframe than our network assets.

Amortization costs relate to expenditures on intangible assets, including certain network user rights and IT investments. In addition, under EU GAAP, certain content costs are capitalised and subsequently amortised, rather than expensed as incurred. The amortization relating to this impact is reported as "Amortization of broadcasting rights".



Network, operating and service costs and advertising, sales and marketing costs increased 22% and 10%, respectively, compared to the prior year period, reflecting the acquisitions of Interkabel and BelCompany as well as the overall growth in our underlying activities.

The item "Other costs" includes non-payroll overhead costs, other buildings costs, internal IT costs and business-supporting corporate advisory and legal fees. Prior to our FY 2009 earnings release of February 24, 2010, operating charges related to acquisitions or divestitures were fully included in the expense item "Other costs", but have now been highlighted separately for Adjusted EBITDA reconciliation purposes.

## 2.5. Adjusted EBITDA

We generated €607.7 million of Adjusted EBITDA<sup>(1)</sup> in 2009, including a nonrecurring post-employment benefit expense of €6.6 million, compared to €506.4 million in 2008 (+20% year-on-year). This represents an Adjusted EBITDA margin of 50.7% for the full year compared to 49.7% for the prior year. Excluding the settlement, our Adjusted EBITDA would have amounted to €614.2 million in 2009 (+21% year-on-year), equivalent to a margin of 51.3%.

The strong growth in our Adjusted EBITDA is primarily the result of our continued focus on process and product platform improvements, an accelerated uptake of multiple play and overall disciplined cost control. Excluding the impact of the acquisitions of Interkabel and BelCompany, our 2009 Adjusted EBITDA increased by 14% year-on-year.

[1] Under IFRS, EBITDA is defined as profit before net finance expense, income taxes, depreciation, amortization and impairment. Adjusted EBITDA is defined as EBITDA before stock-based compensation and restructuring charges, and before operating charges or credits related to successful or unsuccessful acquisitions or divestitures. Operating charges or credits related to acquisitions or divestitures are defined as (i) gains and losses on the disposition of long-lived assets and (ii) due diligence, legal, advisory and other third-party costs directly related to our efforts to acquire or divest controlling interests in businesses. Adjusted EBITDA is an additional measure used by management to demonstrate the company's underlying performance and should not replace the measures in accordance with IFRS as an indicator of the company's performance, but rather should be used in conjunction with the most directly comparable IFRS measure. Adjusted EBITDA is a non-GAAP measure as contemplated by the U.S. Securities and Exchange Commission's Regulation G. For related definitions and reconciliations, see the Investor Relations section of the Liberty Global, Inc. website (<http://www.lgi.com>). Liberty Global, Inc. is our controlling shareholder.

## 2.6. Operating profit (EBIT)

The combination of strong Adjusted EBITDA growth, partially offset by the €6.6 million nonrecurring post-employment benefit expense in Q4 2009 and an increase in depreciation and amortization, led to an operating profit of €298.5 million in 2009, compared to €238.7 million in 2008, an increase of 25%.

## 2.7. Net finance costs

### 2.7.1. Finance income

Interest income for the full year of 2009 was €1.2 million, compared to €5.6 million in the prior year. This decrease was primarily attributable to lower interest rates and a lower average cash balance as excess cash was used to entirely repay the outstanding amount of €85.0 million on the Revolving Facility during the first half of 2009.

### 2.7.2. Net interest expense

Our net interest expense for the full year of 2009 totalled €134.0 million, down from the €163.9 million for the prior year. This decrease was primarily attributable to the lower EURIBOR interest rate, which sets the basis for our total interest expenses carried on our Senior Credit Facility. This decrease was partially offset by additional interest expenses of €21.1 million on the capital lease acquired as part of the Interkabel Acquisition.

Through our New Senior Credit Facility, we are exposed to changes in interest rates primarily as a result of the underlying fluctuations of the 3 month-EURIBOR rate. We have entered into various derivative instruments to significantly reduce our exposure to interest rate increases through the maturity date of our Senior Credit Facility. Throughout the year, we have further optimized our portfolio of interest rate hedges seeking to lower the average interest rates and to partially cover the extended maturities of our Senior Credit Facility. Our derivative instruments comprise a combination of interest rate swaps, caps and collars.



### 2.7.3. Gains and losses on derivative financial instruments

In line with IFRS accounting standards, our interest rate derivatives are valued on a mark-to-market basis, i.e. at fair value, and differences in fair value are reflected in our income statement. These changes in fair value do not have any direct impact on our cash flows until such time as the derivatives are fully or partially settled. For the full year of 2009, the change in fair value of our interest rate derivatives yielded a loss of €20.9 million, versus a loss of €33.0 million in the prior year. These changes in fair value were largely the consequence of changes in the 3 month-EURIBOR interest rate curve through the maturity dates of these instruments.

## 2.8. Income tax expenses

For the full year of 2009, we recorded an income tax benefit of €88.7 million, compared to an income tax expense of €62.3 million for 2008, reflecting a nonrecurring tax credit of €124.6 million recorded in Q4 2009. This nonrecurring tax credit was the result of the recognition of a deferred tax asset related to the net operating losses of our subsidiary Telenet BidCo NV. As a result of the approval of a merger between Telenet BidCo NV, a holding company, and Telenet NV, an operational company, by the Belgian Tax Authorities, the merged company will be able to use the net operating losses of Telenet BidCo NV in the future.

Since Belgium does not apply tax consolidation rules, future tax expenses or benefits within individual group entities cannot be correlated to the consolidated net income of Telenet Group Holding NV.

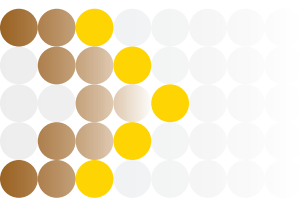
## 2.9. Net income (loss) from continuing operations

We recorded a net profit of €233.1 million for the full year of 2009, including a loss on our interest rate derivatives of €20.9 million and a nonrecurring tax credit of €124.6 million, without which we would have recorded a net profit of €129.4 million. In the prior year period, we reported a net loss of €15.2 million, including a €33.0 million loss on our interest rate derivatives, without which we would have recorded a net profit of €17.8 million. Excluding these gains and losses on our interest rate hedges in both years and the nonrecurring tax credit in 2009, we experienced a significant increase in net income, due primarily to our underlying operating improvements and lower interest expenses.

## 2.10. Cash flow

The following table sets forth the components of our historical cash flows from continuing operations for the periods indicated:

|                                                             | in thousands of euro |                 |
|-------------------------------------------------------------|----------------------|-----------------|
|                                                             | FOR THE YEARS ENDED  |                 |
|                                                             | DEC 31, 2009         | DEC 31, 2008    |
| Cash flows provided by operating activities                 | 440,750              | 352,032         |
| Cash flows used in investing activities                     | (279,554)            | (433,505)       |
| Cash flows provided by (used in) financing activities       | (81,128)             | 70,503          |
| <b>Net increase (decrease) in cash and cash equivalents</b> | <b>80,068</b>        | <b>(10,970)</b> |



### Net cash provided by operating activities

Net cash provided by operating activities grew by 25% to €440.8 million for the full year of 2009 up from €352.0 million in the prior year. This increase reflects the combination of growth in our Adjusted EBITDA and lower cash interest expenses, partially offset by a declining working capital benefit arising from the migration from annual prepaid billing to monthly billing, which is correlated to the migration of analog subscribers to digital.

### Net cash used in investing activities

Net cash used in investing activities was €279.6 million for the full year of 2009, compared to €433.5 million in the prior year. The cash movement in 2008 included the €200.6 million upfront cash payment for the Interkabel Acquisition on October 1, 2008. Excluding cash used for acquisitions, net cash used in investing activities rose to €273.2 million in 2009 from €228.4 million, primarily reflecting higher cash capital expenditures resulting from the strong success of our digital TV rental boxes offering.

### Free Cash Flow

We generated Free Cash Flow<sup>(1)</sup> of €166.9 million for the full year of 2009, an increase of 38% from the €121.2 million generated in the prior year. This progress was primarily the combined effect of a 20% increase in our Adjusted EBITDA, lower cash interest expenses on our Senior Credit Facility and an improvement in our working capital, partially offset by higher cash capital expenditures.

### Net cash used in financing activities

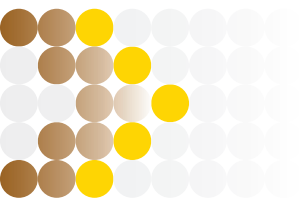
Net cash used in financing activities amounted to €81.1 million for the full year of 2009, compared to net cash provided by financing activities of €70.5 million for the prior year period. The cash usage in 2009 is a combined effect of (i) the repayment of €85.0 million on the outstanding balance of our Revolving Facility which we drew in Q3 2008 to fund a portion of the Interkabel Acquisition; (ii) the payment of a €55.8 million capital decrease to our shareholders in Q3 2009; partially offset by (iii) the drawdown of €90.0 million under the Term Loan B2B, the availability of which would have otherwise expired on June 30, 2009. The cash provided by financing activities in 2008 is primarily the result of the drawdown of €85.0 million under the Revolving Facility. The remainder of the cash used in financing activities included various lease repayments and the €21.1 million scheduled repayment of the new Telenet Partner Network capital lease following the Interkabel Acquisition.

As of December 31, 2009, we held €145.7 million of cash and cash equivalents, compared to €65.6 million as of December 31, 2008, reflecting the repayment of the Revolving Facility of €85.0 million and the capital reduction of €55.8 million, offset by the drawdown of the Term Loan B2B of €90.0 million and strong Free Cash Flow of €166.9 million for the full year of 2009.

|                                             | in thousands of euro |                |
|---------------------------------------------|----------------------|----------------|
|                                             | FOR THE YEARS ENDED  |                |
|                                             | DEC 31, 2009         | DEC 31, 2008   |
| Cash flows provided by operating activities | 440,750              | 352,032        |
| Purchases of property and equipment         | (233,697)            | (200,388)      |
| Purchases of intangibles                    | (40,190)             | (30,395)       |
| <b>Free Cash flow</b>                       | <b>166,863</b>       | <b>121,249</b> |

[1] Free cash flow is defined as net cash provided by the operating activities of our continuing operations less capital expenditures of our continuing operations, each as reported in our consolidated statements of cash flows.





### Leverage ratio and availability of funds

As of December 31, 2009, the outstanding balance of our Senior Credit Facility and outstanding cash balance resulted in a net senior debt leverage ratio of 3.1x EBITDA<sup>[1]</sup>, down from 3.7x EBITDA at December 31, 2008, and significantly below the covenant of 6.25x and the availability test of 5.0x. Including our capital leases and other debt, our net total debt leverage ratio is equivalent to 3.6x EBITDA.

Under the Senior Credit Facility, we have access to the additional committed Term Loan facilities B2A and E2 and the Revolving Facility of €310.0 million in aggregate, subject to compliance with the above covenants, with availability up to and including June 30, 2010 and June 30, 2014, respectively, pursuant to the amendments to the Senior Credit Facility.

On August 7, 2009, we successfully finalized the voluntary extension process of our existing term loans under the Senior Credit Facility. This leverage-neutral transaction further improved the stability of Telenet's debt capitalization by providing additional cash flow flexibility to the business. In addition, no major debt amortizations are due before end of 2014.

## 2.11. Capital expenditures

Accrued capital expenditures were €317.6 million for the full year of 2009, representing 27% of revenue, including €103.9 million of set-top box expenditures, which accounted for 33% of total capital expenditures. The high proportion of rental set-top boxes in our accrued capital expenditures was due to the continued strong success of Telenet Digital TV and a strong customer preference for the upper range HD PVR-enabled set-top boxes. Our set-top box capital expenditures represent an upfront investment, which generates a return in the form of monthly recurring rental fees.

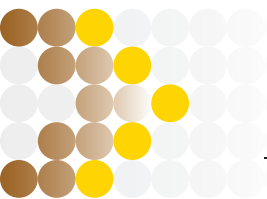
In addition to the rental set-top boxes, 18% of our total accrued capital expenditures during the full year of 2009 were related to installations and customer equipment and 25% to network growth and expansions, such as the 600 MHz network bandwidth upgrade project which has now been essentially completed, and various investments to accommodate our increased subscriber base and broadband speed requirements. The network growth component also included the implementation of our internal mobile switch centre in light of our planned transition to Full-MVNO later this year.

This implies that approximately 76% of our accrued capital expenditures during the 2009 were scalable growth or subscriber related. The remainder represents refurbishments and replacements of network equipment, sports content acquisition costs and recurring investments in our IT-platform and systems.

By comparison, for the full year of 2008, accrued capital expenditures were €245.9 million, representing 24% of revenue, including €60.7 million of set-top box expenditures.

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[1] Calculated as per Senior Credit Facility definition, using net senior debt divided by last two quarters' annualized EBITDA.



## 3 RISK FACTORS

### 3.1. General information

We conduct our business in a rapidly changing environment that gives rise to numerous risks that we cannot control. Risks that we face include:

- the competition that we face in the internet, telephony and television markets in which we provide services; -including new sources of competition from providers of television services in what had principally been an analog cable television market;
- our high leverage and significant debt service obligations, including the restrictive covenants included in our New Senior Credit Facility. As of December 31, 2009, we had total debt of €2,366 million on a consolidated basis;
- the control over our operations that our principal shareholder retains and possible conflicts of interest that we may have with our principal shareholder.

Other risks that we face include, but are not limited to, increasing subscriber acquisition costs; our ability to attract and retain customers and increase our overall market penetration; our ability to compete against other communications and content distribution businesses; any negative impact on the reputation of and value associated with our brand name; our ability to successfully introduce new technologies or services

and our ability to obtain necessary network and other equipment; failure to maintain and upgrade the networks that we own or use or the occurrence of events that damage those networks; the failure to ensure sufficient access to premium content; foreign exchange rate exposure; adverse regulatory, legislative, tax or other judicial developments, an adverse evolution of the social economic climate and our ability to execute our Full-MVNO agreement.

For further information about the financial risk factors, we refer to Note 5.3 to the consolidated financial statements of the Company.

Additional risks and uncertainties not currently known to us or that we now deem immaterial may also harm us.

### 3.2. Legal proceedings

We refer to Note 5.26.1 to the consolidated financial statements of the Company.



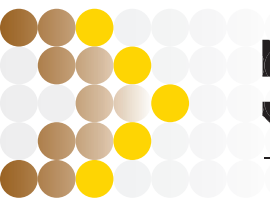


# 4

## INFORMATION ABOUT SUBSEQUENT EVENTS



We refer to Note 5.29 to the consolidated financial statements of the Company.



# 5

## INFORMATION ON RESEARCH AND DEVELOPMENT

In 2009, our main research and development efforts centered around Telenet's mobile strategy, the launch of next generation internet products operating under the EuroDocsis 3.0 standard, and the further improvement of our digital TV offer with focus on a new user interface, web PVR functionalities and 3D TV.

Following our Full-MVNO agreement with mobile network operator Mobistar, Telenet has deployed a mobile core infrastructure, including a mobile switch, mobile rating and billing platform. This platform will provide Telenet much more flexibility in terms of product development and will allow the Company to present a truly competitive quadruple play offering to the market.

On the fixed network side, Telenet completed the Mach3 project, expanding the network frequency capacity to 600 MHz, one of the necessary conditions to start deploying the new EuroDocsis 3.0 technology. This technology extends Telenet's network capacity and enables the Company to provide customers with very high speed services up to 200MBps. This once again underscores Telenet's status as fastest internet provider in its footprint versus competing technologies.

In anticipation of the rapidly expanding distribution of all sorts of digital devices, the convergence between mobile and fixed services, new services like 'cloud computing' and the increasing need of consumers and business & industry to use more video

applications, Telenet has completed the design phase of its Pulsar programme. Through this multi-year investment programme, we aim to reduce the number of homes connected to an optical node from the current average of 1,400 homes per optical node to a maximum of 500 homes on average. In the next five years rather than over a ten-year period, Telenet will invest €150 million to boost the digitisation of Flanders and to transform Flanders into a 'networked economy'.

As for TV, Telenet has developed a new user interface for its digital TV platform. This new user interface will improve the look and feel of digital TV, facilitate the use of value-added services such as video-on-demand and create a wholly new unprecedented customer experience. At the same time, the Company has prepared the launch of Digiprogrammer, which will enable digital TV customers to programme their set-top boxes through the web. Finally, Telenet has successfully finalised 3D TV customer trials with the current range of set-top boxes being fully ready to cater for 3D TV.

Finally, Telenet continued to invest in a significant amount of research and development to ensure its clients are continually benefiting from advanced applied technology solutions. Telenet also partners with appropriate external experts, such as IBBT (The Interdisciplinary Institute for Broadband Technology) and Cable Europe Labs, an initiative among European cable operators.





# 6

## USE OF FINANCIAL INSTRUMENTS



The Company's activities are exposed to changes in foreign currency exchange rates and interest rates.

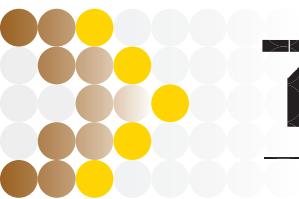
The Company seeks to reduce its exposure through the use of certain derivative financial instruments in order to manage its exposure to exchange rate and interest rate fluctuations arising from its operations and funding. The use of derivatives is governed by the Company's policies approved by the Board of Directors, which provide written principles on the use of derivatives consistent with the Company's risk management strategy.

The Company has entered into various derivative instruments to manage interest rate and foreign currency exchange rates

exposure. The Company does not apply hedge accounting to its derivative instruments. Accordingly, changes in the fair values of all other derivative instruments are recognised immediately in the Company's income statement.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

For further information, we refer to Note 5.13 to the consolidated financial statements of the Company.



# 7

## CORPORATE GOVERNANCE

The Corporate Governance Charter of the Company has been updated on July 31, 2009, following the publication of the Belgian Corporate Governance Code 2009 on March 12, 2009, and can be consulted on the website of the Company (<http://investors.telenet.be>). In this chapter the Board of Directors discusses factual information regarding the current corporate governance policy at Telenet and relevant events which took place in 2009.

### 7.1. Regulatory developments and their impact on telenet

In 2009, Telenet witnessed again some important legal and regulatory developments.

The Act of December 17, 2008, implementing the EU Directive 2006/43/EG, came into force on January 8, 2009. Under this Act, listed companies must establish an (internal) Audit Committee. It also requires listed companies (and their statutory auditors) to provide additional information in their annual reports concerning this Audit Committee. We refer to section 7.3.3 and to the report of our statutory auditor for further information in this respect.

The most relevant regulatory developments for the Company in 2009 were the transposition of the European Audiovisual Media Service Directive, the cancellation of the Belgian restriction on tie-in sales to consumers and the approval – at European level – of the reform of the European regulatory telecom framework.

As one of the first in Europe, the Flemish government has transposed the “Audiovisual Media Service (AVMS) Directive” (EU Directive 2007/65/EC) in Flemish legislation, on March 27, 2009. This Directive is the follow-up Directive of the old “Television without Frontiers Directive” (EU Directive 89/552/EEC as amended by EU Directive 97/36/EC). The most relevant

changes are the extension of the scope of the Directive to all types of TV-like services, which permits a fair competition between all audiovisual media services. The AVMS Directive covers not only linear services (i.e. television broadcasting) but also – with some lighter rules – non-linear services (i.e. on-demand services provided for the viewing of programs at the moment chosen by the user at request and on the basis of a catalogue of programs). Advertising revenues remain the main source of financing free-to-air television programs. The update of these rules allows broadcasters to operate in a more sustainable way. The new Directive lifts certain advertisement restrictions such as product placement advertising.

In April 2009, the Court of Justice in Luxemburg has judged that the Belgian restriction on tie-in sales to consumers is not compatible with the relevant European legislation. As a result hereof, the general restriction and the partial restriction as mentioned in the Telecom Law of June 13, 2005, were considered no longer applicable. This has resulted in the first tie-in sales offers in Belgium during the second half of 2009.

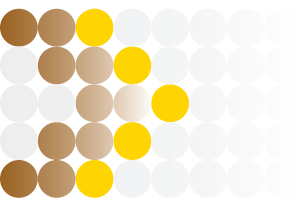
At the end of 2009, the different European institutions finally agreed on the revision of the existing European Telecom regulatory framework of 2002. Notwithstanding most of the rules still need to be defined concretely, the set-up was to enforce the cooperation between the national regulators, amongst them the BIPT, and the European Commission.

Furthermore, rules for consumers were extended. For example, in the future it will be easier to get a transfer of number when you transfer from one provider to another.

The European regulatory framework was also adapted to the use of new technologies, such as fibre, whereby the stimulation of new investments is more importantly mentioned as underlying basic target than in the current legal framework.

The transposition of these new rules to national law needs to be finalized by mid-2011.





## 7.2. Capital and shareholders

### 7.2.1. Capital and securities

The share capital of the Company amounted to €1,041,811,831.33 as at December 31, 2009 and was represented by 111,761,666 shares without nominal value. All shares are ordinary shares, listed on Euronext Brussels, with the exception of 30 Golden Shares and 1,665,087 Liquidation Dispreference Shares to which certain specific rights or obligations are attached, as described in the Articles of Association and the Corporate Governance Charter.

On February 23, 2010, 1,570,244 Liquidation Dispreference Shares, held by Interkabel Vlaanderen CVBA, were converted into 1,509,850 ordinary shares. As a result thereof, there remain only 94,843 Liquidation Dispreference Shares outstanding as of February 23, 2010.

In 2004, the Company issued profit certificates of class A and B and options on these profit certificates. The profit certificates were issued subject to the exercise of the options. The options were granted to staff members of Telenet within the framework of a stock option plan (the ESOP 2004). Under certain conditions the profit certificates can be converted into shares. On December 31, 2009, there were 270,303 options of class A, 140,875 options of class B, no profit certificates of class A and 57,978 profit certificates of class B outstanding under the ESOP 2004. More details on the outstanding options and profit certificates under the ESOP 2004 can be found in Note 5.11.2 to the consolidated financial statements of the Company.

On December 27, 2007, the extraordinary shareholders' meeting of the Company approved a new employee stock option plan (the ESOP 2007) whereby 3,300,000 new warrants were issued in view of the granting of these warrants to selected participants under the ESOP 2007. Each warrant gives the right to subscribe to one new share under the conditions set out in the terms and conditions of the ESOP 2007. The Board of Directors or the HRO Committee can grant the warrants to selected beneficiaries over a maximum period of 3 years as from the issue date. The warrants vest on a quarterly basis over a period of four years. In 2008, the HRO Committee and the Board of Directors have organized three grants under the ESOP 2007 for an aggregate number of 1,134,100 warrants. In 2009, the HRO Committee and the Board of Directors have organized three new grants under the ESOP 2007 for an aggregate number of 1,484,000 warrants. More details on the outstanding warrants under the ESOP 2007 can be found in Note 5.11.2 to the consolidated financial statements of the Company.

On May 29, 2008, the extraordinary shareholders' meeting partly withdrew the employee stock option plan approved on December 27, 2007 (the ESOP 2007), cancelling 317,000 warrants created on December 27, 2007. A new employee stock option plan (the ESOP 2008) was approved, whereby 317,000 new warrants were issued in view of the granting of these warrants to the CEO of the Company. Each warrant gives the right to subscribe to one share under the conditions set out in the terms and conditions of the ESOP 2008. The CEO accepted these 317,000 warrants on May 29, 2008. More details on the outstanding warrants under the ESOP 2008 can be found in Note 5.11.2 to the consolidated financial statements of the Company.

On May 28, 2009, the extraordinary shareholders' meeting partly withdrew the employee stock option plan approved on December 27, 2007 (the ESOP 2007), cancelling 180,000 warrants created on December 27, 2007. A new employee stock option plan (the ESOP 2009) was approved, whereby 180,000 new warrants were issued in view of the granting of these warrants to the CEO of the Company. Each warrant gives the right to subscribe to one share under the conditions set out in the terms and conditions of the ESOP 2009. The CEO accepted these 180,000 warrants on June 26, 2009. More details on the outstanding warrants under the ESOP 2009 can be found in Note 5.11.2 to the consolidated financial statements of the Company.

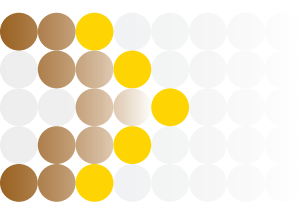
### 7.2.2. Evolution of the share capital of Telenet Group Holding NV

The following capital movements took place in 2009:

On April 9, 2009, the share capital was increased by €34,239.20 through the conversion of 5,392 profit certificates of class B into an equal number of ordinary shares.

On May 26, 2009, the share capital was increased by €7,575,642.71 through the conversion of 1,074,222 profit certificates of class A and 333,637 profit certificates of class B into an equal number of ordinary shares.

On May 28, 2009, the share capital was decreased with €55,856,177.50, without destruction of shares. On October 12, 2009, the share capital was increased by €459,578.52 through the exercise of 49,311 ESOP 2007 warrants, creating an equal number of new ordinary shares, bringing the share capital of the Company to €1,041,811,831.33 and the total number of shares to 111,761,666. An amount of €232,200.02 was recorded as issue premium.



On January 5, 2010, the share capital was increased by €510,773.28 through the exercise of 54,804 ESOP 2007 warrants, creating an equal number of new ordinary shares, bringing the share capital of the Company to €1,042,322,604.61 and the total number of shares to 111,816,470. An amount of €259,770.96 was recorded as issue premium.

On February 23, 2010, 1,570,244 Liquidation Dispreference Shares, held by Interkabel Vlaanderen CVBA, were converted into 1,509,850 ordinary shares. As a result thereof, the total number of shares is decreased by 60,394 to 111,756,076 as of February 23, 2010.

On March 24, 2010, the share capital was increased by €357,144.48 through the conversion of 57,978 profit certificates of class B into an equal number of ordinary shares, bringing the share capital of the Company to €1,042,679,749.09 and the total number of shares to 111,814,054.

### 7.2.3. Shareholders

#### Important movements in shareholdings

In the course of 2009 the Company received the following transparency declarations:

On February 19, 2009 the Company received transparency declarations from the Liberty Global Consortium<sup>(1)</sup>, the Financial Consortium<sup>(2)</sup> and the KBC Group, acting in concert, according to which, on February 13, 2009, the members of the Liberty Global Consortium held 50.65 % of the outstanding voting securities and the members of the Financial Consortium held 3.27 % of the outstanding voting securities. The members of the Liberty Global Consortium held on February 13, 2009 together with the members of the Financial Consortium 53.92 % of the outstanding voting securities.

On March 5, 2009 the Company received transparency declarations from the Liberty Global Consortium, the Financial Consortium and the KBC Group, acting in concert, according to which, on March 5, 2009, the members of the Liberty Global Consortium held 50.65 % of the outstanding voting securities and the members of the Financial Consortium held 2.96 %. Since the members of the Financial Consortium, acting as a group, do not hold any longer more than 3 % of the outstanding voting securities of the Company since this date, the Shareholders Agreement between the Liberty Global Consortium and the Financial Consortium is terminated on March 5, 2009. As a consequence, the members of the Liberty Global Consortium are no longer considered acting in concert with the members of the Financial Consortium in relation to their holding of shares in the Company.

On August 11, 2009 the Company received a transparency declaration from the members of the Liberty Global Consortium, acting in concert, according to which, on August 7, 2009, the members of the Liberty Global Consortium held 50.21 % of the outstanding voting securities. This declaration also mentions several mergers between members of the Liberty Global Consortium, as a result whereof all actions of Telenet Group Holding NV held by members of the Liberty Global Consortium are now held by the Dutch company Binan Investments B.V.

On September 18, 2007 the Company received a notification from LGI Ventures B.V. and from other companies acting in concert with LGI Ventures B.V. in accordance with article 74, §7 of the Law of April 1, 2007 on public take-overs, according to which LGI Ventures B.V. declared it holds a stake in Telenet Group Holding NV that exceeds 30% of the total share capital. On August 28, 2008 and on August 27, 2009 the Company received an update of this notification.

All these declarations can be consulted on the corporate website of the Company: <http://investors.telenet.be>.

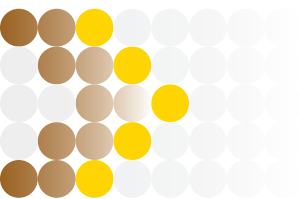
The shareholder structure of the Company per December 31, 2009 was as follows:

|                                          | OUTSTANDING<br>SHARES | PERCENTAGE     | (OPTIONS ON)<br>PCS | WARRANTS         | TOTAL(FULLY<br>DILUTED) | PERCENTAGE<br>(FULLY DILUTED) |
|------------------------------------------|-----------------------|----------------|---------------------|------------------|-------------------------|-------------------------------|
| <b>Shareholders</b>                      |                       |                |                     |                  |                         |                               |
| Liberty Global Consortium <sup>(1)</sup> | 56,405,400            | 50.47%         |                     |                  | 56,405,400              | 48.83%                        |
| Fortis Investment Management NV          | 6,315,291             | 5.65%          |                     |                  | 6,315,291               | 5.47%                         |
| Employees                                | 754,690               | 0.68%          | 469,156             | 3,281,358        | 4,505,204               | 3.90%                         |
| Public                                   | 48,286,285            | 43.20%         |                     |                  | 48,286,285              | 41.80%                        |
| <b>Total</b>                             | <b>111,761,666</b>    | <b>100.00%</b> | <b>469,156</b>      | <b>3,281,358</b> | <b>115,512,180</b>      | <b>100.00%</b>                |

[1] As of February 13 2009, the Liberty Global Consortium consisted of LGI Telenet 1 BV and Binan Investments BV. Before, Investco Belgian Cable 1 sarl, Investco Belgian Cable 2 sarl and CDP Investissements Belgique Inc. were also members of the Liberty Global Consortium.

[2] The Financial Consortium consisted of Ibel NV, KBC Private Equity NV and Sofinim NV.





On January 15, 2010 the Company received a transparency declaration from Fortis Investment Management SA, according to which, on January 7, 2010, Fortis Investment Management SA held 4.91 % of the outstanding voting securities.

On January 15, 2010 the Company also received a second transparency declaration from Fortis Investment Management SA, according to which, on January 13, 2010, Fortis Investment Management SA held 5.01 % of the outstanding voting securities.

On February 17, 2010 the Company received a new transparency declaration from Fortis Investment Management SA, according to which, on February 5, 2010, Fortis Investment Management SA held 4.99 % of the outstanding voting securities.

#### Relationship with and between shareholders

On October 14, 2005, the shareholders pertaining to the Liberty Global Consortium, the GIMV-group, the Mixed Intercommunales and Electrabel-group and the Financial Consortium, Interkabel Vlaanderen CVBA and the Company entered into a shareholders agreement (the "Syndicate Agreement") in which arrangements were made with respect to the shareholder structure and the management of the Company and its subsidiaries. This Syndicate Agreement provided, among other things, for nomination rights for directors, limitations on the transferability of shares within the Syndicate and arrangements on the decision-making process of general shareholder's and Board meetings. The Syndicate Agreement was initially valid until 2026 with the exception of voting rights which were only valid until 2015. Further information regarding the Syndicate Agreement can be obtained in the Corporate Governance Charter.

However, following the exercise by Liberty Global in June 2007 of the so-called 2002-2003 Call Options on Telenet shares held by other parties to the Syndicate Agreement, the Syndicate Agreement was terminated vis-à-vis the Mixed Intercommunales and Electrabel-group, GIMV-group and Interkabel Vlaanderen CVBA on July 4, 2007 because they no longer held a stake in Telenet exceeding 3% of the share capital. As from that date, Electrabel and the Mixed Intercommunales no longer form an Aggregation, as defined in the Syndicate Agreement. The Syndicate Agreement remained in place between the Liberty Global Consortium and the Financial Consortium.

Following the exercise of the so-called 2002-2003 Call Options, the Liberty Global Consortium acquired over 50% of the shares of the Company. As a consequence, certain agreements set out in the Syndicate Agreement, some of which are also incorporated in the articles of association of the Company, lapsed or were changed in accordance with the terms of the Syndicate Agreement. This was among others the case for certain

agreements related to the composition of the Board of Directors, the requirement for special majority decisions within the Board of Directors and the restrictions on the transferability of shares that are subject to the Syndicate Agreement.

As mentioned under Section 7.2.3 Shareholders, the Syndicate Agreement between the Liberty Global Consortium and the Financial Consortium was terminated as of March 5, 2009.

#### General meeting of shareholders

According to our articles of association, the annual meeting of shareholders takes place on the last Wednesday of the month of April at 3 p.m. In 2010, this will be on April 28.

The rules governing the convening, admission to meetings, their workings and the exercise of voting rights, and other details can be found in the Articles of Association and in the Corporate Governance Charter, which are available on the Company's website (<http://investors.telenet.be>).

#### 7.2.4. Consolidated Information related to the elements referred to in article 34 of the Royal Decree of November 14, 2007

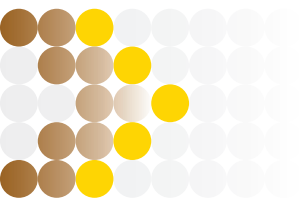
Article 34 of the Royal Decree of November 14, 2007 requires that listed companies disclose the relevant elements that may have an impact in the event of a takeover bid. The Board hereby gives the following explanations concerning the respective elements to be addressed under the new rules:

A comprehensive overview of the capital structure of the Company can be found in Note 5.11 to the consolidated financial statements of the Company.

Restrictions on the transfer of shares extend only to the 30 Golden Shares.

Any major shareholdings of third parties that exceed the thresholds laid down by law and by the articles of association of the Company are listed in Section 7.2.3.

On December 31, 2009 the Company had 1,665,087 Liquidation Dispreference Shares and 30 Golden Shares outstanding. The Liquidation Dispreference Shares can be converted into ordinary shares on a 1.04 to 1.00 ratio. On February 23, 2010, 1,570,244 Liquidation Dispreference Shares, held by Interkabel Vlaanderen CVBA, were converted into 1,509,850 ordinary shares. As a



result thereof, there are only 94,843 Liquidation Dispreference Shares outstanding as of February 23, 2010.

The Golden Shares attribute certain rights to the financing intercommunales (who hold all 30 Golden Shares) in relation to the public interest guarantees, as further described in the articles of association and the Corporate Governance Charter of the Company.

Share option and share purchase plans are described in Notes 5.11.2 and 5.11.3 to the consolidated financial statements of the Company. The employee stock option plans of 2007, 2008 and 2009 provide that all outstanding warrants (if granted to selected beneficiaries) would immediately vest upon a change of control over the Company. These provisions have been approved by the extraordinary general shareholders' meetings of December 27, 2007, May 29, 2008 and May 28, 2009, in accordance with article 556 of the Belgian Company Code.

The Company is not aware of any agreement with any shareholder that may restrict either the transfer of shares or the exercise of voting rights.

Board members are elected or removed by a majority of votes cast at the annual general meeting of shareholders. Any amendment to the articles of association requires the Board to propose that the shareholders' meeting pass a resolution to that effect. For amendments to the articles of association the shareholders' meeting must comply with the quorum and majority requirements laid down in the articles of association and in the Belgian Company Code.

The Board is authorized by the shareholders' meeting of September 20, 2005 to increase the capital subject to strict conditions. This authorization can only be used to issue shares to personnel within the framework of a Monory-Bis offering up to a total amount of €5.0 million. This authorization is valid until October 13, 2010. The authorized capital was not used in 2009.

The Board is authorized by the shareholders' meeting of May 28, 2009 to buy-back shares of the Company under certain conditions. This authorization is valid for 5 years, i.e. until May 28, 2014.

In 2007, the Company has concluded new financing agreements with a banking consortium whereby all existing debts of the Telenet group were refinanced. Certain provisions of these new financing agreements would become effective or would be terminated in case of a change of control over the Company (e.g. following a public take-over bid). The relevant provisions have been approved by the extraordinary shareholders' meeting of August 17, 2007 in accordance with article 556 of the Belgian Company Code.

The final MVNO agreement concluded between Telenet NV and Mobistar NV also contains change of control wording. The relevant provisions have been approved by the extraordinary shareholders' meeting of May 28, 2009 in accordance with article 556 of the Belgian Company Code.

Otherwise, the Company is not party to any major agreement that would either become effective, be amended and/or be terminated due to any change of control over the Company as a result of a public takeover bid.

The Company has not concluded an agreement with its Board members or employees, which would allow the disbursement of special severance pay in the case of termination of employment as a result of a public takeover bid.

## 7.3. Board of directors

### 7.3.1. Composition

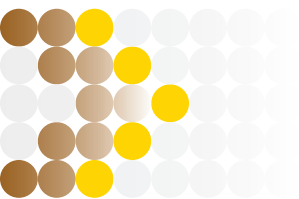
On December 31, 2009 the Board of Directors of the Company was composed of 16 members. With the exception of the Managing Director (CEO), all directors are non-executive directors.

There are three independent directors within the meaning of article 526ter of the Belgian Company Code and the Belgian Corporate Governance Code: Mr. Friso van Oranje-Nassau, De Wilde J. Management BVBA (with as permanent representative Mr. Julien De Wilde) and Cytifinance NV (with as permanent representative Mr. Michel Delloye).

These directors (as well as their permanent representatives) are considered independent directors since they all fulfill the independence criteria set out in the articles of association of the Company and in article 526ter of the Belgian Company Code.

In addition, Telenet Communications NV, Telenet BidCo NV, Telenet Vlaanderen NV and Telenet NV, subsidiaries of the Company, also have three independent directors appointed in the meaning of article 526ter Belgian Company Code and the Corporate Governance Code: Abaxon BVBA (with as permanent representative Mr. Guido De Keersmaecker), JRoos BVBA (with as permanent representative Mr. Jozef Roos) and Mr. Michel Allé. The remaining members of the Board of Directors of Telenet Communications NV, Telenet Bidco NV, Telenet NV and Telenet Vlaanderen NV are identical to those of Telenet Group Holding NV (with the exception of the three independent directors of the latter).





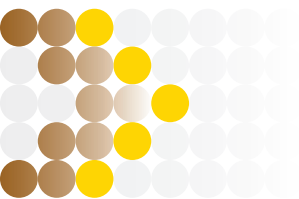
On December 31, 2009 Telenet Communications NV was put into liquidation. The three independent directors of Telenet Communications NV remain independent directors in Telenet BidCo NV, Telenet NV and Telenet Vlaanderen NV.

The mandates of Mr. Diederik Karsten, Mr. Bernard G. Dvorak, Mr. Manuel Kohnstamm, Mr. Niall Curran, Mrs. Ruth Elisabeth Pirie, Mr. Gene W. Musselman, Mr. Jim Ryan and De Wilde J. Management BVBA expire at the annual shareholders' meeting of 2011. All other director mandates expire at the annual shareholders' meeting of 2012, except the mandate of Mr. Friso van Oranje-Nassau which expires at the annual shareholders' meeting of 2010. Mr. Friso van Oranje-Nassau will be nominated for re-election as independent director of the Company.

In Telenet Vlaanderen NV, there is one additional director, appointed upon nomination of Interkabel Vlaanderen CVBA. Since October 22, 2009, the representative of Interkabel Vlaanderen CVBA, Mrs. Güler Turan, was replaced by Mrs. Leen Verbist.

On December 31, 2009 the Board and the different Board Committees of Telenet Group Holding NV and its subsidiaries were composed as follows:

| NAME                                          | FUNCTION                                                                    | NOMINATED BY              | DIRECTOR TGH | DIRECTOR COM-MUNICATIONS | AUDIT COMMITTEE | HRO COMMITTEE | STRATEGIC COM-MITTEE | NOMINATION COM-MITTEE |
|-----------------------------------------------|-----------------------------------------------------------------------------|---------------------------|--------------|--------------------------|-----------------|---------------|----------------------|-----------------------|
| Frank Donck                                   | Managing Director 3D NV                                                     |                           | CM           | CM                       |                 | CM            |                      |                       |
| Michel Allé                                   | Chief Financial Officer SNCB Holding - Belgian Railways                     | Independent Director      |              | •                        | •               |               |                      |                       |
| Alex Brabers                                  | Executive Vice President Technology, GIMV                                   |                           | •            | •                        | CM              |               | •                    | •                     |
| Charles H. Bracken                            | Co-Chief Financial Officer, Principal Financial Officer Liberty Global Inc. | Liberty Global Consortium | •            | •                        | •               |               |                      |                       |
| Guido De Keersmaecker (Abaxon BVBA)           | Director of companies                                                       | Independent Director      |              | •                        |                 | •             |                      |                       |
| Michel Delloye (Cytifinance NV)               | Director of companies                                                       | Independent Director      | •            |                          | •               |               | •                    | •                     |
| Julien De Wilde (De Wilde J. Management BVBA) | Director of companies                                                       | Independent Director      | •            |                          |                 |               | CM                   | CM                    |
| James S. O'Neill                              | President Chello Media BV, Chief Strategy Officer Liberty Global Inc.       | Liberty Global Consortium | •            | •                        |                 | •             | •                    | •                     |
| Jozef Roos (JROOS BVBA)                       | Chairman of the Catholic University of Leuven                               | Independent Director      |              | •                        |                 | •             | •                    |                       |
| André Sarens                                  | Grid Participations Manager Electrabel                                      |                           | •            | •                        | •               |               |                      |                       |
| Duco Sickinghe                                | Chief Executive Officer & Managing Director Telenet                         |                           | •            | •                        |                 |               |                      |                       |



| NAME                    | FUNCTION                                                                                                   | NOMINATED BY              | DIRECTOR TGH | DIRECTOR COM-MUNICATIONS | AUDIT COMMITTEE | HRO COMMITTEE | STRATEGIC COM-MITTEE | NOMINATION COM-MITTEE |
|-------------------------|------------------------------------------------------------------------------------------------------------|---------------------------|--------------|--------------------------|-----------------|---------------|----------------------|-----------------------|
| Friso van Oranje-Nassau | Director of companies                                                                                      | Independent Director      | •            |                          |                 |               | •                    | •                     |
| Diederik Karsten        | Managing Director UPC Nederland                                                                            | Liberty Global Consortium | •            | •                        |                 |               |                      |                       |
| Bernard G. Dvorak       | Senior Vice President and Co-Chief Financial Officer (Principal Accounting Officer) of Liberty Global, Inc | Liberty Global Consortium | •            | •                        | •               |               |                      |                       |
| Manuel Kohnstamm        | Managing Director Public Policy & Communications UPC Corporate                                             | Liberty Global Consortium | •            | •                        |                 |               |                      |                       |
| Niall Curran            | Chief Operating Officer Chello Media BV                                                                    | Liberty Global Consortium | •            | •                        |                 |               |                      |                       |
| Ruth Elisabeth Pirie    | CFO UPC Corporate                                                                                          | Liberty Global Consortium | •            | •                        |                 |               |                      |                       |
| Gene W. Musselman       | President & Chief Operating Officer UPC Corporate                                                          | Liberty Global Consortium | •            | •                        |                 |               |                      |                       |
| Jim Ryan                | MD Strategy & Corp. Development UPC Corporate                                                              | Liberty Global Consortium | •            | •                        |                 |               |                      |                       |

CM: Chairman

### 7.3.2. Functioning of the board

The Board determines the values and strategy of the Company, supervises and monitors the organization and execution thereof, decides on the risk profile and key policies of the Company, decides on the executive management structure and determines the powers and duties entrusted to the executive management.

The Board convenes as often as the interest of the Company requires and in any case at least four times a year. The functioning of the Board of Directors is regulated by the articles of association and the provisions of the Corporate Governance Charter.

The meetings of the Board of Directors and Committees of Telenet Group Holding NV and its subsidiaries take place together to the extent there are no conflicts of interest between them. In 2009, five scheduled board meetings took place.

In principle the decisions are taken by a simple majority of votes. The Board of Directors strives to take the resolutions by consensus.

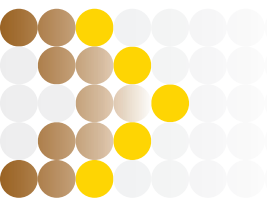
### 7.3.3. Board committees

In accordance with the articles of association of the Company and certain legal requirements, the Board of Directors has established the following Board Committees: an Audit Committee, a Human Resources and Organization Committee (the "HRO Committee"), a Strategic Committee and a Nomination Committee.

#### The Audit Committee

The principal tasks of the Audit Committee include regularly convening to assist and advise the Board of Directors with respect to the monitoring of the financial reporting by the Company and its subsidiaries, the monitoring of the effectiveness of the systems for internal control and risk management of the Company, monitoring of the internal audit and its effectiveness, monitoring of the legal control of the annual accounts and the consolidated accounts including follow-up on questions and recommendations of the statutory auditor and assessment and monitoring of the independent character of the statutory auditor, taking into account the delivering of additional services to the





Company. The Audit Committee also meets at least once a year a year with the external auditor without the presence of the executive management.

The Audit Committee is composed of six members including one independent director of Telenet Group Holding NV, one independent director of the other Telenet subsidiaries and four non-executive directors of whom one is the chairman. Two members are directors nominated by the Liberty Global Consortium. This composition conforms to article 526bis §1 of the Belgian Company Code regarding the composition of Audit Committees within listed companies, as introduced in December 2008. Michel Delloye (representing Cytifinance NV) serves as independent director on the Audit Committee and has a broad experience in accounting, auditing and financial matters. Before joining the Board of Directors of the Company, he was CFO and General manager of Groupe Bruxelles Lambert (GBL) in Brussels, CEO of GBL's US affiliate in New York, Compagnie Luxembourgeoise de Télédiffusion (CLT-UFA, now RTL Group) in Luxembourg and then of Central European Media Enterprises. He also runs his own investment company and sits on the Board of Directors of various companies, including EVS, Brederode, Compagnie du Bois Sauvage and Matexi Groep. In addition, all other members contribute broad experience and skills regarding financial items, which have a positive impact on the committee's operation. The meetings are attended by Mr. Michel Allé, independent director of Telenet Communications NV and its subsidiaries, provided there is no conflict of interest.

In 2009, the Committee convened six times (once by conference call) to review and discuss the quarterly, semi-annual and annual financial statements each before submission to the Board of Directors and, subsequently, publication.

The Committee further addressed specific financial items occurring during the year or brought up by the statutory auditor, discussed and advised the Board of Directors about procedures for and monitoring of financial reporting to its majority shareholder Liberty Global and about the implementation of procedures aimed at complying with requirements of the US Sarbanes-Oxley Act. Finally, the Audit committee, together with the internal audit function (which is partially outsourced, see under "Internal Audit") monitored the functioning and efficiency of the internal audit processes.

The Company has established a whistleblowing procedure, which has been reviewed by the Audit Committee and approved by the Board of Directors. The Company implemented the whistleblowing procedure in December 2008. This policy allows employees of the Company to raise concerns about possible improprieties in accounting, internal control or audit matters in confidence via a telephone line or a reporting website. The employees can remain anonymous if they want to. Complaints

received through the telephone line or reporting website are handled by the Company's compliance officer and the chairman of the Audit Committee.

The chairman of the Audit Committee reported on the matters discussed in the Audit Committee to the Board of Directors after each meeting and presented the recommendations of the Audit Committee to the Board for decision-making.

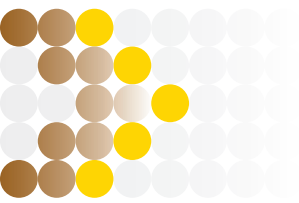
### **The HRO Committee**

The principal tasks of the HRO Committee include formulating proposals to the Board of Directors with respect to the remuneration policy of non-executive directors and executive management, the hiring and retention policy, and assisting the CEO with the appointment and succession planning of executive management.

The Committee is composed exclusively of non-executive directors and has four members. Two of the members are independent directors of Telenet Communications NV and its subsidiaries. The chairman of the Board of Directors also serves as chairman of the HRO Committee. Although half of the members are independent directors, it should be noted that these individuals are directors of Telenet Communications NV and its subsidiaries (i.e. subsidiaries of the Company) rather than directors of Telenet Group Holding NV. This is explained, among other things, by the historic objective of the Syndicate Agreement to have a similar composition of the boards of directors and committees of the different companies within the Telenet Group and the specific skills of the individuals concerned. The Board of Directors is of the opinion that the human resources and organizational experience and skills of the members on the one hand and the independent character of the members who are director of Telenet Communications NV and its subsidiaries on the other hand, justify the current composition.

In 2009, the HRO Committee met six times, in the presence of the CEO (except for matters where the CEO was conflicted). Among other matters, the Committee addressed headcount evolution, new employee stock option plans, the evaluation of the Executive Team and the CEO and recommendations on their remuneration (including bonuses) and recommendations on the remuneration of the directors.

The chairman of the HRO Committee reports on the matters discussed in the HRO Committee to the Board of Directors after each meeting and presents the recommendations of the HRO Committee to the Board for decision-making.



### The Nomination Committee

The Nomination Committee's tasks include designing an objective and professional (re-) appointment procedure for directors, the periodic evaluation of the scope and composition of the Board, looking for potential directors and submitting their applications to the Board and making recommendations with respect to candidate-directors.

The Nomination Committee consists entirely of non-executive directors (five), of whom three are independent directors, among whom the chairman.

Given the fact that there were no vacancies at the level of the Board of Directors in 2009, the Nomination Committee did not formally convene in 2009.

The chairman of the Nomination Committee reports on the matters discussed in the Nomination Committee to the Board of Directors after each meeting and presents the recommendations of the Nomination Committee to the Board for decision-making.

### The Strategic Committee

The Strategic Committee convenes regularly with the CEO to discuss the general strategy of Telenet.

The Committee is chaired by an independent director and is further composed of two other independent directors and two non-executive directors.

The Strategic Committee convened two times in 2009, particularly to discuss potential joint venture and acquisition projects.

The chairman of the Strategic Committee reports on the matters discussed in the Strategic Committee to the Board of Directors after each meeting and presents the recommendations of the Strategic Committee to the Board for decision-making.

#### 7.3.4. Application of legal rules regarding conflicts of interest

In the meeting of the Board of Directors of February 20, 2009 article 523 of the Belgian Company Code was applied. At this meeting the Board discussed the determination of the variable remuneration for the CEO for 2008 and a possible change of his fixed remuneration for 2009. The minutes of that meeting mention in this respect the following:

*"Prior to deliberating and resolving on the item of the determination of the bonus and merit of the CEO, Duco Sickinghe (CEO and Managing Director) informs the Board that he has a financial conflict of interest regarding this decision in the meaning of article 523 of the Belgian code of companies since it concerns the determination of his variable remuneration for 2008 and a possible change in his future fixed compensation.*

*The CEO declares that he will inform the Company's auditor of this conflict of interest. He then leaves the meeting.*

*The Board also asks the other managers to leave the meeting.*

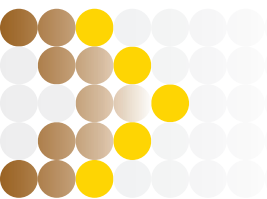
*Guido De Keersmaecker (representing Abaxon BVBA), Chairman of the HRO Committee, reports to the Board on the discussions held within the HRO Committee immediately preceding this Board meeting, about the evaluation of the CEO and the determination of his bonus and merit. The Chairman of the HRO Committee explains in further detail the Committee's evaluation of the CEO and the proposal for his bonus for 2008 and increase of his future fixed compensation.*

*After discussion, and upon proposal of the HRO Committee, the Board unanimously resolves to approve a bonus for the CEO for 2008 equal to 100% of the CEO's yearly fixed compensation in 2008 and proposes not to increase his fixed compensation for 2009 given the fact that the management of the company has decided – in light of the current crisis – in general not to grant salary increases to its employees this year (which was partially compensated by an increase of the bonus for 2008). In addition, the Board resolves to increase the maximum amount of the CEO's bonus for 2009 from 100% to 110% of his yearly fixed compensation in 2009."*

In the meeting of the Board of Directors of October 28, 2009 article 523 of the Belgian Company Code was also applied. At this meeting the Board discussed the potential grant of options to the CEO. The minutes of that meeting mention in this respect the following:

*"Before the Board starts deliberating on this matter, Duco Sickinghe (CEO) informs the Board that he has a potential conflict of interest in the sense of article 523 of the Belgian Company Code regarding one of*





*the proposed decisions, i.e. the potential grant of options to the CEO under the Employee Stock Option Plan 2007 (ESOP 2007). He states that he therefore will not participate in the deliberation and decision on this matter and that he will report this (potential) conflict of interest to the auditor of the Company.*

*Before addressing this topic, the Chairman asks management, including the CEO, to leave the meeting.*

*After management (including the CEO) has left the meeting, the Chairman gives an update of the matters discussed at the HRO Committee meeting of 28 October 2009, [...]*

*One of the items is the approval in principle of a new option grant to the CEO under the existing ESOP 2007. The Chairman explains that due to certain legal requirements, the minimum strike price for such a grant under the ESOP 2007 would be EUR 19.45 (being the average of the closing prices of the stock during a 30-day period before the issuance of the stock options, i.e. before 27 December 2007).*

*After discussion, and upon proposal of the HRO Committee, the Board approves the principle that a total of 155,000 options can be granted to the CEO under the ESOP 2007 and to grant a proxy to Frank Donck and another director of the Company (which can be any other director except the CEO) to decide on the exact grant date for these options to the CEO, which shall not be later than 31 December 2009. The Board believes that this option grant is in the corporate interest of the Company because it aligns the (financial) interest of the CEO with the interests of the Company and its shareholders and further refers to the argumentation in this respect set out in the special board report drawn up at the occasion of the issuance of the ESOP 2007.*

*The Board also acknowledges that the Board of Directors of Telenet NV will approve two minor changes to the management contract of the CEO regulating certain matters in case of decease of the CEO."*

### 7.3.5. Comments on the measures taken to comply with the legislation concerning insider dealing and market manipulation (market abuse)

Telenet adopted a code of conduct related to inside information and the dealing of financial instruments addressing directors, senior staff and other personnel that could dispose of inside information. The code of conduct explains what constitutes improper conduct and what the possible sanctions are. Transactions are not allowed to be executed during certain closed periods and need to be reported as soon as possible to the compliance officer of the Company. Transactions by members of the Executive Team must also be reported to the Belgian Banking, Finance and Insurance Commission in accordance with Belgian legislation.

## 7.4. Daily management

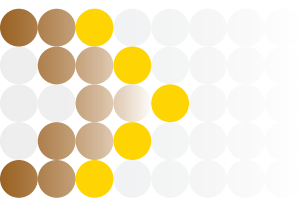
The Managing Director and CEO of Telenet is Mr. Duco Sickinghe.

The Managing Director is responsible for the daily management of the Company.

He is assisted by the executive management ("Executive Team"), of which he is a member, and that does not constitute a management committee within the meaning of article 524bis of the Belgian Company Code.

Following a reorganization of the Company in June 2009, the Executive Team was composed as from July 1, 2009 as follows:

| Name              | Age | Position                                                    |
|-------------------|-----|-------------------------------------------------------------|
| Duco Sickinghe    | 52  | Chief Executive Officer and Managing Director               |
| Jan Vorstermans   | 50  | Executive Vice President Technology and Solutions           |
| Saskia Schatteman | 44  | Executive Vice President Residential Marketing              |
| Luc Machtelincx   | 48  | Executive Vice President and General Counsel                |
| Patrick Vincent   | 46  | Executive Vice President Residential Sales and Care         |
| Piet Spiessens    | 45  | Vice President Innovation and Business Development          |
| Renaat Berckmoes  | 44  | Executive Vice President and Chief Financial Officer        |
| Claudia Poels     | 42  | Senior Vice President Human Resources                       |
| Ronny Verhelst    | 47  | Chief Executive Officer Telenet Mobile & EVP Public Affairs |



As of April 2009, Saskia Schatteman joined the Executive Team as Executive Vice President Residential Marketing. As of April 30, 2009, Jo Van Gorp left the Company. Claudia Poels joined the Executive Team as of June 15, 2009 as Senior Vice President Human Resources.

As of April 1, 2010, Piet Spiessens will be detached - for a period of one year - to Liberty Global Europe, to coordinate within UPC Europe the mobile initiatives taken by UPC in the different European countries.

The Managing Director is authorized to legally bind the Company acting individually within the boundaries of daily management and for specific special powers that were granted to him by the Board of Directors. In addition, the Board of Directors has granted specific powers to certain individuals within the Telenet group.

#### **Duco Sickinghe**

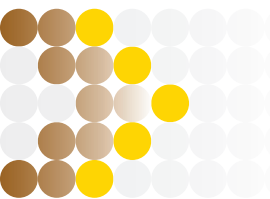
Duco Sickinghe has worked for more than 24 years in the technology and media industry. He holds a Dutch Master's degree in Law from Utrecht University and a Master's degree in Business Administration from Columbia University. His focus has

been on finance, marketing, strategy and general management. Mr. Sickinghe started his career in finance with Hewlett Packard in its European headquarters in Switzerland. He then moved to Germany to become head of marketing of the LaserJet product line for Europe. He concluded his tenure at HP Europe by building out its indirect sales channels. He served at NeXT Computer, first as Vice President Marketing Europe and then as General Manager for France. After leaving NeXT, Mr. Sickinghe became co-founder and Chief Executive Officer of Software Direct, which later became a joint venture with Hachette in Paris. Mr. Sickinghe joined Wolters Kluwer in 1996, and as General Manager of Kluwer Publishing in the Netherlands oversaw its transition to electronic media and re-engineered the Company's traditional business. He joined Cable Partners Europe in early 2001 and was appointed as Chief Executive Officer of Telenet in the summer of 2001. Mr. Sickinghe has lived in Belgium, the United States, France, Germany, Switzerland and the Netherlands. Mr. Sickinghe is also a member of the Board of Directors of Zenitel NV (Belgium) and of Central European Media Enterprises Ltd. (US).

#### **Jan Vorstermans**

Jan Vorstermans joined the Telenet group as Senior Vice President - Technology, Engineering and Network Operations in February





2003. As of January 2008, Mr. Vorstermans assumed additional responsibilities for Telenet Solutions, the business-to-business unit within the group. From 1994 to 2003, Mr. Vorstermans held several executive positions in British Telecom's Belgian operations, including as Director Customer Service Belgium, Director Operations Belgium and, most recently, Vice President Global Network Operations.

#### **Saskia Schatteman**

Saskia Schatteman joined Telenet in April 2009 as Executive Vice President Residential Marketing. From May 2005 until March 2009 she was Director Marketing & Communications at De Lijn, the Flemish Public Transport company. From 1994 until 2005 Mrs. Schatteman worked in marketing at Procter & Gamble in Belgium and the UK, on local and global businesses in different product categories and Global New Business Development. From 1992 till 1994 Mrs. Schatteman worked for Kraft General Foods on the confectionary business in Hong Kong and Belgium. Her first business experience was in International Business for the Belgian Government, based in France in 1991-1992.

#### **Luc Machtelinckx**

Luc Machtelinckx joined Telenet as Director Legal Affairs in February 1999. In this function, he was closely involved in the initial commercial steps, as well as the further development of Telenet's telephony and internet offerings. After the acquisition of the cable assets of the Mixed Intercommunales, Mr. Machtelinckx specialized in cable television legal affairs and more specifically, he played an important role in the iDTV project. In January 2007, Mr. Machtelinckx was appointed Vice President and General Counsel and as of January 2008 Senior Vice President and General Counsel. Since April 2009, Mr. Machtelinckx was appointed Executive Vice President and General Counsel. Prior to joining Telenet, Mr. Machtelinckx worked for 11 years at Esso Benelux in various legal and HR functions as well as for three 3 years at BASF Antwerp as Legal Manager and as Communication Manager.

#### **Patrick Vincent**

Patrick Vincent joined Telenet in September 2004. He is currently Executive Vice President Residential Sales and Care. Mr. Vincent started his career in 1989 in the food industry as Business Unit Manager of the cash and carry division at NV Huyghebaert. From 1994 to 1998 he was responsible for product sales and in 1998 was promoted to Commercial Director. From 2000 to 2004 he worked at Tech Data, an information distribution Company, as Sales Director for Belgium and Luxembourg, and in 2002 was promoted to the role of Director for Sales and Marketing.

#### **Piet Spiessens**

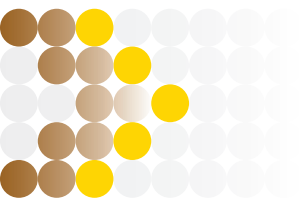
Piet Spiessens has been working for Telenet since 1996 and has overseen multiple aspects of the Company's technological development. During Telenet's initial operations, he was responsible for the development of the Company's internet platform. From 2001, as Vice President Product Engineering, he led new developments in the internet, telephony and digital television operations of Telenet including the introduction of Voice over IP telephony ("VoIP") and interactive digital television ("iDTV"). In 2006, Mr. Spiessens was appointed Vice President Technology Strategy, and since 2007, has been responsible for Innovation and Business Development. Mr. Spiessens is a Doctor of Computer Sciences, and from 1993 to 1996, worked on numerous research and development projects in the New Developments department at Belgacom. He was simultaneously active in academic circles and lectured on networks and data communications topics. Mr. Spiessens is currently Deputy Chairman of ISPA, Belgium's Internet Service Providers Association, and Chairman of DNS Belgium, the institution responsible for the management of Belgian Internet domain names.

#### **Renaat Berckmoes**

Renaat Berckmoes joined Telenet as Treasurer in November 2001 and until the end of 2006 he was Group Treasurer and Director Investor Relations. In these roles, his principal responsibilities involved all of Telenet's financing transactions and acquisitions. Among the key acquisitions that Mr. Berckmoes oversaw were the acquisition of the cable assets of the Mixed Intercommunales, Canal+ Flanders, Codenet, UPC Belgium, the acquisition of the analogue and digital television customer base of certain pure intercommunales (Interkabel) and long-term leasing rights on their cable network, and last year the acquisition of 65 Belcompany shops. The most significant financings he was involved in, were the Company's public bond issues in 2003, the initial public offering in 2005 and various refinancing of the Company's Senior Credit Facility. Prior to joining Telenet, Mr. Berckmoes worked at Solutia (Chemicals) from 1998 to 2001, where he worked as Credit Manager EMEA and European Treasurer, and from 1993 to 1998 at KBC Bank.

#### **Ronny Verhelst**

Ronny Verhelst joined the Telenet group in June 2001 as Vice President-Customer Operations and since January 2007 has served as Senior Vice President Purchasing and Public Affairs. As of January 2008, Mr. Verhelst assumed additional responsibilities for Human Resources and Internal and External Communication. Since July 2009, Mr. Verhelst is appointed as Chief Executive Officer of the mobile project of Telenet. Prior to joining the Telenet group, Mr. Verhelst served as Senior Manager at



PricewaterhouseCoopers and as Customer Service Manager at Anhyp. From 1984 to 1997, Mr. Verhelst held several customer service and project management roles at Belgacom, serving most recently as Customer Service Manager for Flanders.

#### **Claudia Poels**

Claudia Poels joined the Telenet Group in May 2008 as Vice President Human Resources. Since June 15, 2009, she joined the Executive Team as Senior Vice President Human Resources. Prior to joining the Telenet group, Mrs. Poels worked since 1992 at EDS, where she gained extensive experience working within various human resources disciplines. In 2002 Mrs. Poels was promoted to HR Director of the Belgian and Luxembourg entity, and in 2006 she became the HR Operations Director for Northern Europe.

## **7.5. Remuneration of directors and executive management**

### **7.5.1. Remuneration of directors**

The general meeting of shareholders of the Company approved the remuneration principles in its meeting of May 31, 2007. Each director's remuneration consists of a fixed and a variable part. Independent directors receive an annual lump sum amount of €24,000 each. The other non-executive directors each receive a lump sum amount of €12,000. The chairman of the Board receives €48,000. The annual lump sum amounts are only due if the director attends at least half of the scheduled board meetings. For each physically attended meeting of the Board, directors receive an amount of €2,000. No additional remuneration is attributed for Committee meetings. The independent directors of Telenet Communications NV and its subsidiaries are paid in the same way as the independent directors of Telenet Group Holding NV. In principle no additional remuneration is paid to the directors by other companies of the Telenet Group. The CEO is not remunerated for the exercise of his board mandate.

For the year 2009 the remuneration of the members of the Board of Directors amounted to €274,000 for the Company and to €98,000 for Telenet Communications NV (see table for individual remuneration).

Directors further receive a price reduction or other benefits in kind with respect to Telenet products they order. The Belgian

Corporate Governance Code recommends that non-executive directors do not receive any benefits in kind. The Company, however, believes it is important that directors are familiar with and have a good view on the products and services of Telenet.

Non-executive board members do not receive any profit-related incentives, option rights, shares or other fees. In accordance with Belgian legislation and regulations, details of (transactions in) stock options and shares held by all board members (or persons related to them or entities fully controlled by them) are reported to the Belgian Banking, Finance and Insurance Commission.

On the next page, we set out the attendance overview of the board and committee meetings as well as the individual remuneration of each board member.

### **7.5.2. Remuneration of executive management team**

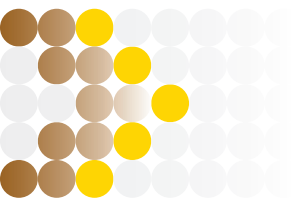
In 2009, the Managing Director (CEO) was granted the following remuneration: (i) a fixed remuneration of €745,500, (ii) a variable remuneration of €782,775, (iii) paid premiums for group insurance in the amount of €48,410 and (iv) benefits in kind valued at €24,744.

Per December 31, 2009, the CEO owned options to acquire 270,303 Class A profit certificates, which under certain conditions can be converted into an equal number of shares, all of which have vested and having an exercise period until June 15, 2012. After adjustment of the exercise price of the Class A options following the payment of the capital decrease on September 1, 2009 the exercise price per Class A option is €4.92.

The CEO holds 326,981 warrants under the ESOP 2008 plan, which under certain conditions can be converted into an equal number of shares. These warrants vest over 4 years and can be exercised until May 28, 2013. After adjustment of the exercise price of the warrants under the ESOP 2008 plan following the payment of the capital decrease on September 1, 2009, the exercise price per warrant is €15.38.

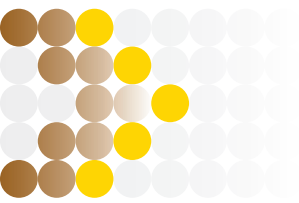
The Chief Executive Officer also holds 185,668 warrants under the ESOP 2009 plan, which under certain conditions can be converted into an equal number of shares. These warrants vest over 4 years and can be exercised until May 27, 2014. After adjustment of the exercise price of the warrants under the ESOP 2009 plan following the payment of the capital decrease on September 1, 2009, the exercise price per warrant is €13.79.





| Name                                          | FUNCTION                                                                                                | NOMINATED BY              | BOARD OF DIRECTORS (5) | AUDIT COMMITTEE (6) | HRO COMMITTEE (6) | STRATEGIC COMMITTEE (2) | NOMINATION COMMITTEE (0) | REMUNERATION IN € |
|-----------------------------------------------|---------------------------------------------------------------------------------------------------------|---------------------------|------------------------|---------------------|-------------------|-------------------------|--------------------------|-------------------|
| Frank Donck                                   | Managing Director 3D NV                                                                                 |                           | 5 (CM)                 |                     | 6 (CM)            |                         |                          | 58,000            |
| Michel Allé                                   | Chief Financial Officer SNCB Holding - Belgian Railways                                                 | Independent Director      | 5                      | 6                   |                   |                         |                          | 34,000            |
| Alex Brabers                                  | Executive Vice President Technology, GIMV                                                               |                           | 4                      | 6 (CM)              |                   | 2                       |                          | 20,000            |
| Charles H. Bracken                            | Co-Chief Financial Officer, Principal Financial Officer Liberty Global Inc.                             | Liberty Global Consortium | 2                      | 4                   |                   |                         |                          | 4,000             |
| Guido De Keersmaecker (Abaxon BVBA)           | Director of companies                                                                                   | Independent Director      | 3                      |                     | 5                 |                         |                          | 30,000            |
| Michel Delloye (Cytifinance NV)               | Director of companies                                                                                   | Independent Director      | 5                      | 5                   |                   | 2                       |                          | 34,000            |
| Julien De Wilde (De Wilde J. Management BVBA) | Director of companies                                                                                   | Independent Director      | 5                      |                     |                   | (CM)                    | (CM)                     | 34,000            |
| James S. O'Neill                              | President Chello Media BV, Chief Strategy Officer Liberty Global Inc.                                   | Liberty Global Consortium | 3                      |                     | 4                 | 2                       |                          | 18,000            |
| Jozef Roos (JROOS BVBA)                       | Chairman of the Catholic University of Leuven                                                           | Independent Director      | 5                      |                     | 5                 |                         |                          | 34,000            |
| André Sarens                                  | Grid Participations Manager Electrabel                                                                  |                           | 5                      | 6                   |                   |                         |                          | 22,000            |
| Duco Sickinghe                                | Chief Executive Officer & Managing Director Telenet                                                     |                           | 5                      |                     |                   |                         |                          | 0                 |
| Friso van Oranje-Nassau                       | Director of companies                                                                                   | Independent Director      | 4                      |                     |                   | 1                       |                          | 32,000            |
| Diederik Karsten                              | Managing Director UPC Nederland                                                                         | Liberty Global Consortium | 2                      |                     |                   |                         |                          | 4,000             |
| Bernard G. Dvorak                             | Senior Vice President, Co-Chief Financial Officer (Principal Accounting Officer) of Liberty Global, Inc | Liberty Global Consortium | 0                      | 3                   |                   |                         |                          | 0                 |
| Manuel Kohnstamm                              | Managing Director Public Policy & Communications UPC Corporate                                          | Liberty Global Consortium | 2                      |                     |                   |                         |                          | 4,000             |
| Niall Curran                                  | Chief Operating Officer Chello Media BV                                                                 | Liberty Global Consortium | 4                      |                     |                   |                         |                          | 20,000            |
| Ruth Elisabeth Pirie                          | CFO UPC Corporate                                                                                       | Liberty Global Consortium | 1                      |                     |                   |                         |                          | 2,000             |
| Gene W. Musselman                             | President & Chief Operating Officer UPC Corporate                                                       | Liberty Global Consortium | 0                      |                     |                   |                         |                          | 0                 |
| Jim Ryan                                      | MD Strategy & Corp. Development UPC Corporate                                                           | Liberty Global Consortium | 5                      |                     |                   |                         |                          | 22,000            |

CM: Chairman



On December 4, 2009, 155,000 stock options were granted to the CEO under the ESOP 2007 plan ("ESOP 2007quinquies"), which under certain conditions can be converted into an equal number of shares. The CEO accepted these stock options on January 3, 2010. These stock options vest over 4 years and can be exercised until December 3, 2014. The exercise price per stock option is €19.45.

The agreement with the CEO contains a termination arrangement providing for an indemnification of twice the total annual remuneration in case of termination by the Company (other than for cause). In case the CEO wants to terminate his agreement with the Company, a notice period should be agreed between the CEO and the Company which should be at least six months.

In 2009, the Company paid a total amount of remunerations of €2,983,283 to the other members of the Executive Team (not including the CEO).

This amount is composed of the following elements (for all members jointly, excluding the CEO): (i) a fixed salary of €2,001,519, (ii) a variable salary of €716,036, (iii) paid premiums for group insurance in the amount of €134,596 and (iv) benefits in kind valued at €131,131. All amounts are gross without employer's social security contributions.

On December 31, 2009, the current members of the Executive Team (excluding the CEO) hold no longer any Class A options nor Class B options under the ESOP 2004 and in aggregate they hold 1,164,290 warrants under the ESOP 2007. Each warrant gives the right to subscribe to one share. The vesting of these warrants occurs progressively (per quarter) over a period of four years.

In accordance with Belgian legislation and regulations, details of (transactions in) stock options and shares held by all members of the Executive Team (or persons related to them or entities fully controlled by them) are reported to the Belgian Banking, Finance and Insurance Commission.

## 7.6. Audit of the company

### External audit by statutory auditors

For details on the audit and non-audit fees paid to the auditor in 2009, we refer to Note 5.30 to the consolidated financial statements of the Company.

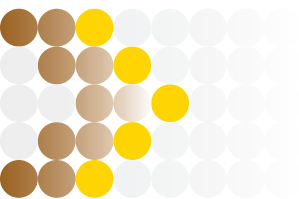
### Internal audit

As from 2009, the Company has appointed PriceWaterhouseCoopers Bedrijfsrevisoren BV o/v CVBA as the new internal auditor of the Company and its subsidiaries for a period of three years. The internal audit activities are carried out on the basis of a plan annually approved and monitored by the Audit Committee. These internal audit activities cover a wide range of topics and aim at the evaluation and improvement of the specific controlling environment.

Mechelen, March 24, 2010

On behalf of the Board of Directors





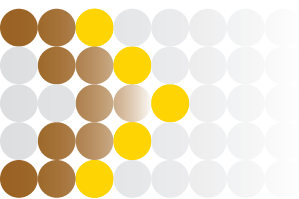
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# Telenet Group Holding NV consolidated financial statements

in thousands of euro

|                                           | NOTE  | DEC 31, 2009     | DEC 31, 2008     | DEC 31, 2008     |
|-------------------------------------------|-------|------------------|------------------|------------------|
|                                           | 5.1.5 |                  | RE-PRESENTED     | AS REPORTED      |
| <b>// Assets</b>                          |       |                  |                  |                  |
| <b>Non-current assets:</b>                |       |                  |                  |                  |
| Property and equipment                    | 5.4   | 1,314,968        | 1,286,128        | 1,286,128        |
| Goodwill                                  | 5.5   | 1,240,376        | 1,234,620        | 1,186,277        |
| Other intangible assets                   | 5.6   | 308,645          | 322,538          | 357,780          |
| Deferred tax assets                       | 5.14  | 116,363          | -                | -                |
| Derivative financial instruments          | 5.13  | 9,113            | 14,889           | 14,889           |
| Investments in equity accounted investees | 5.21  | 259              | -                | -                |
| Other assets                              | 5.8   | 5,600            | 1,508            | 1,508            |
| <b>Total non-current assets</b>           |       | <b>2,995,324</b> | <b>2,859,683</b> | <b>2,846,582</b> |
| <b>Current assets:</b>                    |       |                  |                  |                  |
| Inventories                               | 5.9   | 11,305           | 4,106            | 4,106            |
| Trade receivables                         | 5.7   | 73,281           | 67,767           | 67,767           |
| Derivative financial instruments          | 5.13  | 301              | 230              | 230              |
| Other current assets                      | 5.8   | 47,325           | 38,403           | 38,403           |
| Cash and cash equivalents                 | 5.10  | 145,709          | 65,641           | 65,641           |
| <b>Total current assets</b>               |       | <b>277,921</b>   | <b>176,147</b>   | <b>176,147</b>   |
| <b>TOTAL ASSETS</b>                       |       | <b>3,273,245</b> | <b>3,035,830</b> | <b>3,022,729</b> |

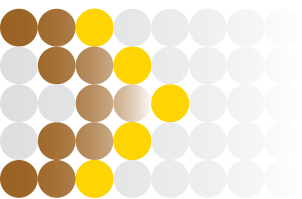


in thousands of euro

|                                                | NOTE  | DEC 31, 2009     | DEC 31, 2008     | DEC 31, 2008     |
|------------------------------------------------|-------|------------------|------------------|------------------|
|                                                | 5.1.5 |                  | RE-PRESENTED     | AS REPORTED      |
| <b>// Equity and Liabilities</b>               |       |                  |                  |                  |
| <b>Equity:</b>                                 |       |                  |                  |                  |
| Share capital                                  | 5.11  | 1,041,812        | 1,089,599        | 1,089,599        |
| Share premium and other reserves               | 5.11  | 902,596          | 898,005          | 898,005          |
| Retained loss                                  | 5.11  | (1,584,352)      | (1,817,442)      | (1,817,442)      |
| <b>Total equity</b>                            |       | <b>360,056</b>   | <b>170,162</b>   | <b>170,162</b>   |
| <b>Non-current liabilities:</b>                |       |                  |                  |                  |
| Loans and borrowings                           | 5.12  | 2,291,538        | 2,294,600        | 2,282,127        |
| Derivative financial instruments               | 5.13  | 18,586           | 14,934           | 14,934           |
| Deferred revenue                               | 5.18  | 8,565            | 10,704           | 10,704           |
| Deferred tax liabilities                       | 5.14  | 45,685           | 17,221           | 16,838           |
| Other liabilities                              | 5.15  | 39,940           | 49,597           | 47,297           |
| <b>Total non-current liabilities</b>           |       | <b>2,404,314</b> | <b>2,387,056</b> | <b>2,371,900</b> |
| <b>Current liabilities:</b>                    |       |                  |                  |                  |
| Loans and borrowings                           | 5.12  | 32,434           | 34,530           | 34,530           |
| Trade payables                                 |       | 82,186           | 45,401           | 45,401           |
| Accrued expenses and other current liabilities | 5.17  | 272,465          | 265,716          | 265,716          |
| Deferred revenue                               | 5.18  | 105,143          | 127,363          | 129,418          |
| Derivative financial instruments               | 5.13  | 16,582           | 5,348            | 5,348            |
| Current tax liability                          | 5.14  | 65               | 254              | 254              |
| <b>Total current liabilities</b>               |       | <b>508,875</b>   | <b>478,612</b>   | <b>480,667</b>   |
| <b>Total liabilities</b>                       |       | <b>2,913,189</b> | <b>2,865,668</b> | <b>2,852,567</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>            |       | <b>3,273,245</b> | <b>3,035,830</b> | <b>3,022,729</b> |

The notes are an integral part of these consolidated financial statements.





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# 2

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in thousands of euro, except per share data

|                                                                                         | FOR THE YEARS ENDED |                  |                  |
|-----------------------------------------------------------------------------------------|---------------------|------------------|------------------|
|                                                                                         | NOTE                | DEC 31, 2009     | DEC 31, 2008     |
| Revenue                                                                                 | 5.18                | 1,197,421        | 1,018,846        |
| Cost of services provided                                                               | 5.19                | (688,891)        | (589,267)        |
| <b>Gross profit</b>                                                                     |                     | <b>508,530</b>   | <b>429,579</b>   |
| Selling, general and administrative expenses                                            | 5.19                | (210,022)        | (190,833)        |
| <b>Operating profit</b>                                                                 |                     | <b>298,508</b>   | <b>238,746</b>   |
| Finance income                                                                          |                     | 1,163            | 5,615            |
| Net interest income and foreign exchange gain                                           |                     | 1,163            | 5,615            |
| Net gain on derivative financial instruments                                            |                     | -                | -                |
| Finance expense                                                                         |                     | (154,825)        | (196,878)        |
| Net interest expense and foreign exchange loss                                          |                     | (133,961)        | (163,892)        |
| Net loss on derivative financial instruments                                            |                     | (20,864)         | (32,986)         |
| <b>Net finance expenses</b>                                                             | <b>5.20</b>         | <b>(153,662)</b> | <b>(191,263)</b> |
| Share of the loss of equity accounted investees                                         | 5.21                | (484)            | (433)            |
| Profit before income tax                                                                |                     | 144,362          | 47,050           |
| Income tax benefit (expense)                                                            | 5.22                | 88,728           | (62,270)         |
| <b>Profit (loss) for the period</b>                                                     |                     | <b>233,090</b>   | <b>(15,220)</b>  |
| <b>Other comprehensive income for the period, net of income tax</b>                     |                     | <b>-</b>         | <b>-</b>         |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, ATTRIBUTABLE TO OWNERS OF THE COMPANY</b> |                     | <b>233,090</b>   | <b>(15,220)</b>  |
| <b>Earnings (loss) per share</b>                                                        |                     |                  |                  |
| Basic earnings (loss) per share in €                                                    | 5.23                | 2.09             | (0.14)           |
| Diluted earnings (loss) per share in €                                                  | 5.23                | 2.08             | (0.14)           |

The notes are an integral part of these consolidated financial statements.





# 3

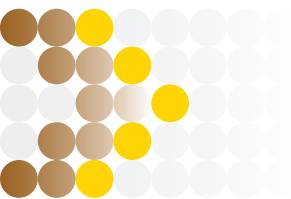
## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY



| Attributable to equity holders of the Company                                     | NOTE | NUMBER OF SHARES   | SHARE CAPITAL    |  |
|-----------------------------------------------------------------------------------|------|--------------------|------------------|--|
| <b>January 1, 2008</b>                                                            |      | <b>109,313,539</b> | <b>1,081,098</b> |  |
| Total comprehensive income for the period                                         |      | -                  | -                |  |
| Profit (loss) for the period                                                      |      | -                  | -                |  |
| Other comprehensive income                                                        |      | -                  | -                |  |
|                                                                                   |      | -                  | -                |  |
| <b>Transactions with owners, recorded directly in equity</b>                      |      | <b>985,565</b>     | <b>8,501</b>     |  |
| Recognition of share-based compensation                                           | 5.11 | -                  | -                |  |
| Proceeds received upon exercise of Class A and Class B Options                    | 5.11 | -                  | -                |  |
| Issuance of share capital via exchange of Class A and Class B Profit Certificates | 5.11 | 292,348            | 1,645            |  |
| Compensation cost related to the Employee Share Purchase Plan                     |      | -                  | -                |  |
| Issuance of share capital through Employee Share Purchase Plan                    |      | 693,217            | 6,856            |  |
| <b>December 31, 2008</b>                                                          |      | <b>110,299,104</b> | <b>1,089,599</b> |  |
| Attributable to equity holders of the Company                                     | NOTE | NUMBER OF SHARES   | SHARE CAPITAL    |  |
| <b>January 1, 2009</b>                                                            |      | <b>110,299,104</b> | <b>1,089,599</b> |  |
| Total comprehensive income for the period                                         |      | -                  | -                |  |
| Profit (loss) for the period                                                      |      | -                  | -                |  |
| Other comprehensive income                                                        |      | -                  | -                |  |
|                                                                                   |      | -                  | -                |  |
| <b>Transactions with owners, recorded directly in equity</b>                      |      | <b>1,462,562</b>   | <b>(47,787)</b>  |  |
| Recognition of share-based compensation                                           | 5.11 | -                  | -                |  |
| Proceeds received upon exercise of Class A and Class B options                    | 5.11 | -                  | -                |  |
| Proceeds received upon exercise of 2007 warrants                                  | 5.11 | 49,311             | 460              |  |
| Issuance of share capital via exchange of Class A and Class B Profit Certificates | 5.11 | 1,413,251          | 7,610            |  |
| Repayment of Capital                                                              | 5.11 | -                  | (55,857)         |  |
| <b>December 31, 2009</b>                                                          |      | <b>111,761,666</b> | <b>1,041,812</b> |  |

The notes are an integral part of these consolidated financial statements.





in thousands of euro, except share data

|  | SHARE<br>PREMIUM | EQUITY-BASED<br>COMPENSATION<br>RESERVE | LEGAL<br>RESERVE | OTHER<br>RESERVES | RETAINED<br>LOSS | TOTAL    | NON-CONTROL-<br>LING INTEREST | TOTAL EQUITY |
|--|------------------|-----------------------------------------|------------------|-------------------|------------------|----------|-------------------------------|--------------|
|  | 61,034           | 4,800                                   | 3                | 825,350           | (1,802,222)      | 170,063  | -                             | 170,063      |
|  | -                | -                                       | -                | -                 | (15,220)         | (15,220) | -                             | (15,220)     |
|  | -                | -                                       | -                | -                 | (15,220)         | (15,220) | -                             | (15,220)     |
|  | -                | -                                       | -                | -                 | -                | -        | -                             | -            |
|  | -                | -                                       | -                | -                 | -                | -        | -                             | -            |
|  | 1,538            | 5,280                                   | -                | -                 | -                | 15,319   | -                             | 15,319       |
|  | -                | 2,936                                   | -                | -                 | -                | 2,936    | -                             | 2,936        |
|  | -                | 2,311                                   | -                | -                 | -                | 2,311    | -                             | 2,311        |
|  | -                | (1,645)                                 | -                | -                 | -                | -        | -                             | -            |
|  | -                | 1,678                                   | -                | -                 | -                | 1,678    | -                             | 1,678        |
|  | 1,538            | -                                       | -                | -                 | -                | 8,394    | -                             | 8,394        |
|  | 62,572           | 10,080                                  | 3                | 825,350           | (1,817,442)      | 170,162  | -                             | 170,162      |
|  | SHARE<br>PREMIUM | EQUITY-BASED<br>COMPENSATION<br>RESERVE | LEGAL<br>RESERVE | OTHER<br>RESERVES | RETAINED<br>LOSS | TOTAL    | NON-CONTROL-<br>LING INTEREST | TOTAL EQUITY |
|  | 62,572           | 10,080                                  | 3                | 825,350           | (1,817,442)      | 170,162  | -                             | 170,162      |
|  | -                | -                                       | -                | -                 | 233,090          | 233,090  | -                             | 233,090      |
|  | -                | -                                       | -                | -                 | 233,090          | 233,090  | -                             | 233,090      |
|  | -                | -                                       | -                | -                 | -                | -        | -                             | -            |
|  | -                | -                                       | -                | -                 | -                | -        | -                             | -            |
|  | 231              | 4,360                                   | -                | -                 | -                | (43,196) | -                             | (43,196)     |
|  | -                | 5,067                                   | -                | -                 | -                | 5,067    | -                             | 5,067        |
|  | -                | 6,903                                   | -                | -                 | -                | 6,903    | -                             | 6,903        |
|  | 231              | -                                       | -                | -                 | -                | 691      | -                             | 691          |
|  | -                | (7,610)                                 | -                | -                 | -                | -        | -                             | -            |
|  | -                | -                                       | -                | -                 | -                | (55,857) | -                             | (55,857)     |
|  | 62,803           | 14,440                                  | 3                | 825,350           | (1,584,352)      | 360,056  | -                             | 360,056      |

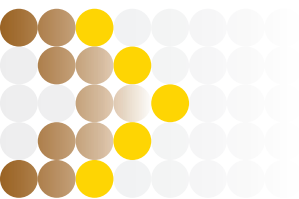


## 4

## CONSOLIDATED STATEMENT OF CASH FLOWS

in thousands of euro

| For the years ended December 31,                                   | NOTE | 2009             | 2008             |
|--------------------------------------------------------------------|------|------------------|------------------|
| <b>// Cash flows provided by operating activities:</b>             |      |                  |                  |
| <b>Profit (loss) for the period</b>                                |      | 233,090          | (15,220)         |
| Adjustments for:                                                   |      |                  |                  |
| Depreciation, amortisation and impairment                          | 5.19 | 302,803          | 261,588          |
| Income tax expense (benefit)                                       | 5.22 | (88,728)         | 62,270           |
| Decrease in allowance for bad debt                                 | 5.7  | (2,577)          | (8,736)          |
| Net interest income and foreign exchange gain                      | 5.20 | (1,163)          | (5,615)          |
| Net interest expense and foreign exchange loss                     | 5.20 | 133,961          | 163,892          |
| Net loss on derivative financial instruments                       | 5.20 | 20,864           | 32,986           |
| Loss in equity-accounted investees                                 | 5.21 | 484              | 433              |
| Share based payments                                               | 5.19 | 5,067            | 4,614            |
| Other                                                              |      | -                | 659              |
| Change in:                                                         |      |                  |                  |
| Trade receivables                                                  |      | (1,299)          | 33,552           |
| Other assets                                                       |      | (13,784)         | (3,265)          |
| Deferred revenue                                                   |      | (24,478)         | (24,344)         |
| Trade payables                                                     |      | 32,313           | (237)            |
| Provision for liabilities and charges                              |      | (7,654)          | (7,592)          |
| Accrued expenses and other current liabilities                     |      | (33,700)         | 4,773            |
| <b>Cash provided by operations</b>                                 |      | <b>555,199</b>   | <b>499,758</b>   |
| Interest paid                                                      |      | (133,417)        | (170,244)        |
| Interest received                                                  |      | 19,500           | 22,518           |
| Income taxes paid                                                  |      | (259)            | -                |
| Cash paid for derivatives                                          | 5.13 | (2,583)          | -                |
| Cash received for derivatives                                      | 5.13 | 2,310            | -                |
| <b>Net cash provided by operating activities</b>                   |      | <b>440,750</b>   | <b>352,032</b>   |
| <b>// Cash flows used in investing activities:</b>                 |      |                  |                  |
| Purchases of property and equipment                                |      | (233,697)        | (200,388)        |
| Purchases of intangibles                                           |      | (40,190)         | (30,395)         |
| Acquisitions of subsidiaries and affiliates, net of cash acquired  | 5.24 | (6,410)          | (205,131)        |
| Proceeds from sale of property and equipment and other intangibles |      | 743              | 2,409            |
| <b>Net cash used in investing activities</b>                       |      | <b>(279,554)</b> | <b>(433,505)</b> |



in thousands of euro

| For the years ended December 31,                                 | NOTE | 2009            | 2008            |
|------------------------------------------------------------------|------|-----------------|-----------------|
| <b>// Cash flows provided by (used in) financing activities:</b> |      |                 |                 |
| Repayments of loans and borrowings                               | 5.12 | (85,000)        | (7,924)         |
| Proceeds from loans and borrowings                               | 5.12 | 90,000          | 85,000          |
| Payments of finance lease liabilities                            |      | (25,539)        | (4,307)         |
| Payments for debt issuance costs                                 |      | (12,365)        | (12,227)        |
| Proceeds from Employee Share Purchase Plan                       |      | -               | 8,394           |
| Proceeds from exercise of Class A and Class B options            | 5.11 | 7,594           | 2,311           |
| Payments for 2007 and 2009 capital decrease paid as dividend     |      | (55,818)        | (744)           |
| <b>Net cash provided by (used in) financing activities</b>       |      | <b>(81,128)</b> | <b>70,503</b>   |
|                                                                  |      |                 |                 |
| <b>Net increase (decrease) in cash and cash equivalents</b>      |      | <b>80,068</b>   | <b>(10,970)</b> |
| Cash and cash equivalents:                                       |      |                 |                 |
| at January 1                                                     |      | 65,641          | 76,611          |
| at December 31                                                   |      | 145,709         | 65,641          |

The notes are an integral part of these consolidated financial statements.





# 5

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009



### 5.1. Reporting entity and basis of preparation

#### 5.1.1. Reporting entity

The accompanying consolidated financial statements present the operations of Telenet Group Holding NV and its subsidiaries (hereafter collectively referred to as the "Company" or "Telenet"). Through its broadband network, the Company offers cable television, including premium television services, broadband internet and telephony services to residential subscribers in Flanders and certain communes in Brussels as well as broadband internet, data and voice services in the business market throughout Belgium. The Company also offers mobile telephony services as a mobile virtual network operator (MVNO) which acquires wholesale airtime capacity from the Belgian mobile telephone operator Mobistar. Telenet Group Holding NV and its principal subsidiaries are limited liability companies organized under Belgian law.

#### 5.1.2. Basis of preparation

In accordance with the EU Regulation 1606/2002 of July 19, 2002, the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRSs as adopted by the EU"). The financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value. The methods used to measure fair values are discussed further in Note 5.2.7. The principal accounting policies are set out below.

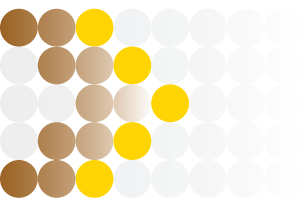
#### 5.1.3. Functional and presentation currency

These consolidated financial statements are presented in euro, which is the Company's functional currency.

#### 5.1.4. Use of estimates and judgments

The preparation of financial statements in accordance with IFRSs as adopted by the EU requires the use of certain critical accounting estimates and management judgment in the process of applying the Company's accounting policies that affects the reported amounts of assets and liabilities and disclosure of the contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the following Notes:

- Note 5.5: Goodwill
- Note 5.13: Derivative financial instruments
- Note 5.14: Deferred taxes
- Note 5.16: Employee benefit plans
- Note 5.24: Acquisitions of subsidiaries



### 5.1.5. Reclassifications in presentation

#### PPA update

In accordance with IFRS 3 Business Combinations, and as discussed in Note 5.24.1, adjustments to the preliminary, purchase price allocation for the October 1, 2008 Interkabel acquisition were made retrospectively in 2009 as if those adjustments had been made at the acquisition date. The impact of these adjustments on the comparative information for the year ended December 31, 2008, is reflected in the

“re-presented” comparative information included in the consolidated financial statements, as well as in the respective notes.

The impact of the reclassifications can be summarized as follows:

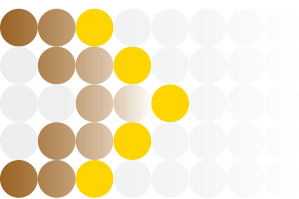
| in thousands of euro                 |                  |                |                  |
|--------------------------------------|------------------|----------------|------------------|
|                                      | DEC 31, 2008     | DEC 31, 2008   | DEC 31, 2008     |
|                                      | AS REPORTED      | PPA UPDATE     | AS RE-PRESENTED  |
| <b>// Assets</b>                     |                  |                |                  |
| <b>Non-current assets:</b>           |                  |                |                  |
| Goodwill                             | 1,186,277        | 48,343         | 1,234,620        |
| Other intangible assets              | 357,780          | (35,242)       | 322,538          |
| <b>Total non-current assets</b>      | <b>1,544,057</b> | <b>13,101</b>  | <b>1,557,158</b> |
| <b>TOTAL ASSETS</b>                  | <b>1,544,057</b> | <b>13,101</b>  | <b>1,557,158</b> |
| <b>// Liabilities</b>                |                  |                |                  |
| <b>Non-current liabilities:</b>      |                  |                |                  |
| Loans and borrowings                 | 2,282,127        | 12,473         | 2,294,600        |
| Deferred tax liabilities             | 16,838           | 383            | 17,221           |
| Other liabilities                    | 47,297           | 2,300          | 49,597           |
| <b>Total non-current liabilities</b> | <b>2,346,262</b> | <b>15,156</b>  | <b>2,361,418</b> |
| <b>Current liabilities:</b>          |                  |                |                  |
| Deferred revenue                     | 129,418          | (2,055)        | 127,363          |
| <b>Total current liabilities</b>     | <b>129,418</b>   | <b>(2,055)</b> | <b>127,363</b>   |
| <b>Total liabilities</b>             | <b>2,475,680</b> | <b>13,101</b>  | <b>2,488,781</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>  | <b>2,475,680</b> | <b>13,101</b>  | <b>2,488,781</b> |

#### Reclassification of revenue

As of January 1, 2009, all revenue from business subscribers to coaxial broadband internet and fixed telephony have been reallocated from Business services revenue to Residential

broadband internet and Residential telephony revenue. The purpose of this reallocation was to match revenue with subscriber data since business subscribers to these coaxial products were already counted in the broadband internet and fixed telephony statistics.





The impact of the reallocation is summarized in the following table:

in thousands of euro

|                       | FOR THE YEAR ENDED DECEMBER 31, 2008 |                  |                  |
|-----------------------|--------------------------------------|------------------|------------------|
|                       | AS REPORTED                          | RECLASSIFICATION | AS RE-PRESENTED  |
| Cable television:     |                                      |                  |                  |
| - Basic Subscribers   | 244,325                              | -                | 244,325          |
| - Premium Subscribers | 77,985                               | -                | 77,985           |
| Distributors/Other    | 29,820                               | -                | 29,820           |
| Internet              | 353,682                              | 21,373           | 375,055          |
| Telephony             | 210,845                              | 4,055            | 214,900          |
| Business              | 102,189                              | (25,428)         | 76,761           |
| <b>TOTAL</b>          | <b>1,018,846</b>                     | <b>-</b>         | <b>1,018,846</b> |

#### 5.1.6. Segment reporting

As from January 1, 2009, Telenet determines and presents operating segments based on the information that is internally provided to the CEO, who is the Group's chief operating decision maker ("CODM"), the Executive Team and the Board of Directors.

This accounting policy reflects the adoption by Telenet of IFRS 8 **Operating Segments**. Under IFRS 8, operating segments are the individual operations that the CODM reviews for purposes of assessing performance and making resource allocation decisions.

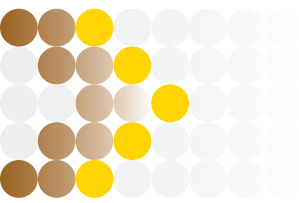
The CEO, the Executive Team and the Board of Directors review and manage the Company's business and performance based on a "Product Profit and Loss Statement", which presents financial information up to a "Direct EBITDA contribution margin" and which are analyzed at least on a monthly basis. While directly attributable revenue and expenses are allocated to the separate product lines discussed in Note 5.18, capital expenditures, general and support expenses, depreciation expenses, finance income and expenses, taxes and other income and expenses are not allocated to specific products, markets or customers.

The Company is managed, its performance is assessed and resource allocations are made by the CODM as a single operation. Furthermore, Telenet's services are provided, both to the Company's residential and business customers, through one integrated network.

Telenet manages its operations as one geographical area, and has no individual customers that represent a significant portion of the Company's total revenues. Telenet has thus determined that its operations constitute one single operating segment. Prior to the adoption of IFRS 8, Telenet also reported its operations as a single segment and consequently, the adoption of IFRS 8 as from January 1, 2009, has not had an impact on the presentation of the Company's financial information.

#### 5.1.7. Approval by Board of Directors

These consolidated financial statements were authorized for issue by the Board of Directors on March 24, 2010.



## 5.2. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

No changes to the significant accounting policies have been made, except as explained in note 5.2.19, which addresses changes in accounting policies.

### 5.2.1. Basis of consolidation

#### Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is presumed to exist when the Company holds more than 50% of the voting power of another entity. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company. The consolidated financial statements include the accounts of Telenet Group Holding NV and all of the entities that it directly or indirectly controls. Intercompany balances and transactions, and any income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

#### Associates and jointly controlled entities

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity.

Joint ventures are those entities over whose activities the Company has joint control, established by contractual

agreement and requiring unanimous consent for strategic financial and operating decisions.

Associates and jointly controlled entities are accounted for using the equity method.

The consolidated financial statements include the Company's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

#### Jointly controlled operations

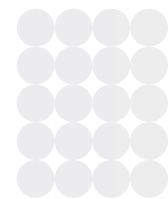
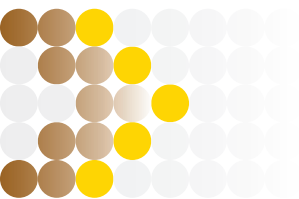
A jointly controlled operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operations. The consolidated financial statements include the assets that the Company controls and the liabilities that it incurs in the course of pursuing the joint operation, and the expenses that the Company incurs and its share of the income that it earns from the joint operation.

### 5.2.2. Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.





The following useful lives are used for the depreciation of property and equipment:

|                                   |             |
|-----------------------------------|-------------|
| Buildings and improvements        | 10-33 years |
| Network                           | 3-20 years  |
| Furniture, equipment and vehicles | 2-10 years  |

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

The costs associated with the construction of cable transmission and distribution facilities and also analogue and digital cable, internet, and telephony and interactive digital television ("iDTV") service installation costs are capitalised and depreciated over 2 to 20 years.

Government grants related to assets are recorded as a deduction from the cost in arriving at the carrying amount of the asset. The grant is recognised in the income statement over the life of a depreciable asset as a reduction of depreciation expense.

Until the year ended December 31, 2007, borrowing costs were recognised in profit and loss as incurred. As from the year ended December 31, 2008, the Company applies the guidance of IAS 23 (Revised) *Borrowing Costs* and includes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of day-to-day servicing of property and equipment are recognised in the income statement as incurred.

The fair value of property and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction. The market price of items of equipment is based on the quoted market prices for similar items.

### 5.2.3. Intangible assets

Intangible assets with finite useful lives are measured at cost and are amortised on a straight-line basis over their estimated useful lives as follows:

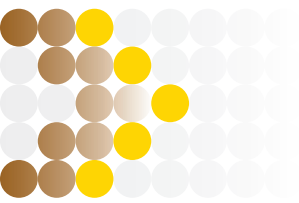
|                                                     |                               |
|-----------------------------------------------------|-------------------------------|
| Network user rights                                 | 10 or 20 years                |
| Trade name                                          | 15 years                      |
| Customer relationships and supply contracts         | 5 to 15 years                 |
| Broadcasting rights                                 | Life of the contractual right |
| Software development costs                          | 3 years                       |
| Out of market component on future lease obligations | Term of the lease agreement   |

Costs associated with maintaining computer software are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Capitalised internal-use software costs include only external direct costs of materials and services consumed in developing or obtaining the software and payroll and payroll-related costs for employees who are directly associated with and who devote time to the project. Capitalization of these costs ceases no later than the point at which the project is substantially complete and ready for its intended purpose. Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Broadcasting rights are capitalised as an intangible asset when the value of the contract is measurable upon signing and are amortised on a straight-line basis over contractual life.

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated brands, is recognised in the income statement as incurred.



The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

#### 5.2.4. Impairment of financial and non-financial assets

##### Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the income statement. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

##### Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the

asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The Company has determined that its tangible fixed assets constitute a single cash-generating unit for the purpose of impairment testing.

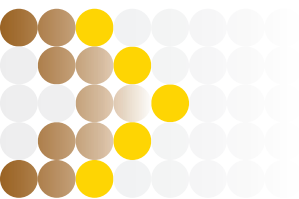
An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit or group of units on a pro rata basis.

In respect of assets other than goodwill, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

#### 5.2.5. Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.





In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

Goodwill is tested for impairment annually, or more frequently when there is an indication that it may be impaired. The Company has identified one cash-generating unit to which all goodwill was allocated. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets pro-rata on the basis of the carrying amount of each asset. An impairment loss recognised for goodwill is not reversed in a subsequent period.

### 5.2.6. Foreign currency transactions

The Company's functional and presentation currency is the euro ("€"), which is also the functional currency of each of the Company's subsidiaries. Transactions in currencies other than the euro are translated at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on translation are included in profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity. In order to hedge its exposure to certain foreign exchange risks, the Company enters into forward contracts and options (see below for details of the Company's accounting policies in respect of such derivative financial instruments).

## 5.2.7. Financial instruments

### Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

### Cash and cash equivalents

Cash equivalents consist principally of money market funds, commercial paper and certificates of deposit with original maturities of 3 months or less. Except for money market funds, which are recognized at fair value with changes through the statement of comprehensive income, cash and cash equivalents are carried at amortized cost using the effective interest rate method, less any impairment losses.

The carrying amounts of cash and cash equivalents approximate fair value because of the short maturity of those instruments.

### Trade receivables

Trade receivables do not carry any interest and are stated at their amortised cost less any allowance for doubtful amounts.

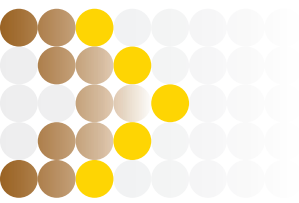
The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

### Loans and borrowings

Interest-bearing bank loans are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis using the effective interest method and are recorded as a component of the related debt to the extent that they are not settled in the period in which they arise.

### Trade payables

Trade payables are not interest bearing and are stated at amortized cost. The carrying amounts of trade payables approximate fair value because of the short maturity of those instruments.



## Derivative financial instruments

The Company's activities are exposed to changes in foreign currency exchange rates and interest rates.

The Company seeks to reduce its exposure through the use of certain derivative financial instruments in order to manage its exposure to exchange rate and interest rate fluctuations arising from its operations and funding.

The use of derivatives is governed by the Company's policies approved by the Board of Directors, which provides written principles on the use of derivatives consistent with the Company's risk management strategy.

The Company has entered into various derivative instruments to manage interest rate and foreign currency exchange rates exposure.

Derivatives are measured at fair value.

The Company does not apply hedge accounting to its derivative instruments. Accordingly, changes in the fair values of derivative instruments are recognised immediately in the income statement.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value through the income statement.

The fair value of forward exchange contracts is calculated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate. This calculation is compared to the listed market price, if available.

The fair values of interest rate swaps and foreign exchange forwards are calculated by the Company based on swap curves flat, taking into account the credit risk of both the Company and the respective counterparties to the instruments.

## Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

## 5.2.8. Revenue recognition

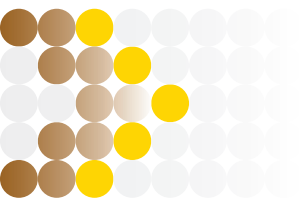
Subscription fees for telephony, internet and premium cable television are prepaid by subscribers on a monthly basis and recognised in revenue as the related services are provided, i.e. in the subsequent month. Subscription fees for analogue cable television are prepaid by subscribers predominantly on an annual basis and recognised in revenue on a straight line basis over the following twelve months. Revenue from usage based premium television, mobile and fixed telephone and internet activity is recognised on actual usage.

Where consideration has been received or is separately receivable in respect of installation, such installation fees are recognised as revenue by reference to the stage of completion of the installation. As installation ordinarily does not take long, installation fees are recognised generally as revenues on completion of the installation.

Together with subscription fees, basic cable television subscribers are charged a copyright fee for the content received from public broadcasters that is broadcasted over the Company's network. These fees contribute to the cost the Company bears in respect of copyright fees paid to copyright collecting agencies for certain content provided by the public broadcasters and other copyright holders. The Company reports copyright fees collected from cable subscribers on a gross basis as a component of revenue due to the fact that the Company is acting as a principal in the arrangement between the public broadcaster and other copyright holders which does not represent a pass-through arrangement. Indeed, the Company bears substantial risk in setting the level of copyright fees charged to subscribers as well as in collecting such fees.

For multiple element arrangements, the recognition criteria of revenue are applied to the separately identifiable components of the transaction. A component within an arrangement is separated if it has standalone value to the customer and if its fair value can be measured reliably. The fair value of the consideration received or receivable is allocated to the separate components of the arrangement using the residual fair value method.





### 5.2.9. Operating expenses

Operating expenses consist of interconnection costs, network operating, maintenance and repair costs and cable programming costs, including employee costs and related depreciation and amortization charges. The Company capitalises most of its installation cost, including labour cost. Copyright and license fees paid to the holders of these rights and their agents are the primary component of the Company's cable programming costs. Other direct costs include costs that the Company incurs in connection with providing its residential and business services, such as interconnection charges as well as bad debt expense. Network costs consist of costs associated with operating, maintaining and repairing the Company's broadband network and customer care costs necessary to maintain its customer base.

### 5.2.10. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that the Company will be required to settle that obligation and the amount can be reliably measured. Provisions are measured at the Company's best estimate of the expenditure required to settle its liability and are discounted to present value where the effect is material.

### 5.2.11. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the Company. Property and equipment acquired by way of a finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and any impairment losses. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding lease obligations, net of finance charges, are included in long-term debt with the interest element of the finance cost charged to the income statement over the lease period. All other leases are classified as operating lease payments and recognised in profit or loss on a straight-line basis over the term of the lease.

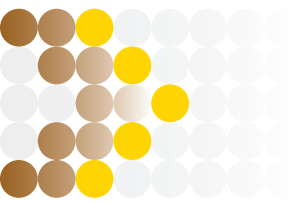
### 5.2.12. Income taxes

Income tax expense comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the calculation of taxable profit, and is accounted for using the balance sheet method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction that is not a business combination and that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.



A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Current and deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the current or deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

### 5.2.13. Employee benefits

#### Pension obligations

The Company provides both defined benefit and defined contribution plans to its employees, directors and certain members of management. The defined benefit pension plans pay benefits to employees at retirement using formulas based upon years of service and compensation rates near retirement. The schemes are generally funded by payments from the participants and the Company to insurance companies as determined by periodic actuarial calculations.

For defined benefit retirement schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. The discount rate is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The corridor approach is applied to actuarial gains and losses. Such gains and losses are the result of changes in actuarial assumptions on retirement and similar commitments. Accordingly, all gains and losses exceeding 10% of the greater of the present value of the defined benefit obligation and the fair value of any plan assets are recognised over the expected average remaining working life of the employees participating in the plan. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until

the benefits become vested. When the calculation results in a benefit to the Company, the recognised asset is limited to the total of any unrecognised actuarial losses and past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost and unrecognised actuarial gains and losses, and as reduced by the fair value of plan assets. Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Company's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

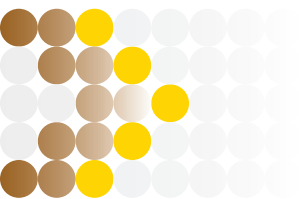
#### Other employee benefit obligations

The Company provides long term service awards, health care premiums, early retirement plans and death benefits, among others, to its employees and/or retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age or the completion of a minimum service period, as appropriate. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are recognised immediately to income.

#### Share-based payments

The Company issues equity-settled share-based payments to certain employees which are measured at fair value at the date of grant. The grant date fair value of options granted to employees is calculated using a Black-Scholes pricing model and recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations. Measurement inputs for the Black-Scholes model include share price on measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instruments, expected dividends and the risk-free interest rate.





At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the cumulative impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

#### Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### 5.2.14. Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business, less the estimated costs of sale, and a reasonable profit margin based on the effort required to sell the inventories.

#### 5.2.15. Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

#### 5.2.16. Finance income and expenses

Finance income mainly comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expense mainly comprises interest expense on borrowings, changes in the fair value of financial instruments and net losses on financial instruments.

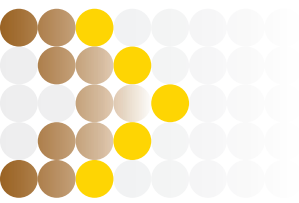
Foreign currency gains and losses are reported on a net basis.

#### 5.2.17. Acquisition accounting

Business combinations are accounted for using acquisition accounting. The date of acquisition is the date on which control is transferred to the acquirer.

Consideration transferred is the sum of the fair values of the assets transferred to the previous owners of the acquiree, liabilities incurred, equity interests issued, and any contingent consideration at the moment it becomes probable. Consideration transferred includes acquisition-related costs.

Adjustments to provisionally determined amounts in a business combination can be made only within the measurement period, which cannot exceed 12 months from the acquisition date. Adjustments are made retrospectively and comparatives are revised.



### 5.2.18. Customer acquisition costs

Customer acquisition costs are the directly attributable costs incurred in signing up a new customer. These include, but may not be limited to, incentives paid to retailers, commissions paid to external dealers or agents, and sales commissions to the Company's staff.

Customer acquisition costs paid to a party other than the customer are capitalised as intangible assets if and only if the definition and recognition criteria are met, the costs are incremental to the subscriber contracts, and can be measured reliably. In the context of subscriber acquisition costs, the key recognition criteria include the fact that the Company has the right to receive revenues from the contract, and the fact that it is probable that future economic benefits will arise from the contract. Generally, an intangible asset is only recognised to the extent that it arises from a fixed-term contract that requires a minimum consideration, or from an open-ended contract that includes a cancellation penalty that the Company would have the intent and ability to enforce.

Cash incentives given to customers are not viewed as subscriber acquisition costs, but are recognised as a deduction from revenue. Prior to the recognition in profit or loss, the Company recognises an asset related to such incentives only to the extent that the aforementioned key recognition criteria are met.

Benefits in kind given to customers, to the extent they do not represent a separate component of the arrangement, are recognised as an expense in the appropriate periods. An asset is recognised in the statement of financial position under the same circumstances as described above for cash given to the customer. To the extent that the benefit in kind is a separate component of the arrangement, it will be recognised as a cost of sale when it is delivered.

### 5.2.19. New standards, interpretations, amendments and improvements

#### Standards, amendments and interpretations effective or early adopted in 2009

The following standards, amendments, interpretations and improvements are mandatory for the first time for the financial year beginning January 1, 2009:

IFRS 8, *Operating Segments* (effective from January 1, 2009) replaces IAS 14.

The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Company adopted the requirements of IFRS 8 as of January 1, 2009.

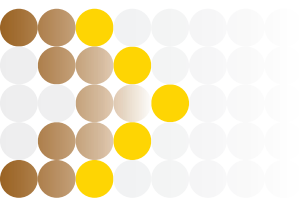
Amendment to IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* (effective from January 1, 2009)

The amendment clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Company adopted the amendment as of January 1, 2009, with no material effect on its financial result or financial position.

Amendment to IFRS 7 *Enhancing Disclosures about fair value and liquidity risk* (effective from January 1, 2009)

Above mentioned amendment expands the disclosures required in respect of fair value measurements recognised in the statement of financial position. For the purpose of these expanded disclosures, a three-level hierarchy has been introduced in Note 5.3.5.





Amendment to IAS 1 (Revised 2007) *Presentation of Financial Statements* (effective from January 1, 2009)  
The Company applies revised IAS 1 "Presentation of Financial Statements (2007)", which became effective as of January 1, 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas any non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these Consolidated Financial Statements as of and for the twelve months period ended on December 31, 2009. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

Amendments to IAS 32 and IAS 1 *Puttable Financial Instruments and Obligations Arising on Liquidation* (effective from January 1, 2009)  
The Company adopted the amendments as of January 1, 2009, with no material effect on its financial result or financial position.

Amendments to IAS 39 *Clarification regarding Assessment of Embedded Derivatives* (effective periods on or after June 30, 2009)  
The Company adopted the amendments as of July 1, 2009, with no material effect on its financial result or financial position.

The IASB issued amendments to various standards collectively referred to as "Improvements to IFRSs". The amendments were separated into Part I and Part II. Part I includes 24 amendments that result in accounting changes for presentation, recognition or measurement purposes. Part II includes 11 terminology or editorial amendments that the IASB expected to have either no or only minimal effects on accounting.

#### **Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company.**

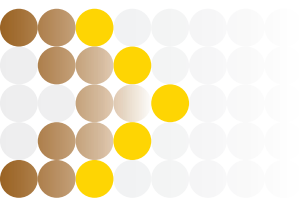
The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after January 1, 2010 or later periods, but the Company has not early adopted them:

IFRS 3 (Revised 2008) *Business Combinations* (effective from January 1, 2010) will be applied prospectively to business combinations for which the acquisition date is on or after the date of adoption. It introduces several significant changes including the following changes that are likely to be relevant to the Company's operations:

- The definition of a business has been broadened which may result in more transactions being treated as business combinations.
- Costs incurred to effect a business combination, other than share or debt issue costs, are expensed in the period incurred.
- Contingent consideration is measured at fair value at the acquisition date and changes resulting from events after the acquisition date are recognised in profit and loss.

IAS 27 (Revised 2008) *Consolidated and Separate Financial Statements* (effective from January 1, 2010) requires accounting for changes in ownership interests by the Company in a subsidiary, while maintaining control, to be recognised as an equity transaction. If the Company loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit and loss. The amendments to IAS 27 are not expected to have a material impact on the Company's accounts.

IFRS 9 *Financial Instruments* (effective for annual periods beginning on or after January 1, 2013)  
Amendments in classification and measurement



Amendment to IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* (effective for annual periods beginning on or after January 1, 2010)  
Amendments relating to group cash-settled share based payment transactions.

Amendment to IAS24 *Related Party Disclosure* (effective for annual periods beginning on or after January 1, 2011) Revised definition of related parties

Amendment to IAS32 *Financial Instruments : Presentation* (effective for annual periods beginning on or after February 1, 2010) Amendments relating to classification of rights issues

Amendment to IAS 39 *Eligible Hedged Items* (effective for annual periods beginning on or after July 1, 2009)

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (effective for annual periods beginning on or after January 1, 2010)

#### **Interpretations to existing standards that are not yet effective and not relevant for the Company's operations**

The following interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after January 1, 2009 but are not currently relevant for the Company's operations:

IFRIC 13 *Customer Loyalty Programmes* (effective for annual periods beginning on or after July 1, 2008)

IFRIC 15 *Agreements for the Construction of Real Estate* (effective for annual periods beginning on or after January 1, 2009)

IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* (effective for annual periods beginning on or after October 1, 2008)

IFRIC 18 *Transfers of Assets from Customers* (effective for annual periods beginning on or after July 1, 2009)



## 5.3. Risk management

### 5.3.1. Credit risk

#### Qualitative disclosures

Credit risk encompasses all forms of counterparty exposure, i.e. where counterparties may default on their obligations to the Company in relation to lending, hedging, settlement and other financial activities. The Company is exposed to credit risk from its operating activities and treasury activities.

The largest share of the gross assets subject to credit risk from operating activities are trade receivables from residential and small business customers located throughout Belgium. Accordingly, the Company has no significant concentration of credit risk. The risk of material loss from non-performance from these customers is not considered likely. The Company establishes reserves for doubtful accounts receivable to cover the potential loss from non-payment by these customers.

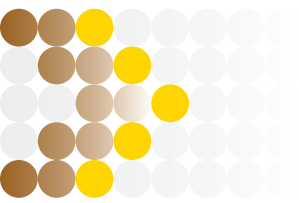
In regards to credit risk on financial instruments, the Company maintains credit risk policies with regard to its counterparties to minimise overall credit risk. These policies include an evaluation of a potential counterparty's financial condition, credit rating and other credit criteria and risk mitigation tools as deemed appropriate. The Company maintains a policy of entering into such transactions only with highly rated European and US financial institutions. To minimise the concentration of counterparty credit risk, the Company enters into derivative transactions with a portfolio of financial institutions. Likewise, cash equivalents, certificates of deposit and money market funds are placed with highly rated financial institutions.

#### Quantitative disclosures

The Company considers its maximum exposure to credit risk to be as follows:

| in thousands of euro                                                           |                |                |
|--------------------------------------------------------------------------------|----------------|----------------|
|                                                                                | DEC 31, 2009   | DEC 31, 2008   |
| Cash and cash equivalents (including commercial paper/certificates of deposit) | 145,709        | 65,641         |
| Trade receivables                                                              | 84,211         | 81,274         |
| Derivative financial instruments                                               | 9,414          | 15,119         |
| Outstanding guarantees to third parties for own liabilities (cash paid)        | 1,741          | 909            |
| <b>TOTAL</b>                                                                   | <b>241,075</b> | <b>162,943</b> |

More detailed financial information has been disclosed under the respective Notes to the consolidated financial statements of the Company.



### 5.3.2. Liquidity risk

#### Qualitative disclosures

The principal risks to our sources of liquidity are operational risks, including risks associated with decreased pricing, reduced subscriber growth, increased marketing costs and other consequences of increasing competition and potentially adverse outcomes with respect to our interconnection dispute that is currently the subject of litigation. Our ability to service our debt and to fund our ongoing operations will depend on our ability to generate cash. Although we anticipate generating positive cash flow after deducting interest and taxes, we cannot assure you that this will be the case. We may not generate sufficient cash flow to fund our capital expenditures, ongoing operations and debt obligations.

Telenet Group Holding NV and Telenet Communications NV are holding companies with no source of operating income. They are therefore dependent on capital raising abilities and dividend payments from subsidiaries to generate funds. The terms of the Amended Senior Credit Facility contain a number of significant covenants that restrict our ability, and the ability of our subsidiaries to, among other things, pay dividends or make other distributions, make capital expenditure, incur additional debt and grant guarantees. The agreements and instruments governing our debt contain restrictions and limitations that could adversely affect our ability to operate our business.

We believe that our cash flow from operations and our existing cash resources, together with available borrowings under the Amended Senior Credit Facility, will be sufficient to fund our currently anticipated working capital needs, capital expenditures and debt service requirements.

On August 25, 2009, pursuant to various additional facility accession agreements, new Facilities D, E1, E2 and F were executed under the Amended Senior Credit Facility. The completion of the Amended Senior Credit Facilities resulted in the extension of a significant portion of the maturities under the New Telenet Credit Facility.

The Company has access to undrawn facilities under the Amended Senior Credit Facility. As of December 31, 2009, €175.0 million under the revolving credit facility (€90.0 million as of December 31, 2008), €45.0 million under tranche B2A and €90.0 million under tranche E2 of the Amended Senior Credit Facility was available to the Company subject to our being in compliance with certain financial covenants and other conditions.

The Amended Senior Credit Facility is discussed in greater detail in Note 5.12.2 of the consolidated financial statements of the Company.

In order to hedge its exposure to floating rate debt, the Company concluded interest rate cap, collar and swap contracts for a total nominal amount of €3.0 billion. Additionally, Telenet has concluded basis rate swaps with a total nominal amount at December 31, 2009, of €1.9 billion.

The Company has implemented a policy on financial risk management. With respect to liquidity and funding risks, the key objectives can be summarized as:

- ensure that at all times the Company has access to sufficient cash resources to meet its financial obligations as they fall due and to provide funds for capital expenditure and investment opportunities as they arise;
- ensure that the Company has sufficient excess liquidity to ensure that the Company can meet its non-discretionary financial obligations in the event of unexpected business disruption;
- ensure compliance with borrowing facilities covenants and undertakings.

A minimum liquidity buffer of cash and cash equivalents is maintained in order to meet unforeseen cash expenses. The Company's funding requirements and funding strategy is reviewed annually.

A limit has been set regarding the maximum amount that can be invested per derivative product type. On top of this limit, the authorized financial counterparties have been determined and limits have been set for each counterparty by reference to their long term credit rating.



## Quantitative disclosures

Our aggregate contractual obligations as at December 31, 2009 and 2008 were as follows:

in thousands of euro

| Situation as per December 31, 2009                            | PAYMENTS DUE BY PERIOD |                  |                |                |                |                |                  |
|---------------------------------------------------------------|------------------------|------------------|----------------|----------------|----------------|----------------|------------------|
|                                                               | TOTAL                  | LESS THAN 1 YEAR | 2 YEARS        | 3 YEARS        | 4 YEARS        | 5 YEARS        | AFTER 5 YEARS    |
| <b>// Contractual obligations</b>                             |                        |                  |                |                |                |                |                  |
| Long term debt <sup>(1)</sup>                                 | 2,845,646              | 78,036           | 78,036         | 154,946        | 120,872        | 549,766        | 1,863,990        |
| Finance lease obligations <sup>(1)</sup>                      | 442,726                | 45,553           | 43,252         | 41,752         | 39,161         | 38,009         | 234,999          |
| Operating lease obligations                                   | 39,396                 | 12,237           | 7,990          | 6,326          | 5,477          | 4,166          | 3,200            |
| Other contractual obligations <sup>(2)</sup>                  | 1,187,863              | 74,357           | 68,344         | 56,965         | 41,352         | 30,714         | 916,131          |
| Interest Rate Derivatives                                     | 152,713                | 18,474           | 26,000         | 32,047         | 23,009         | 23,009         | 30,174           |
| Foreign Exchange Derivatives <sup>(3)</sup>                   | 9,000                  | 9,000            | -              | -              | -              | -              | -                |
| Accrued expenses and other current liabilities <sup>(4)</sup> | 269,620                | 269,620          | -              | -              | -              | -              | -                |
| Trade payables                                                | 82,186                 | 82,186           | -              | -              | -              | -              | -                |
| <b>Total contractual obligations</b>                          | <b>5,029,150</b>       | <b>589,463</b>   | <b>223,622</b> | <b>292,036</b> | <b>229,871</b> | <b>645,664</b> | <b>3,048,494</b> |

in thousands of euro

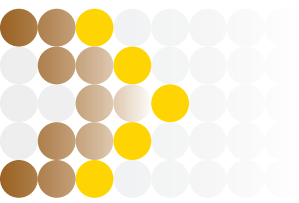
| Situation as per December 31, 2008<br>(as re-presented)       | PAYMENTS DUE BY PERIOD |                  |                |                |                |                |                  |
|---------------------------------------------------------------|------------------------|------------------|----------------|----------------|----------------|----------------|------------------|
|                                                               | TOTAL                  | LESS THAN 1 YEAR | 2 YEARS        | 3 YEARS        | 4 YEARS        | 5 YEARS        | AFTER 5 YEARS    |
| <b>// Contractual obligations</b>                             |                        |                  |                |                |                |                |                  |
| Long term debt <sup>(1)</sup>                                 | 2,963,135              | 111,174          | 111,174        | 111,174        | 629,791        | 280,504        | 1,719,318        |
| Finance lease obligations <sup>(1)</sup>                      | 459,580                | 48,702           | 43,571         | 42,137         | 40,576         | 37,908         | 246,686          |
| Operating lease obligations                                   | 27,141                 | 9,083            | 5,406          | 4,356          | 3,163          | 2,516          | 2,617            |
| Other contractual obligations <sup>(2)</sup>                  | 1,120,092              | 61,516           | 39,105         | 32,146         | 31,004         | 29,611         | 926,710          |
| Interest Rate Derivatives                                     | 21,690                 | 5,283            | 6,702          | 6,047          | 3,658          | -              | -                |
| Foreign Exchange Derivatives <sup>(3)</sup>                   | 3,000                  | 3,000            | -              | -              | -              | -              | -                |
| Accrued expenses and other current liabilities <sup>(4)</sup> | 256,546                | 256,546          | -              | -              | -              | -              | -                |
| Trade payables                                                | 45,401                 | 45,401           | -              | -              | -              | -              | -                |
| <b>Total contractual obligations</b>                          | <b>4,896,585</b>       | <b>540,705</b>   | <b>205,958</b> | <b>195,860</b> | <b>708,192</b> | <b>350,539</b> | <b>2,895,331</b> |

[1] Interest included.

[2] Represents fixed minimum commitments under certain programming and purchase agreements and amounts associated with certain operating costs resulting from the Interkabel acquisition. See Note 5.24.

[3] Gross cash outflows arising from foreign exchange forward contracts disclosed in the table above will be accompanied by a related US Dollar denominated inflow.

[4] Excluding Interkabel out of market component



### 5.3.3. Market risk

We are exposed to market risks relating to fluctuations in interest rates and foreign exchange rates, primarily as between the US dollar and euro, and we use financial instruments to manage our exposure to interest rate and foreign exchange rate fluctuations. Each of these risks is discussed below.

#### Qualitative disclosures on foreign exchange risk

The Company undertakes certain transactions in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilizing forward foreign exchange contracts.

Our functional currency is the euro. However, we conduct, and will continue to conduct, transactions in currencies other than the euro, particularly the US dollar. Less than 5% of our costs of operations (primarily the costs of network hardware equipment and software and premium cable television rights) were denominated in US dollars, while all of our revenue was generated in euros. We have significant US dollar obligations with respect to the contracts we are party to for the supply of premium content. Decreases in the value of the euro relative to the US dollar would increase the cost in euro of our US dollar denominated costs and expenses, while increases in the value of the euro relative to the US dollar would have the reverse effect.

We have historically covered a portion of our US dollar cash outflows arising on anticipated and committed purchases through the use of foreign exchange derivative instruments. The Company uses forward foreign exchange contracts to hedge the exchange rate risk arising from:

- purchases of goods and services in foreign currency;
- capital equipment priced in foreign currency or subject to price changes due to movements in exchange rates;
- payments of royalties, franchise or license fees denominated in a foreign currency.

Although we take steps to protect ourselves against the volatility of currency exchange rates, there is a residual risk that currency risks due to volatility in exchange rates could have a material adverse effect on the Company's financial condition and results of operations.

As referred to above, the outstanding forward foreign exchange derivatives as of December 31, 2009 and 2008, are disclosed in more detail in Note 5.13 to the consolidated financial statements of the Company.

#### Qualitative disclosures on interest rate risk

The Company is mainly exposed to interest rate risk arising from borrowings at floating interest rates, interest bearing investments, finance leases and operating leases. The risk is managed by maintaining an appropriate mix of interest rate swap contracts, interest rate cap contracts and interest rate collar contracts.

The Company implemented a policy on financial risk management. With respect to interest rate risk, the key objectives can be summarized as:

- only long term interest exposures (+ 1 year) are managed
- cash debt servicing costs, from movements in interest rates, are minimised
- all hedging instruments used are designated to actual interest exposures and are authorized under the policy
- interest cover ratios included in borrowing covenants are complied with.

In August 2009, Telenet successfully finalized its voluntary extension process of its existing term loans under its €2,300 million New Senior Credit Facility. Lenders had the opportunity to exchange their existing participations and commitments with participations and commitments in new tranches with extended maturities and improved economics. Telenet achieved rollover commitments for 87% of the total term loans offered for exchange, resulting in an extension of the maturities by on average just over 2 years.

On December 31, 2009, fixed interest rates applied to 11.15% of the total financial debt (2008: 10.98%).

Based on its internal policy on financial risk management, the Company wishes to hedge at least 80% of its floating interest rate risk.

As referred to above, the outstanding interest rate derivatives as of December 31, 2009 and 2008, are disclosed in more detail in Note 5.13 to the consolidated financial statements of the Company.



## Quantitative disclosures

### Interest rate sensitivity testing

For financial instruments held, the Company has used a sensitivity analysis technique that measures the change in the fair value and cash flows of the Company's financial instruments for hypothetical changes in the relevant base rate applicable at year-end, holding all other factors constant. The sensitivity of profit or loss and equity due to changes in the relevant risk variables as at December 31, 2009 and 2008, are set out in the table below. The estimated change in fair values for changes in market interest rates are based on an instantaneous increase or

decrease of 25 basis points at the reporting date, with all other variables remaining constant.

The sensitivity analysis is for illustrative purposes only – in practice market rates rarely change in isolation and are likely to be interdependent. The positive (negative) pre-tax impacts on our results of changes in the relevant risk variables for the years 2009 and 2008 can be summarized as follows:

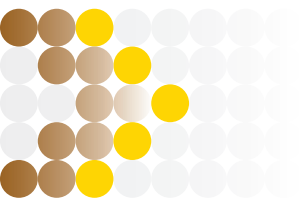
in thousands of euro

|                           | 2009    |        |          |        | 2008    |        |         |        |
|---------------------------|---------|--------|----------|--------|---------|--------|---------|--------|
|                           | +0,25%  |        | -0,25%   |        | +0,25%  |        | -0,25%  |        |
| // Interest               |         |        |          |        |         |        |         |        |
| Senior Credit Facility    | (4,907) | On P&L | 4,907    | On P&L | (4,806) | On P&L | 4,806   | On P&L |
| Finance leases            | (40)    | On P&L | 40       | On P&L | (43)    | On P&L | 43      | On P&L |
| Interest rate derivatives | 1,882   | On P&L | (1,882)  | On P&L | 4,305   | On P&L | (3,211) | On P&L |
|                           | (3,065) | On P&L | 3,065    | On P&L | (544)   | On P&L | 1,638   | On P&L |
| // Changes in fair value  |         |        |          |        |         |        |         |        |
| Swaps                     | 10,882  | On P&L | (10,882) | On P&L | 3,299   | On P&L | (3,299) | On P&L |
| Caps                      | 2,807   | On P&L | (2,396)  | On P&L | 4,982   | On P&L | (4,186) | On P&L |
| Collars                   | 232     | On P&L | (264)    | On P&L | 213     | On P&L | (229)   | On P&L |
|                           | 13,920  | On P&L | (13,542) | On P&L | 8,494   | On P&L | (7,714) | On P&L |
| Total                     | 10,855  | On P&L | (10,478) | On P&L | 7,950   | On P&L | (6,076) | On P&L |

If interest rates had been 25 basis points higher and all other variables were held constant, this would have had a positive effect on the results of the Company for 2009 of €10.9 million (2008: €8.0 million). This is mainly attributable to the change in fair value of the interest rate swap contracts. The analysis is prepared assuming that the amounts of interest rate derivatives at year end 2009 were outstanding for the whole year.

If interest rates had been 25 basis points lower and all other variables were held constant, the Company's results would have been impacted in 2009 in a negative way for an amount of €10.5 million (2008: €6.0 million)

The following table summarizes the Company's interest obligations under the outstanding indebtedness which carries a floating rate of interest. The amounts generated from this sensitivity analysis are forward-looking estimates of market risk assuming certain market conditions. Actual results in the future may differ materially from those projected results due to the inherent uncertainty of global financial markets.



+0.25% (in thousands of euro)

| Situation as per December 31, 2009 | INTEREST PAYMENTS DUE BY PERIOD |         |         |         |         |               |
|------------------------------------|---------------------------------|---------|---------|---------|---------|---------------|
|                                    | LESS THAN 1 YEAR                | 2 YEARS | 3 YEARS | 4 YEARS | 5 YEARS | AFTER 5 YEARS |
| Amended SCF Term Loan A            | 2,328                           | 2,328   | 1,748   | -       | -       | -             |
| Amended SCF Term Loan B1           | 2,255                           | 2,255   | 2,261   | 1,125   | 185     | -             |
| Amended SCF Term Loan C            | 2,932                           | 2,932   | 2,940   | 2,932   | 2,932   | 2,193         |
| Amended SCF Term Loan D            | 17,091                          | 17,091  | 17,137  | 17,091  | 17,091  | -             |
| Amended SCF Term Loan E1           | 14,065                          | 14,065  | 14,103  | 14,065  | 14,065  | 3,468         |
| Amended SCF Term Loan F            | 44,410                          | 44,410  | 44,531  | 44,410  | 44,410  | 122,157       |
| Finance Lease                      | 1,405                           | 1,289   | 1,172   | 1,049   | 924     | 3,717         |
| Interest Derivatives               | 17,143                          | 23,967  | 29,411  | 20,981  | 20,981  | 27,514        |

-0.25% (in thousands of euro)

| Situation as per December 31, 2009 | INTEREST PAYMENTS DUE BY PERIOD |         |         |         |         |               |
|------------------------------------|---------------------------------|---------|---------|---------|---------|---------------|
|                                    | LESS THAN 1 YEAR                | 2 YEARS | 3 YEARS | 4 YEARS | 5 YEARS | AFTER 5 YEARS |
| Amended SCF Term Loan A            | 1,937                           | 1,937   | 1,454   | -       | -       | -             |
| Amended SCF Term Loan B1           | 1,905                           | 1,905   | 1,911   | 950     | 157     | -             |
| Amended SCF Term Loan C            | 2,510                           | 2,510   | 2,517   | 2,510   | 2,510   | 1,877         |
| Amended SCF Term Loan D            | 14,795                          | 14,795  | 14,836  | 14,795  | 14,795  | -             |
| Amended SCF Term Loan E1           | 12,399                          | 12,399  | 12,433  | 12,399  | 12,399  | 3,057         |
| Amended SCF Term Loan F            | 39,445                          | 39,445  | 39,554  | 39,445  | 39,445  | 108,502       |
| Finance Lease                      | 1,335                           | 1,229   | 1,124   | 1,014   | 903     | 3,697         |
| Interest Derivatives               | 19,804                          | 28,034  | 34,684  | 25,037  | 25,037  | 32,834        |



+0.25% (in thousands of euro)

| Situation as per December 31, 2008 | INTEREST PAYMENTS DUE BY PERIOD |         |         |         |         |               |
|------------------------------------|---------------------------------|---------|---------|---------|---------|---------------|
|                                    | LESS THAN 1 YEAR                | 2 YEARS | 3 YEARS | 4 YEARS | 5 YEARS | AFTER 5 YEARS |
| New SCF Term loan A                | 29,410                          | 29,410  | 29,410  | 17,243  | -       | -             |
| New SCF Term loan B1               | 17,843                          | 17,843  | 17,843  | 17,892  | 9,891   | 505           |
| New SCF Term loan C                | 64,345                          | 64,345  | 64,345  | 64,521  | 64,345  | 101,894       |
| Finance leases                     | 1,916                           | 1,749   | 1,579   | 1,405   | 1,214   | 4,815         |
| Interest Rate Derivatives          | 4,359                           | 5,593   | 5,033   | 2,992   | -       | -             |
| Revolver                           | 4,609                           | 4,609   | 4,609   | 4,622   | 4,609   | 3,447         |

-0.25% (in thousands of euro)

| Situation as per December 31, 2008 | INTEREST PAYMENTS DUE BY PERIOD |         |         |         |         |               |
|------------------------------------|---------------------------------|---------|---------|---------|---------|---------------|
|                                    | LESS THAN 1 YEAR                | 2 YEARS | 3 YEARS | 4 YEARS | 5 YEARS | AFTER 5 YEARS |
| New SCF Term loan A                | 26,723                          | 26,723  | 26,723  | 15,668  | -       | -             |
| New SCF Term loan B1               | 16,284                          | 16,284  | 16,284  | 16,328  | 9,027   | 461           |
| New SCF Term loan C                | 58,958                          | 58,958  | 58,958  | 59,120  | 58,958  | 93,364        |
| Finance leases                     | 1,839                           | 1,682   | 1,523   | 1,360   | 1,182   | 4,785         |
| Interest Rate Derivatives          | 6,208                           | 7,810   | 7,061   | 4,323   | -       | -             |
| Revolver                           | 4,178                           | 4,178   | 4,178   | 4,189   | 4,178   | 3,125         |

For fixed rate debt, changes in interest rates generally affect the fair value of the debt instrument, but not our earnings or cash flows. We do not currently have any obligation to prepay fixed rate debt prior to maturity and, accordingly, interest rate risk and changes in fair market value should not have a significant effect on the fixed rate debt until we would be required to refinance such debt.

### Foreign currency sensitivity testing

The Company is mainly exposed to market risks relating to fluctuations in foreign exchange rates between the US dollar and euro.

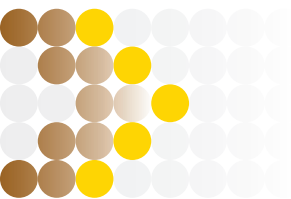
The following table details the Company's sensitivity to a 10% increase and decrease of the relevant foreign exchange rate. 10% is the sensitivity rate used when reporting foreign currency risk internally and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes the effect on our US dollar denominated costs and expenses (primarily the costs of network hardware equipment, software and premium cable television rights) and forward foreign exchange contracts.

in thousands of euro

| December 31, 2009 | FOREIGN CURRENCY | AMOUNT IN FOREIGN CURRENCY | 10% INCREASE |        | 10% DECREASE |        |
|-------------------|------------------|----------------------------|--------------|--------|--------------|--------|
| Trade payables    | USD              | 3,469                      | (269)        | On P&L | 220          | On P&L |
|                   | GBP              | 18                         | (2)          | On P&L | 2            | On P&L |

in thousands of euro

| December 31, 2008 | FOREIGN CURRENCY | AMOUNT IN FOREIGN CURRENCY | 10% INCREASE |        | 10% DECREASE |        |
|-------------------|------------------|----------------------------|--------------|--------|--------------|--------|
| Trade payables    | USD              | 1,204                      | (96)         | On P&L | 78           | On P&L |
|                   | GBP              | 11                         | (1)          | On P&L | 1            | On P&L |



#### 5.3.4. Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

in thousands of euro

|                                             | NOTE         | DEC 31, 2009    |            | DEC 31, 2008                      |            |
|---------------------------------------------|--------------|-----------------|------------|-----------------------------------|------------|
|                                             |              | CARRYING AMOUNT | FAIR VALUE | CARRYING AMOUNT (AS RE-PRESENTED) | FAIR VALUE |
| // Assets                                   |              |                 |            |                                   |            |
| Assets carried at fair value                |              |                 |            |                                   |            |
| Derivative financial assets                 | 5.13         | 9,414           | 9,414      | 15,119                            | 15,119     |
| Assets carried at amortised cost            |              |                 |            |                                   |            |
| Trade receivables                           | 5.7          | 73,281          | 73,281     | 67,767                            | 67,767     |
| Other assets                                | 5.8          | 36,779          | 36,779     | 29,151                            | 29,151     |
| Cash and cash equivalents                   | 5.10         | 145,709         | 145,709    | 65,641                            | 65,641     |
| Total assets carried at amortised cost      |              | 255,769         | 255,769    | 162,559                           | 162,559    |
| // Liabilities                              |              |                 |            |                                   |            |
| Liabilities carried at fair value           |              |                 |            |                                   |            |
| Derivative financial liabilities            | 5.13         | 35,168          | 35,168     | 20,282                            | 20,282     |
| Liabilities carried at amortised cost       |              |                 |            |                                   |            |
| Bank Loans and finance lease liabilities    | 5.12         | 2,323,972       | 2,278,193  | 2,329,130                         | 2,130,085  |
| Trade payables                              |              | 82,186          | 82,186     | 45,401                            | 45,401     |
| Other liabilities                           | 5.15<br>5.17 | 267,971         | 267,971    | 264,670                           | 264,670    |
| Total liabilities carried at amortised cost |              | 2,674,129       | 2,628,350  | 2,639,201                         | 2,440,156  |



### 5.3.5. Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels mentioned are defined as follows:

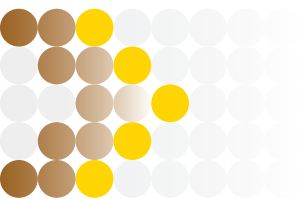
- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

in thousands of euro

|                                                          | DEC 31, 2009 |               |         | DEC 31, 2008 |               |         |
|----------------------------------------------------------|--------------|---------------|---------|--------------|---------------|---------|
|                                                          | LEVEL 1      | LEVEL 2       | LEVEL 3 | LEVEL 1      | LEVEL 2       | LEVEL 3 |
| <b>// Assets</b>                                         |              |               |         |              |               |         |
| Derivative financial assets                              | -            | 9,414         | -       | -            | 15,119        | -       |
| <b>Total financial assets carried at Fair value</b>      | -            | <b>9,414</b>  | -       | -            | <b>15,119</b> | -       |
| <b>// Liabilities</b>                                    |              |               |         |              |               |         |
| Derivative financial liabilities                         | -            | 35,168        | -       | -            | 20,282        | -       |
| <b>Total financial liabilities carried at Fair value</b> | -            | <b>35,168</b> | -       | -            | <b>20,282</b> | -       |

The fair value of the financial instruments mentioned above is calculated by the Company based on swap curves flat, taking into account the credit risk of both the Company and the respective counterparties to the instruments. The Company also compares the fair values thus calculated to the respective instruments' listed market price.

During the financial year ended December 31, 2009, no financial assets or liabilities have been transferred from one level to another level.

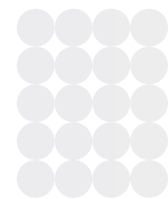
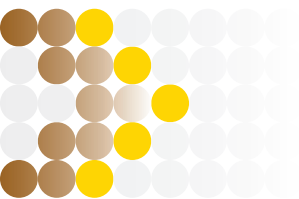


## 5.4. Property and equipment

in thousands of euro

|                                                                                | LAND,<br>BUILDINGS, AND<br>LEASEHOLD<br>IMPROVEMENTS | NETWORK          | CONSTRUC-<br>TION IN<br>PROGRESS | FURNITURE,<br>EQUIPMENT,<br>AND VEHICLES | TOTAL            |
|--------------------------------------------------------------------------------|------------------------------------------------------|------------------|----------------------------------|------------------------------------------|------------------|
| <b>// Cost</b>                                                                 |                                                      |                  |                                  |                                          |                  |
| <b>At January 1, 2008</b>                                                      | <b>89,790</b>                                        | <b>1,782,104</b> | <b>49,872</b>                    | <b>42,099</b>                            | <b>1,963,865</b> |
| Acquisitions of subsidiaries                                                   | -                                                    | 195,656          | -                                | 1,219                                    | 196,875          |
| Additions                                                                      | 130                                                  | 72,048           | 134,727                          | 443                                      | 207,348          |
| Transfers                                                                      | 3,382                                                | 285,008          | (150,607)                        | 5,316                                    | 143,099          |
| Disposals                                                                      | (79)                                                 | (10,660)         | -                                | (1,092)                                  | (11,831)         |
| <b>At December 31, 2008</b>                                                    | <b>93,223</b>                                        | <b>2,324,156</b> | <b>33,992</b>                    | <b>47,985</b>                            | <b>2,499,356</b> |
| Acquisitions of subsidiaries                                                   | 1,512                                                | -                | -                                | 121                                      | 1,633            |
| Additions                                                                      | 2,332                                                | 93,762           | 170,891                          | 596                                      | 267,581          |
| Transfers                                                                      | 3,966                                                | 141,206          | (151,731)                        | 6,559                                    | -                |
| Disposals                                                                      | (793)                                                | (2,052)          | -                                | (1,109)                                  | (3,954)          |
| <b>At December 31, 2009</b>                                                    | <b>100,240</b>                                       | <b>2,557,072</b> | <b>53,152</b>                    | <b>54,152</b>                            | <b>2,764,616</b> |
| <b>// Accumulated Depreciation</b>                                             |                                                      |                  |                                  |                                          |                  |
| <b>At January 1, 2008</b>                                                      | <b>10,557</b>                                        | <b>915,364</b>   | <b>-</b>                         | <b>29,388</b>                            | <b>955,309</b>   |
| Depreciation charge for the year                                               | 4,309                                                | 188,314          | -                                | 6,386                                    | 199,009          |
| Transfer                                                                       | -                                                    | 69,275           | -                                | -                                        | 69,275           |
| Eliminated on disposal                                                         | (21)                                                 | (9,957)          | -                                | (387)                                    | (10,365)         |
| <b>At December 31, 2008</b>                                                    | <b>14,845</b>                                        | <b>1,162,996</b> | <b>-</b>                         | <b>35,387</b>                            | <b>1,213,228</b> |
| Depreciation charge for the year                                               | 5,153                                                | 227,178          | -                                | 5,784                                    | 238,115          |
| Eliminated on disposal                                                         | (151)                                                | (1,102)          | -                                | (442)                                    | (1,695)          |
| <b>At December 31, 2009</b>                                                    | <b>19,847</b>                                        | <b>1,389,072</b> | <b>-</b>                         | <b>40,729</b>                            | <b>1,449,648</b> |
| <b>// Carrying Amount</b>                                                      |                                                      |                  |                                  |                                          |                  |
| At December 31, 2009                                                           | 80,393                                               | 1,168,000        | 53,152                           | 13,423                                   | 1,314,968        |
| At December 31, 2008                                                           | 78,378                                               | 1,161,160        | 33,992                           | 12,598                                   | 1,286,128        |
| <b>// Carrying Amount of Finance Leases included in Property and Equipment</b> |                                                      |                  |                                  |                                          |                  |
| <b>At December 31, 2009</b>                                                    | <b>40,480</b>                                        | <b>248,461</b>   | <b>-</b>                         | <b>154</b>                               | <b>289,095</b>   |
| <b>At December 31, 2008</b>                                                    | <b>43,174</b>                                        | <b>271,289</b>   | <b>-</b>                         | <b>689</b>                               | <b>315,152</b>   |





As part of the Interkabel acquisition, discussed in note 5.24.1, network user rights were transferred on October 1, 2008, from intangible assets to property and equipment. These network user rights represented a gross cost of €143.1 million and a net book value of €73.8 million at October 1, 2008. For detailed information regarding the acquisitions in 2009, see Note 5.24 to the consolidated financial statements of the Company.

For information regarding finance leases, see Note 5.12.6 to the consolidated financial statements of the Company.

For information regarding assets pledged as security, refer to Note 5.12.4.

As the Company did not acquire or construct any qualifying assets during 2009, no borrowing costs have been capitalized.

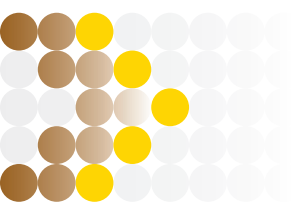
## 5.5. Goodwill

The Company performed its annual review for impairment during the third quarters of 2009 and 2008. Goodwill was allocated to one reporting unit. The key assumptions for the value in use calculations used to determine the recoverable amount are those regarding the discount rates and expected changes to selling prices/product offerings and direct costs during the period. As the company has reliable tax planning available for the coming years, a post-tax discount rate is used. Changes in selling practices and direct costs are based on past practices and expectations of future changes in the market. The calculation uses cash flow projections based on financial budgets approved by management, the Company's Long Range Plan through 2014, and a discount rate of 9.0% (2008: 9.0%) based on current market assessments of the time value of money and the risks specific to the Company. Cash flows beyond the five-year period have been extrapolated using a steady 2% growth rate based on historical known data. This growth rate does not exceed the long-term average growth rate for the industry. Management believes that any reasonably possible changes in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

A reconciliation of the changes in goodwill is depicted below:

| in thousands of euro                                       |       |                  |
|------------------------------------------------------------|-------|------------------|
|                                                            | NOTE  |                  |
| <b>January 1, 2008</b>                                     |       | <b>1,096,033</b> |
| <b>Acquisition of subsidiaries</b>                         | 5.24  |                  |
| - Hostbasket NV                                            |       | 5,018            |
| - Interkabel                                               |       | 85,226           |
| <b>December 31, 2008 - as reported</b>                     |       | <b>1,186,277</b> |
| Retrospective adjustment to allocation of purchase price   | 5.1.5 |                  |
| - Interkabel                                               |       | 48,343           |
| <b>December 31, 2008 - as re-presented</b>                 |       | <b>1,234,620</b> |
| Acquisition of subsidiaries                                | 5.24  |                  |
| - BelCompany                                               |       | 5,524            |
| Adjustment to goodwill related to contingent consideration | 5.24  |                  |
| - Hostbasket NV                                            |       | 232              |
| <b>December 31, 2009</b>                                   |       | <b>1,240,376</b> |

For detailed information regarding the acquisitions of subsidiaries in 2009, see Note 5.24 to the consolidated financial statements of the Company.

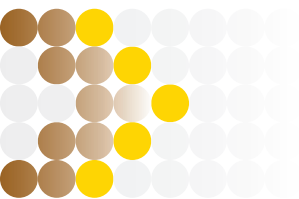


## 5.6. Other intangible assets

in thousands of euro

|                                                              | NETWORK<br>USER RIGHTS | TRADE NAME     | SOFTWARE       | CUSTOMER<br>RELATIONSHIPS | OTHER         | TOTAL          |
|--------------------------------------------------------------|------------------------|----------------|----------------|---------------------------|---------------|----------------|
| <b>// Cost</b>                                               |                        |                |                |                           |               |                |
| <b>At January 1, 2008</b>                                    | <b>152,799</b>         | <b>121,000</b> | <b>144,648</b> | <b>85,191</b>             | <b>16,426</b> | <b>520,064</b> |
| Acquisition of subsidiary                                    | -                      | -              | 1,044          | 181,411                   | 15,600        | 198,055        |
| Transfers                                                    | (143,099)              | -              | -              | -                         | -             | (143,099)      |
| Additions                                                    | -                      | -              | 31,244         | -                         | 7,311         | 38,555         |
| Disposals                                                    | -                      | -              | (1,874)        | -                         | (6,394)       | (8,268)        |
| <b>At December 31, 2008 as reported</b>                      | <b>9,700</b>           | <b>121,000</b> | <b>175,062</b> | <b>266,602</b>            | <b>32,943</b> | <b>605,307</b> |
| Updated purchase price allocation<br>Interkabel (Note 5.1.5) | -                      | -              | -              | (38,639)                  | 3,397         | (35,242)       |
| <b>At December 31, 2008 as represented</b>                   | <b>9,700</b>           | <b>121,000</b> | <b>175,062</b> | <b>227,963</b>            | <b>36,340</b> | <b>570,065</b> |
| Additions                                                    | 255                    | -              | 32,546         | 65                        | 17,153        | 50,019         |
| Disposals                                                    | (255)                  | -              | (40)           | -                         | (10,891)      | (11,186)       |
| <b>At December 31, 2009</b>                                  | <b>9,700</b>           | <b>121,000</b> | <b>207,568</b> | <b>228,028</b>            | <b>42,602</b> | <b>608,898</b> |
| <b>// Accumulated Amortisation</b>                           |                        |                |                |                           |               |                |
| <b>At January 1, 2008</b>                                    | <b>62,183</b>          | <b>54,450</b>  | <b>98,477</b>  | <b>37,760</b>             | <b>8,078</b>  | <b>260,948</b> |
| Charge of the year                                           | 9,228                  | 8,067          | 23,399         | 12,923                    | 8,962         | 62,579         |
| Transfers                                                    | (69,275)               | -              | -              | -                         | -             | (69,275)       |
| Disposals                                                    | -                      | -              | (331)          | -                         | (6,394)       | (6,725)        |
| <b>At December 31, 2008</b>                                  | <b>2,136</b>           | <b>62,517</b>  | <b>121,545</b> | <b>50,683</b>             | <b>10,646</b> | <b>247,527</b> |
| Charge of the year                                           | 1,323                  | 8,067          | 26,955         | 19,161                    | 8,373         | 63,879         |
| Disposals                                                    | (255)                  | -              | (7)            | -                         | (10,891)      | (11,153)       |
| <b>At December 31, 2009</b>                                  | <b>3,204</b>           | <b>70,584</b>  | <b>148,493</b> | <b>69,844</b>             | <b>8,128</b>  | <b>300,253</b> |
| <b>// Carrying Amount</b>                                    |                        |                |                |                           |               |                |
| <b>At December 31, 2009</b>                                  | <b>6,496</b>           | <b>50,416</b>  | <b>59,075</b>  | <b>158,184</b>            | <b>34,474</b> | <b>308,645</b> |
| At December 31, 2008 as represented                          | 7,564                  | 58,483         | 53,517         | 177,280                   | 25,694        | 322,538        |





The Company's intangible assets other than goodwill each have a finite life and are comprised primarily of network user rights, trade name, software development and acquisition costs, customer relationships, broadcasting rights, out of market component of future leases and contracts with suppliers. These intangible assets are amortised on a straight-line basis over their estimated useful lives. The Company evaluates the estimated useful lives of its finite intangible assets each reporting period to determine whether events or circumstances warrant revised estimates of useful lives.

As part of the Interkabel acquisition, discussed in note 5.24.1, network user rights were transferred on October 1, 2008 from intangible assets to property and equipment. These network user rights represented a gross cost of €143.1 million and a net book value of €73.8 million at October 1, 2008.

For detailed information regarding the acquisitions in 2009, see Note 5.24 to the consolidated financial statements of the Company.

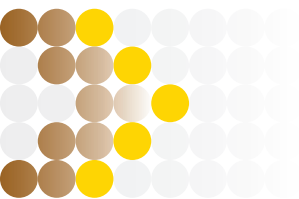
## 5.7. Trade receivables

| in thousands of euro                                |               |               |
|-----------------------------------------------------|---------------|---------------|
|                                                     | DEC 31, 2009  | DEC 31, 2008  |
| Trade receivables                                   | 84,211        | 81,274        |
| Less: provision for impairment of trade receivables | (10,930)      | (13,507)      |
| <b>Trade receivables, net</b>                       | <b>73,281</b> | <b>67,767</b> |

At year end 2009 and 2008, respectively, the ageing of our current trade receivables can be detailed as follows:

| in thousands of euro |         |           |            |            |             |           |        |
|----------------------|---------|-----------|------------|------------|-------------|-----------|--------|
|                      | NOT DUE | PAST DUE  |            |            |             |           | TOTAL  |
|                      |         | 1-30 DAYS | 31-60 DAYS | 61-90 DAYS | 91-120 DAYS | >120 DAYS |        |
| December 31, 2009    | 28,287  | 27,475    | 6,871      | 4,287      | 1,813       | 15,478    | 84,211 |
| December 31, 2008    | 30,643  | 17,761    | 5,102      | 4,123      | 2,202       | 21,443    | 81,274 |

All invoices related to residential customers are due within 20 days. For other clients, the payment due date is set at 30 or 60 days. In accordance with the Company's accounting policies and based on historical experience, trade receivables that are less than four months past due are not considered impaired. At December 31, 2009 a total amount of €40.4 million (2008: €29.2 million) is due but not impaired. With respect to these trade receivables, there are no indications that the debtors will not meet their payment obligations.



Outstanding trade receivables due for more than 120 days are considered as potentially impaired and are subject to detailed analysis at customer level, and a provision for impairment of trade receivables is established based upon objective evidence that the Company will not be able to collect the amounts. Significant financial difficulties of the debtor, defaults in payments, and other adverse debtor circumstances are considered indicators that the trade receivable is impaired. Based on the necessary and appropriate underlying documentation, the receivables more than 120 days due for which it is likely that the amount due will be recovered, are excluded from the calculation of the allowance for bad debts. For the remaining receivables more than 120 days past due, a bad debt allowance is accounted for at 100%.

The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, we believe that there is no further credit provision required in excess of the allowance for doubtful debts.

The following table shows the development of the allowance on trade receivables:

|                                         | in thousands of euro |                 |
|-----------------------------------------|----------------------|-----------------|
|                                         | DEC 31, 2009         | DEC 31, 2008    |
| Allowance at the beginning of the year  | (13,507)             | (22,111)        |
| Additions                               | (6,062)              | (7,300)         |
| Write-offs                              | 8,639                | 15,904          |
| <b>Allowance at the end of the year</b> | <b>(10,930)</b>      | <b>(13,507)</b> |

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. The loss on impairment on trade receivables has been included in cost of services provided in the consolidated income statement. The Company does not hold any receivables in foreign currency.



## 5.8. Other assets

### 5.8.1. Non current

| in thousands of euro                                                    |      |              |              |
|-------------------------------------------------------------------------|------|--------------|--------------|
|                                                                         | NOTE | DEC 31, 2009 | DEC 31, 2008 |
| Outstanding guarantees to third parties for own liabilities (cash paid) |      | 1,741        | 909          |
| Funding of post retirement obligation                                   | 5.16 | 3,857        | 597          |
| Other                                                                   |      | 2            | 2            |
| <b>Other non-current assets</b>                                         |      | <b>5,600</b> | <b>1,508</b> |

### 5.8.2. Current

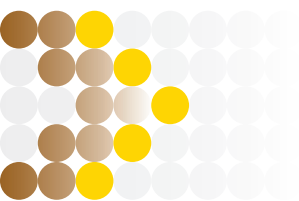
| in thousands of euro          |               |               |
|-------------------------------|---------------|---------------|
|                               | DEC 31, 2009  | DEC 31, 2008  |
| Recoverable withholding taxes | 529           | 1,194         |
| Recoverable VAT               | 3             | 119           |
| Prepaid content               | 4,125         | 4,433         |
| Prepayments                   | 7,630         | 4,415         |
| Unbilled revenue              | 34,982        | 28,085        |
| Other                         | 56            | 157           |
| <b>Other current assets</b>   | <b>47,325</b> | <b>38,403</b> |

## 5.9. Inventories

As of December 31, 2009, inventories amount to €11.3 million (2008: €4.1 million) and consist mainly of handsets as well as wireless modems, HD Digiboxes and powerline adaptors. The increase compared to end 2008 of € 7.2 million is mainly due to the handsets inventory of Telenet Mobile NV (€6.5 million) as the Company bought this retail network as of June 30, 2009.

In 2009, the write-downs of inventories to net realizable value amount to €2,1 million (2008: €0.7million).

The increase versus the prior year is mainly attributable to higher write-downs on SD Digiboxes (€0.5 million).



## 5.10. Cash and cash equivalents

|                                        | in thousands of euro |               |
|----------------------------------------|----------------------|---------------|
|                                        | DEC 31, 2009         | DEC 31, 2008  |
| Cash at bank and on hand               | 16,103               | 25,948        |
| Commercial paper                       | -                    | -             |
| Certificates of deposits               | 24,100               | 39,693        |
| Money Market Funds                     | 105,506              | -             |
| <b>Total cash and cash equivalents</b> | <b>145,709</b>       | <b>65,641</b> |

On December 31, 2009, the certificates of deposits had a weighted average interest rate of 0.24% (2008: 2.39%) and an average maturity of 4.2 days (2008: 12 days).

## 5.11. Shareholders' equity

### 5.11.1. Shareholders' equity

On December 31, 2009, Telenet Group Holding NV has the following shares outstanding, all of which are treated as one class in the earnings (loss) per share calculation:

–110,096,549 ordinary shares (2008: 108,633,987 shares);

–1,665,087 Liquidation Dispreference Shares (2008: 1,665,087 shares) that are held by Interkabel and the Liberty Global Consortium, which have the same rights as the ordinary shares except that they are subject to an €8.02 liquidation dispreference, such that in any liquidation of Telenet Group Holding NV the Liquidation Dispreference Shares would only participate in the portion of the proceeds of the liquidation that exceeded €8.02 per Share. Liquidation Dispreference Shares may be converted into ordinary Shares at a rate of 1.04 to 1; and

–30 Golden Shares (2008: 30 shares) held by the financing intercommunales<sup>[1]</sup>, which have the same rights as the ordinary shares and which also give their holders the right

[1] The financing intercommunales, currently holding the Golden Shares, are: IFIGGA, FINEA, FINGEM, IKA, FINILEK, FINIWO and FIGGA.

to appoint representatives to the Regulatory Board, which oversees the public interest guarantees related to our offering of digital television.

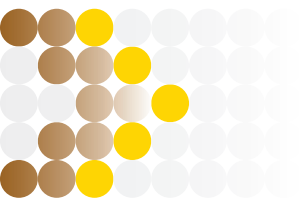
As of December 31, 2009, share capital amounted to €1,042 million (2008: €1,090 million). On February 23, 2010, 1,570,244 Liquidation Dispreference Shares, held by Interkabel, were converted into 1,509,850 ordinary shares. As a result thereof, there are only 94,843 Liquidation Dispreference Shares outstanding as of February 23, 2010.

#### Capital reduction

On August 17, 2007, the extraordinary shareholders meeting of the Company approved a capital reduction of €6.00 per share. This was executed as a repayment of capital to all shareholders of Telenet Group Holding NV at the moment of the closing of trading on Euronext Brussels on November 16, 2007 with the payment of €655.9 million made in 2007, €0.7 million in 2008 and €0.1 million in 2009. No changes to the outstanding number of shares occurred as result of this transaction.

On May 28, 2009, the extraordinary shareholders meeting of the Company approved a capital reduction of €0.50 per share. This was executed as a repayment of capital to all shareholders of Telenet Group Holding NV at the moment of the closing of trading on Euronext Brussels on August 31, 2009 with the payment of €55.7 million made in 2009. No changes to the





outstanding number of shares occurred as result of this transaction.

### Capital risk management

The Company manages its capital to ensure that the Company's entities will be able to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the leverage ratio. The drawn amount of the Amended Senior Credit Facility (see Note 5.12.2 to the consolidated financial statements of the Company) represents a net leverage ratio of 3.1x EBITDA and is calculated as per terms of the Amended Senior Credit Facility, using the previous two quarters' EBITDA. Within the Amended Senior Credit Facility, the Company has access to an additional committed loan capacity of €310.0 million, subject to compliance with applicable covenants, composed of the Term Loan B2a, the Term Loan E2 and the Revolving Facility. These tranches remain available until June 30, 2010 (Term Loan B2a and E2) and the date falling one month before the Revolving Facility Final Maturity Date of June 30, 2014 (Revolving Facility), respectively, pursuant to the June 2008 amendments to the Senior Credit Facility. On January 30, 2009, March 30, 2009, and on June 30, 2009 Telenet reimbursed respectively €35.0 million, €30.0 million and €20.0 million on the Revolving Facility, reducing the outstanding on the Revolving Facility to zero as of December 31, 2009.

On the other hand, Telenet drew an amount of €90.0 million of the total of € 225.0 million available under the TLB2b tranche of the Amended Senior Credit Facility, on June 30, 2009.

## 5.11.2. Employee share based compensation

### Class A and class B options

In August 2004, the Company granted 1,500,000 Class A Options to certain members of management to subscribe to 1,500,000 Class A Profit Certificates ("Class A Options"). Except for 506,712 Class A Options that vested immediately upon grant, the vesting period of the Class A Options extended to a maximum of 40 months and, prior to the extension discussed below, Class A Options could be exercised through June 2009.

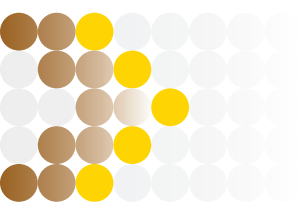
In December 2004, the Company offered 1,251,000 of the 1,350,000 authorized Class B Options to certain members of management to subscribe to 1,251,000 Class B Profit Certificates ("Class B Options"). Of the 1,251,000 Class B Options offered by the Company, 1,083,000 were accepted in February 2005. The remaining 267,000 Class B Options were cancelled. Except for 105,375 Class B Options that vested immediately upon grant, the Class B Options vested over 4 years and, prior to the extension discussed below, could be exercised through December 2009.

The Class A and Class B Profit Certificates are exchangeable into shares of the Company on a one for one basis, subject to certain conditions being met. Upon exercise, these profit certificates give the holders the right to receive dividends equal to dividends distributed, if any, to the holders of the Company's shares.

### Stock option plan 2007, stock option plan 2008 and stock option plan 2009

The extraordinary shareholders' meeting of December 27, 2007 decided to issue 3,300,000 warrants ("Stock Option Plan 2007"). The above mentioned stock options can be granted to employees of Telenet Group Holding NV and its affiliates and to the Chief Executive Officer. The Board of Directors authorized three separate grants of options under the Stock Option Plan 2007 during 2008 (ESOP 2007, ESOP2007bis and ESOP 2007ter).

In 2009, the Board of Directors authorized three new separate grants, on June 30 (ESOP 2007quater), on December 4 (ESOP 2007quinquies) and on December 18 (ESOP 2007sexies). On June 30 and on December 18, stock options were granted to employees, on December 4, 155,000 stock options were granted to the Chief Executive Officer.



The extraordinary shareholders' meeting of May 29, 2008, decided to issue 317,000 warrants ("Stock Option Plan 2008"). These stock options could be granted to the Chief Executive Officer. The extraordinary shareholders' meeting of May 28, 2009, decided to issue 180,000 warrants ("Stock Option Plan 2009") to the Chief Executive Officer of the Telenet Group.

For accounting purposes, the grant dates of the above mentioned grants were defined as respectively:

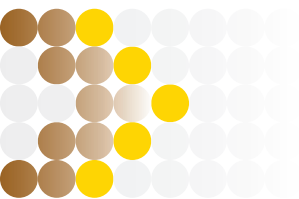
|                                         | FAIR VALUE AT GRANT DATE | GRANT DATE         | NUMBER OF OPTIONS GRANTED | NUMBER OF OPTIONS ACCEPTED |
|-----------------------------------------|--------------------------|--------------------|---------------------------|----------------------------|
| Stock Option Plan 2007 Options          | 3.83                     | January 27, 2008   | 55,000                    | 27,500                     |
| Stock Option Plan 2007 bis Options      | 2.79 - 4.34              | April 19, 2008     | 1,294,000                 | 1,058,600                  |
| Stock Option Plan 2007 ter Options      | 3.15 - 4.62              | September 25, 2008 | 63,000                    | 43,000                     |
| Stock Option Plan 2007 quater Options   | 4.91 - 5.93              | July 30, 2009      | 1,298,000                 | 1,236,000                  |
| Stock Option Plan 2007 quinques Options | 7.99 - 8.81              | January 3, 2010    | 155,000                   | 155,000                    |
| Stock Option Plan 2007 sexies Options   | 9.01 - 9.86              | January 17, 2010   | 117,500                   | 93,000                     |
| Stock Option Plan 2008 Options          | 3.02 - 4.78              | May 29, 2008       | 317,000                   | 317,000                    |
| Stock Option Plan 2009 Options          | 2.86 - 3.97              | June 26, 2009      | 180,000                   | 180,000                    |

Under Stock Option Plan 2007, Stock Option Plan 2008, and Stock Option Plan 2009, the options vest in equal parts per quarter over a period of four years and each option gives the holder the right to subscribe to one new share of Telenet Group Holding NV.

The fair values of the share options granted during 2009, 2008 and 2007 were determined using the Black-Scholes option-pricing model with the following assumptions:

|                                         | SHARE PRICE | EXERCISE PRICE | EXPECTED VOLATILITY | EXPECTED OPTION LIFE | EXPECTED DIVIDENDS | RISK-FREE INTEREST RATE |
|-----------------------------------------|-------------|----------------|---------------------|----------------------|--------------------|-------------------------|
| Stock Option Plan 2007 Options          | 18.04       | 19.40          | 25.5%               | 3.61 years           | 0.0%               | 3.50%                   |
| Stock Option Plan 2007 bis Options      | 14.41       | 14.50          | 24.2% - 27.7%       | 3.61 years           | 0.0%               | 4.07% - 4.20%           |
| Stock Option Plan 2007 ter Options      | 14.78       | 14.69          | 25.9% - 28.5%       | 3.61 years           | 0.0%               | 4.17% - 4.39%           |
| Stock Option Plan 2007 quater Options   | 16.35       | 14.36          | 32.2% - 36.4%       | 3.61 years           | 0.0%               | 1.83% - 2.61%           |
| Stock Option Plan 2007 quinques Options | 19.93       | 19.45          | 50.8% - 63.9%       | 3.61 years           | 0.0%               | 1.64% - 2.46%           |
| Stock Option Plan 2007 sexies Options   | 20.97       | 18.98          | 52.1% - 65.2%       | 3.61 years           | 0.0%               | 1.45% - 2.33%           |
| Stock Option Plan 2008 Options          | 15.89       | 15.86          | 24.3% - 27.6%       | 3.61 years           | 0.0%               | 4.48% - 4.51%           |
| Stock Option Plan 2009 Options          | 14.60       | 14.22          | 32.3% - 36.6%       | 3.61 years           | 0.0%               | 1.88% - 2.71%           |





On December 4 and December 18, 2009, the Company offered options under the Stock Option Plan 2007 to certain beneficiaries. The acceptance period of these offers ended on January 3, respectively January 17, 2010. Consequently, compensation expense related to these grants will be recognised as from the first quarter of 2010.

#### Extension of the duration of outstanding options

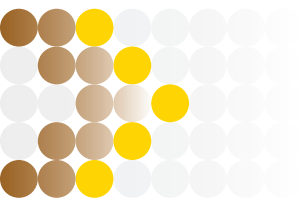
The recent economic downturn left a number of options out-of-the money (underwater). In order to address certain negative consequences resulting from the recent (financial and economic) crisis, the Belgian Parliament has enacted a new Program Law allowing companies to extend the duration of certain outstanding options for a maximum period of 5 years. The extraordinary shareholder's meeting of May 28, 2009 decided to offer an extension for the outstanding options held

by current employees for a period of 3 years, taking into account the fiscally maximum number of options allowed. The beneficiaries were required to refuse or accept the offered extension by June 15, 2009 at the latest. The options subject to extension relate to Class A & B options, ESOP 2007bis and ESOP 2007ter. The aforementioned modification increased the fair value of the equity instruments granted. This incremental fair value granted is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification and is recognised over the remaining vesting period. The portion of the incremental value related to already vested options has been recognised immediately at the date of modification. Total incremental compensation cost was calculated at €0.7 million, of which €0.3 million was expensed immediately.

|                                             | CLASS A STOCK<br>OPTION PLAN | CLASS B STOCK<br>OPTION PLAN | STOCK OPTION PLAN<br>2007BIS | STOCK OPTION PLAN<br>2007TER |
|---------------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Incremental fair value at modification date | 0.34                         | 0.74                         | 0.60-0.85                    | 0.60-1.00                    |
| Modification date                           | June 15, 2009                | June 15, 2009                | June 15, 2009                | June 15, 2009                |
| Number modified                             | 262,052                      | 60,740                       | 754,984                      | 43,000                       |

The fair values of the modifications of the share options were determined using the Black-Scholes option pricing model with the following assumptions:

|                         | CLASS A STOCK<br>OPTION PLAN | CLASS B STOCK<br>OPTION PLAN | STOCK OPTION PLAN<br>2007BIS | STOCK OPTION PLAN<br>2007TER |
|-------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Share price             | 14.32                        | 14.32                        | 14.32                        | 14.32                        |
| Exercise price          | 5.08                         | 6.35                         | 14.50                        | 14.69                        |
| Expected volatility     | 25.2%-46.4%                  | 25.2%-43.7%                  | 32.6% - 41.3%                | 32.6% - 39.5%                |
| Expected option life    | 1.4 years                    | 1.7 years                    | 3.7 years                    | 4.1 years                    |
| Expected dividends      | 0.0%                         | 0.0%                         | 0.0%                         | 0.0%                         |
| Risk-free interest rate | 0.62%-1.63%                  | 0.79%-1.80%                  | 0.87% - 3.20%                | 2.26% - 3.37%                |

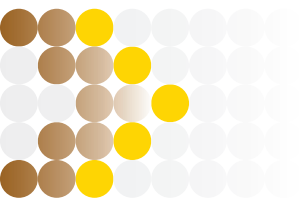


### Effect of the capital reduction on the outstanding options

Upon the payment of the capital reduction on September 1, 2009, the Company amended all options to ensure that benefits granted to the option holders were not reduced. The number of options was increased and the exercise price was decreased by a factor 0.969475, which is the ratio of the quoted market price of the Telenet G\*roup Holding NV shares before the payment of the capital reduction less the capital reduction of €0.50 per share versus the quoted market price before the payment of the capital reduction. As a result of these adjustments, fair values of the options before and after the transaction remain exactly the same for all option holders resulting in no additional compensation expense. Above mentioned modifications to the different stock option plans in scope can be summarized as follows:

|                                       | OUTSTANDING NUMBER OF OPTIONS |                         | EXERCISE PRICE OF THE OPTIONS |                         |
|---------------------------------------|-------------------------------|-------------------------|-------------------------------|-------------------------|
|                                       | BEFORE CAPITAL REDUCTION      | AFTER CAPITAL REDUCTION | BEFORE CAPITAL REDUCTION      | AFTER CAPITAL REDUCTION |
| Class A Options                       | 262,052                       | 270,303                 | 5.08                          | 4.92                    |
| Class B Options                       | 192,783                       | 198,853                 | 6.35                          | 6.16                    |
| Stock Option Plan 2007 Options        | 27,500                        | 28,366                  | 19.40                         | 18.81                   |
| Stock Option Plan 2007 bis Options    | 1,000,968                     | 1,032,483               | 14.50                         | 14.06                   |
| Stock Option Plan 2007 ter Options    | 43,000                        | 44,353                  | 14.69                         | 14.24                   |
| Stock Option Plan 2007 quater Options | 1,236,000                     | 1,274,918               | 14.36                         | 13.92                   |
| Stock Option Plan 2008 Options        | 317,000                       | 326,981                 | 15.86                         | 15.38                   |
| Stock Option Plan 2009 Options        | 180,000                       | 185,668                 | 14.22                         | 13.79                   |



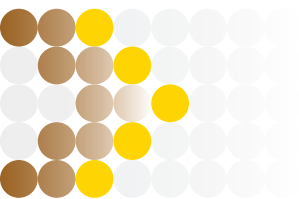


## All plans

A summary of the activity of the Company's stock options for the years ended December 31, 2009, and 2008 is as follows:

|                                                                            | OUTSTANDING OPTIONS |                                            |
|----------------------------------------------------------------------------|---------------------|--------------------------------------------|
|                                                                            | NUMBER OF OPTIONS   | WEIGHTED AVERAGE EXERCISE PRICES (IN EURO) |
| <b>January 1, 2008</b>                                                     | <b>2,097,698</b>    | <b>5.44</b>                                |
| Stock Option Plan 2007 options granted                                     | 27,500              | 19.40                                      |
| Stock Option Plan 2007bis options granted                                  | 1,058,600           | 14.50                                      |
| Stock Option Plan 2007ter options granted                                  | 43,000              | 14.69                                      |
| Stock Option Plan 2008 options granted                                     | 317,000             | 15.86                                      |
| Class A Options exercised                                                  | (266,550)           | 5.08                                       |
| Class B Options exercised                                                  | (150,620)           | 6.35                                       |
| Stock Option Plan 2007bis options forfeited                                | (29,064)            | 14.50                                      |
| <b>December 31, 2008</b>                                                   | <b>3,097,564</b>    | <b>9.76</b>                                |
| Stock Option Plan 2007quater options granted                               | 1,236,000           | 14.36                                      |
| Stock Option Plan 2009 options granted                                     | 180,000             | 14.22                                      |
| Additional Class A Options issued upon plan amendment                      | 8,251               | 4.92                                       |
| Additional Class B Options issued upon plan amendment                      | 6,070               | 6.16                                       |
| Additional Stock Option Plan 2007 options issued upon plan amendment       | 866                 | 18.81                                      |
| Additional Stock Option Plan 2007bis options issued upon plan amendment    | 31,515              | 14.06                                      |
| Additional Stock Option Plan 2007ter options issued upon plan amendment    | 1,353               | 14.24                                      |
| Additional Stock Option Plan 2007quater options issued upon plan amendment | 38,918              | 13.92                                      |
| Additional Stock Option Plan 2008 options issued upon plan amendment       | 9,981               | 15.38                                      |
| Additional Stock Option Plan 2009 options issued upon plan amendment       | 5,688               | 13.79                                      |
| Class A Options exercised                                                  | (974,222)           | 5.08                                       |
| Class B Options exercised                                                  | (309,449)           | 6.31                                       |
| Stock Option Plan 2007bis options exercised                                | (38,353)            | 14.06                                      |
| Stock Option Plan 2007quater options exercised                             | (10,958)            | 13.92                                      |
| Stock Option Plan 2007bis options forfeited                                | (28,568)            | 14.50                                      |
| <b>December 31, 2009</b>                                                   | <b>3,254,636</b>    | <b>13.48</b>                               |

The options in the table below were exercised versus payments of €7.6 and €2.3 million during the years ended December 31, 2009 and 2008, respectively. Upon exercise, the Class A and Class B options were exchanged on a one-for-one basis for Class A and Class B Profit Certificates and were accounted for as increases in Equity-based compensation reserve within Equity. These reserves are



transferred from Equity-based compensation reserve to Share Capital when the Profit Certificates are exchanged for shares of the Company and resulted in a transfer of €7.6 million and €1.6 million between Equity-based compensation reserve and Share Capital within Equity in 2009 and 2008, respectively. Stock Option Plan 2007 options were exchanged on a one-for-one basis for shares representing Share Capital.

|                                       | NUMBER OF OPTIONS EXERCISED | EXERCISE DATE | SHARE PRICE AT EXERCISE DATE (IN EURO) |
|---------------------------------------|-----------------------------|---------------|----------------------------------------|
| <b>// Class of Option</b>             |                             |               |                                        |
| Class A Options                       | 100,000                     | 08/01/2009    | 13.00                                  |
|                                       | 377,364                     | 09/04/2009    | 12.84                                  |
|                                       | 496,858                     | 26/05/2009    | 13.59                                  |
| Class B Options                       | 159,829                     | 09/04/2009    | 12.84                                  |
|                                       | 91,642                      | 26/05/2009    | 13.59                                  |
|                                       | 57,978                      | 12/10/2009    | 18.28                                  |
| Stock Option Plan 2007 bis Options    | 38,353                      | 12/10/2009    | 18.28                                  |
| Stock Option Plan 2007 quater Options | 10,958                      | 12/10/2009    | 18.28                                  |

The following table summarizes information about stock options outstanding and exercisable as of December 31, 2009:

|                              | NUMBER OF OPTIONS OUTSTANDING | NUMBER OF OPTIONS EXERCISABLE | WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE | WEIGHTED AVERAGE EXERCISE PRICES (IN EURO) |
|------------------------------|-------------------------------|-------------------------------|---------------------------------------------|--------------------------------------------|
| <b>// Class of Option</b>    |                               |                               |                                             |                                            |
| Class A Options              | 270,303                       | 270,303                       | 29 months                                   | 4.92                                       |
| Class B Options              | 140,875                       | 140,875                       | 36 months                                   | 6.16                                       |
| Stock Option Plan 2007       | 28,366                        | 14,177                        | 39 months                                   | 18.81                                      |
| Stock Option Plan 2007bis    | 994,130                       | 421,870                       | 38 months                                   | 14.06                                      |
| Stock Option Plan 2007ter    | 44,353                        | 13,850                        | 80 months                                   | 14.24                                      |
| Stock Option Plan 2007quater | 1,263,960                     | 148,375                       | 54 months                                   | 13.92                                      |
| Stock Option Plan 2008       | 326,981                       | 143,051                       | 41 months                                   | 15.38                                      |
| Stock Option Plan 2009       | 185,668                       | 23,208                        | 53 months                                   | 13.79                                      |

Total compensation expense associated with the Company's stock option plans amounted to € 5.1 million (2008: €4.6 million). This amount includes the incremental compensation cost related to the extension of the outstanding options immediately expensed.



### 5.11.3. Employee share purchase plan

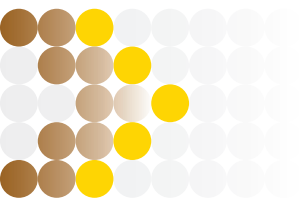
On May 31, 2007 the extraordinary shareholders meeting of Telenet Group Holding NV approved the issuance of a new Employee Share Purchase Plan ("ESPP") for a maximum amount of €23.5 million. In January 2008, the Board of Directors offered to all of Telenet's employees the opportunity to purchase new shares of Telenet Group Holding NV under the

terms of the ESPP at a discount of 16.67% to the average share price over the 30 days preceding March 20, 2008. Based on the average share price of €14.53 during this 30 day period, the shares were offered to the personnel at a subscription price of €12.11. As the shares were fully vested at the time of the transaction, the Company recognised €1.7 million as compensation expense in April 2008 for the 693,217 shares that were purchased.

## 5.12. Loans and borrowings

The debt balances specified below include accrued interest as of December 31, 2009 and 2008.

|                                               | in thousands of euro |                  |                  |
|-----------------------------------------------|----------------------|------------------|------------------|
|                                               | DEC 31, 2009         | DEC 31, 2008     | DEC 31, 2008     |
|                                               |                      | REPRESENTED      | AS REPORTED      |
| <b>// Senior Credit Facility:</b>             |                      |                  |                  |
| Term Loan A                                   | 77,234               | 530,000          | 530,000          |
| Term Loan B1                                  | 69,017               | 307,500          | 307,500          |
| Term Loan B2                                  | -                    | 115              | 115              |
| Term Loan B2A                                 | 74                   | -                | -                |
| Term Loan B2B                                 | -                    | -                | -                |
| Term Loan C                                   | 83,263               | 1,062,500        | 1,062,500        |
| Revolving Credit Facility                     | 222                  | 85,381           | 85,381           |
| Term Loan D                                   | 452,766              | -                | -                |
| Term Loan E                                   | 328,636              | -                | -                |
| Term Loan F                                   | 979,237              | -                | -                |
| Finance lease obligations                     | 315,642              | 322,545          | 322,575          |
| Clientele fee > 20 years                      | 60,059               | 55,317           | 42,814           |
|                                               | <b>2,366,150</b>     | <b>2,363,358</b> | <b>2,350,885</b> |
| Less: deferred financing fees                 | (42,178)             | (34,228)         | (34,228)         |
|                                               | <b>2,323,972</b>     | <b>2,329,130</b> | <b>2,316,657</b> |
| Less: current portion                         | (32,434)             | (34,530)         | (34,530)         |
| <b>Total non-current loans and borrowings</b> | <b>2,291,538</b>     | <b>2,294,600</b> | <b>2,282,127</b> |



As of December 31, 2009 and 2008, all debts are denominated in euros. Fixed interest rates applied to 11.15% of the total financial debt (2008: 10.98%). The weighted average interest rates at year end were 6.88% on fixed interest rate loans (2008: 6.92%) and 3.85% on floating interest rate loans (2008: 5.21%).

#### 5.12.1. New Senior Credit Facility – Before 2009 amendments

On August 1, 2007 (the “Signing Date”), Telenet Bidco NV (the “Borrower”), an indirect subsidiary of Telenet Group Holding NV, executed a New Senior Credit Facility agreement, as amended and restated (the “New Senior Credit Facility”). The New Senior Credit Facility provides for (i) a €530.0 million Term Loan A Facility (the “New Telenet TLA Facility”) maturing five years from the Signing Date, (ii) a €307.5 million Term Loan B1 Facility (the “New Telenet TLB1 Facility”) maturing seventy-eight months from the Signing Date, (iii) a €225.0 million Term Loan B2 Facility (the “New Telenet TLB2 Facility”) maturing seventy-eight months from the Signing Date, (iv) a €1,062.5 million Term Loan C Facility (the “New Telenet TLC Facility”) maturing eight years from the Signing Date, and (v) a €175.0 million Revolving Facility (the “New Telenet Revolving Facility”) maturing seven years from the Signing Date.

On October 10, 2007, the New Telenet TLA Facility, the New Telenet TLB1 Facility and the New Telenet TLC Facility were drawn in full (the “October 2007 debt refinancing”). The New Telenet TLB2 Facility, which was undrawn as of December 31, 2007, was available to be drawn up to and including June 2009 pursuant to the amendment to the New Senior Credit Facility notified on May 23, 2008. The New Telenet Revolving Facility is available to be drawn through June 2014. The proceeds of the New Telenet TLA Facility, the New Telenet TLB1 Facility and the first €462.5 million drawn under the New Telenet TLC Facility have been used primarily to (i) redeem in full the Telenet Senior Discount Notes, (ii) redeem in full the Telenet Senior Notes and (iii) repay in full the amounts outstanding under the 2006 Senior Credit Facility. The New Telenet TLB2 Facility may be used for general corporate purposes (including permitted acquisitions) and to provide funding to Telenet, via a dividend or intercompany loan, for a distribution to Telenet’s shareholders by way of a capital reduction. The New Telenet Revolving Facility may be used for general corporate purposes (including acquisitions). On September 26, 2008 €85.0 million of the Telenet Revolving Facility was used to fund the Interkabel acquisition. On January 30, 2009, March 30, 2009, and on June 30, 2009 Telenet reimbursed respectively €35.0 million, €30.0 million and €20.0 million on the Revolving Facility, reducing the

outstanding on the Revolving Facility to zero as of December 31, 2009.

The applicable margin for the New Telenet TLA Facility and for the New Telenet TLC Facility is 2.25% and 2.75% per annum over EURIBOR respectively. The applicable margin for the New Telenet TLB1 Facility and the New Telenet TLB2 Facility is 2.50% per annum over EURIBOR. The applicable margin for the New Telenet Revolving Facility is 2.125% per annum over EURIBOR.

The New Telenet TLA Facility and the New Telenet TLC Facility will be repaid or rolled in full at maturity. The New Telenet TLB1 Facility and the New Telenet TLB2 Facility will each be repaid in three equal installments, with the first installment due in February 2013, the second installment due in August 2013 and the final installment due in February 2014. Advances under the New Telenet Revolving Facility will be repaid at the end of the applicable interest period and all advances outstanding will be repaid in full at maturity.

In addition to customary restrictive covenants, prepayment requirements and events of default, the New Senior Credit Facility requires compliance with a Net Total Debt to Consolidated Annualized EBITDA covenant and a Consolidated EBITDA to Total Cash Interest covenant, each capitalised term as defined in the New Senior Credit Facility. The Borrower under the New Senior Credit Facility is permitted to make certain distributions and restricted payments to its shareholders subject to compliance with applicable covenants. The New Senior Credit Facility is secured by (i) pledges over the shares of the Borrower, Telenet BidCo NV, and certain of its subsidiaries, (ii) pledges over certain intercompany and subordinated shareholder loans and (iii) pledges over certain receivables, real estate and other assets of the Borrower, Telenet Group Holding NV and certain other subsidiaries, in line with the 2006 Senior Credit Facility.

The New Telenet TLB2 Facility has a commitment fee on undrawn and uncanceled commitments of 40% of the applicable margin of the New Telenet TLB2 Facility subject to a maximum of 1.00%. The New Telenet Revolving Facility has a commitment fee on undrawn and uncanceled commitments of 40% of the applicable margin of the New Telenet Revolving Facility subject to a maximum of 0.75% p.a.

The terms and conditions of the New Senior Credit Facility (before 2009 amendments) can be summarized as follows:



in thousands of euro

| DEC 31, 2008                          | TOTAL FACILITY   | DRAWN AMOUNT     | UNDRAWN AMOUNT | MATURITY DATE    | INTEREST RATE               |
|---------------------------------------|------------------|------------------|----------------|------------------|-----------------------------|
| <b>// New Senior Credit Facility:</b> |                  |                  |                |                  |                             |
| Term Loan A                           | 530,000          | 530,000          | -              | August 1, 2012   | Floating - Euribor + 2.25%  |
| Term Loan B1                          | 307,500          | 307,500          | -              | January 31, 2013 | Floating - Euribor + 2.50%  |
| "                                     |                  |                  |                | July 31, 2014    | "                           |
| "                                     |                  |                  |                | January 31, 2014 | "                           |
| Term Loan B2                          | 225,000          | -                | 225,000        | January 31, 2013 | Floating - Euribor + 2.50%  |
| "                                     |                  |                  |                | July 31, 2014    | "                           |
| "                                     |                  |                  |                | January 31, 2014 | "                           |
| Term Loan C                           | 1,062,500        | 1,062,500        | -              | August 1, 2015   | Floating - Euribor + 2.75%  |
| Revolving Credit Facility             | 175,000          | 85,000           | 90,000         | August 1, 2014   | Floating - Euribor + 2.125% |
| <b>Total notional amount</b>          | <b>2,300,000</b> | <b>1,985,000</b> | <b>315,000</b> |                  |                             |

### 5.12.2. 2009 Amended Senior Credit Facility

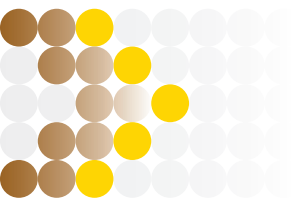
In June 2009, Telenet BidCo amended its existing Senior Credit Facility agreement, whereby the undrawn €225.0 million term loan B2 facility (the Initial Telenet B2 Facility), which was available to be drawn up to June 30, 2009, was split into two separate facilities: (i) a €135.0 million term loan facility B2A, which is available to be drawn up to and including June 30, 2010, and (ii) a €90.0 million term loan facility B2B, which was drawn in full on June 29, 2009. The applicable terms and conditions of the Senior Facility B2A and the Telenet Facility B2B are the same as the Initial Telenet B2 Facility. After the completion of this transaction, the Telenet Credit Facility included Facilities A, B1, B2A, B2B and C, all of which are term loan facilities, and a revolving loan facility.

On August 25, 2009, pursuant to various additional facility accession agreements, new Facilities D, E1, E2 and F were

executed under the Amended Senior Credit Facility. All of the New Facilities are euro-denominated term loan facilities.

In connection with the completion of the New Facilities, certain of the lenders under the existing Facilities A, B1, B2A and C novated their commitments to Telenet Mobile NV and entered into the Amended Senior Credit Facilities. As a result, during the third quarter of 2009, total commitments of €452.8 million, €238.5 million, €90.0 million, €90.0 million and €979.2 million under Facilities A, B1, B2A, B2B and C, respectively, were rolled into the New Facilities. Among other matters, the completion of the Amended Senior Credit Facilities resulted in the extension of a significant portion of the maturities under the New Senior Credit Facility.

The terms and conditions of the 2009 Amended Senior Credit Facility can be summarized as follows:



in thousands of euro

| DEC 31, 2009                       | TOTAL FACILITY   | DRAWN AMOUNT     | UNDRAWN AMOUNT | MATURITY DATE     | INTEREST RATE               |
|------------------------------------|------------------|------------------|----------------|-------------------|-----------------------------|
| // Amended Senior Credit Facility: |                  |                  |                |                   |                             |
| Term Loan A                        | 77,234           | 77,234           | -              | August 1, 2012    | Floating - Euribor + 2.25%  |
| Term Loan B1                       | 69,017           | 69,017           | -              | January 31, 2013  | Floating - Euribor + 2.50%  |
| "                                  |                  |                  |                | July 31, 2013     |                             |
| "                                  |                  |                  |                | January 31, 2014  |                             |
| Term Loan B2A                      | 45,000           | -                | 45,000         | January 31, 2013  | Floating - Euribor + 2.50%  |
| "                                  |                  |                  |                | July 31, 2013     |                             |
| "                                  |                  |                  |                | January 31, 2014  |                             |
| Term Loan C                        | 83,263           | 83,263           | -              | August 1, 2015    | Floating - Euribor + 2.75%  |
| Revolving Credit Facility          | 175,000          | -                | 175,000        | August 1, 2014    | Floating - Euribor + 2.125% |
| Term Loan D                        | 452,766          | 452,766          | -              | December 31, 2014 | Floating - Euribor + 3.00%  |
| Term Loan E1                       | 328,483          | 328,483          | -              | March 31, 2015    | Floating - Euribor + 3.50%  |
| Term Loan E2                       | 90,000           | -                | 90,000         | March 31, 2015    | Floating - Euribor + 3.50%  |
| Term Loan F                        | 979,237          | 979,237          | -              | June 30, 2017     | Floating - Euribor + 3.75%  |
| <b>Total notional amount</b>       | <b>2,300,000</b> | <b>1,990,000</b> | <b>310,000</b> |                   |                             |

### 5.12.3. Repayment schedule

Aggregate future principal payments on the total borrowings under all of the Company's debt agreements other than finance leases are shown in the following table.

|                              | in thousands of euro |                                   |
|------------------------------|----------------------|-----------------------------------|
|                              | DEC 31, 2009         | DEC 31, 2008<br>(AS RE-PRESENTED) |
| On demand or within one year | -                    | -                                 |
| In the second year           | -                    | -                                 |
| In the third year            | 77,234               | -                                 |
| In the fourth year           | 46,011               | 530,000                           |
| In the fifth year            | 475,772              | 205,000                           |
| After five years             | 1,743,363            | 1,602,380                         |
| <b>Total repayments</b>      | <b>2,342,380</b>     | <b>2,337,380</b>                  |



#### 5.12.4. Guarantees and covenants

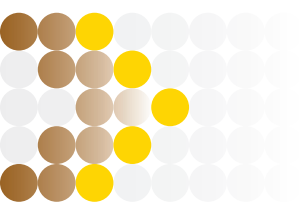
Telenet BidCo NV and Telenet NV guarantee the obligations of each of Telenet BidCo NV and Telenet NV under the Credit Agreement of August 1, 2007 (as last restated on June 23, 2009, the "2009 Amended Senior Credit Facility"), to the extent permitted by law.

In addition, security has been granted by all members of the Telenet group (except for Hostbasket NV, T-VGAS NV, Telenet Mobile NV and Telenet Solutions Luxembourg S.A.) under the 2009 Amended Senior Credit Facility over substantially all their assets of which the carrying amounts as of December 31, 2009 and 2008, can be detailed as follows:

|                                           | in thousands of euro |                  |
|-------------------------------------------|----------------------|------------------|
|                                           | DEC 31, 2009         | DEC 31, 2008     |
| <b>// Assets</b>                          |                      |                  |
| <b>Non-current assets</b>                 |                      |                  |
| Property and equipment                    | 1,022,743            | 969,599          |
| Goodwill                                  | 1,233,066            | 1,185,787        |
| Other intangible assets                   | 307,636              | 356,258          |
| Derivative financial instruments          | 9,113                | 14,889           |
| Investments in equity accounted investees | 259                  | -                |
| Other assets                              | 1,708                | 896              |
| <b>Total non-current assets</b>           | <b>2,574,525</b>     | <b>2,527,429</b> |
| <b>Current assets</b>                     |                      |                  |
| Inventories                               | 2,379                | 2,053            |
| Trade receivables                         | 71,352               | 66,626           |
| Derivative financial instruments          | 301                  | 230              |
| Other current assets                      | 36,954               | 31,717           |
| Cash and cash equivalents                 | 145,789              | 64,598           |
| <b>Total current assets</b>               | <b>256,775</b>       | <b>165,224</b>   |
| <b>TOTAL</b>                              | <b>2,831,300</b>     | <b>2,692,653</b> |

The above-mentioned security interests include:

- a pledge of all shares of Telenet BidCo NV, Telenet NV and Telenet Vlaanderen NV;
- non-joined (non-cumulative) mortgages of (i) €800 million granted by Telenet NV, (ii) €625 million granted by the former MixtICS NV (succeeded by Telenet NV), (iii) €625 million granted by Telenet Vlaanderen NV, and (iv) €50 million granted by the former Telenet Solutions NV (succeeded by Telenet NV);
- non-exercised mortgage mandates of (i) €650 million granted by Telenet BidCo NV, (ii) €450 million granted by Telenet NV, (iii) €450 million granted by former MixtICS NV (succeeded by Telenet NV) and (iv) €450 million granted by Telenet Vlaanderen NV;
- non-joined (non-cumulative) floating charges (*pand op handelszaak*) of (i) €1.25 billion granted by Telenet NV (formerly called Telenet Operaties NV), (ii) €135 million granted by Telenet NV, (iii) €865 million granted by the former MixtICS NV



(succeeded by Telenet NV), (iv) €865 million granted by Telenet Vlaanderen NV, (v) €250 million granted by Telenet BidCo NV, (vi) €75 million granted by the former PayTVCo NV (succeeded by Telenet NV) and (vii) €75 million granted by the former Telenet Solutions NV (succeeded by Telenet NV); a portion of the floating charges have been granted in a non-joined manner (non-cumulative) with certain mortgages;

- a non-exercised floating charge mandate of €865 million granted by Telenet NV; and
- pledges on bank accounts and pledges of all present and future receivables granted by Telenet Group Holding NV, Telenet Communications NV, Telenet BidCo NV, Telenet NV and Telenet Vlaanderen NV.

In addition, the Company's obligations under finance leases are secured by the lessor's title to the leased assets. The Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

As of December 31, 2009, the Company was in compliance with all of its financial covenants.

### 5.12.5. Clientele and annuity agreements

In 1996, the Company entered into a Clientele Agreement and an Annuity Agreement with the Pure Intercommunales ("PICs"), through Interkabel Vlaanderen CVBA ("Interkabel"), which was at that time a shareholder of the Company.

Upon completion of the Interkabel Acquisition, the 2008 PICs Agreement, which supersedes the agreement-in-principle that the parties signed on November 26, 2007, provides that the PICs will remain the legal owners of the Telenet PICs Network, and that Telenet will receive full rights to use the Telenet PICs Network under a long-term lease for a period of 38 years, for which it will pay recurring fees in addition to the fees paid under the existing 1996 PICs Agreements.

At the time of the October 2008 Interkabel acquisition, the net book value of the user rights was transferred from intangibles to property and equipment, as discussed in notes 5.4 and 5.6.

### 5.12.6. Finance lease obligations

in thousands of euro

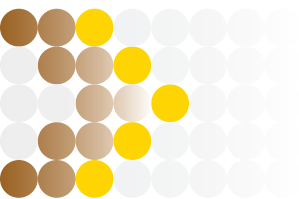
|                                         | FUTURE MINIMUM LEASE PAYMENTS |                | INTEREST       |                | PRESENT VALUE OF FUTURE MINIMUM LEASE PAYMENTS |                |
|-----------------------------------------|-------------------------------|----------------|----------------|----------------|------------------------------------------------|----------------|
|                                         | DEC 31, 2009                  | DEC 31, 2008   | DEC 31, 2009   | DEC 31, 2008   | DEC 31, 2009                                   | DEC 31, 2008   |
| Within one year                         | 45,553                        | 48,702         | 19,378         | 23,268         | 26,175                                         | 25,434         |
| In the second to fifth years, inclusive | 162,174                       | 200,861        | 62,585         | 77,229         | 99,589                                         | 123,632        |
| Thereafter                              | 234,999                       | 210,017        | 50,930         | 45,108         | 184,069                                        | 164,909        |
| <b>Total minimum lease payments</b>     | <b>442,726</b>                | <b>459,580</b> | <b>132,893</b> | <b>145,605</b> | <b>309,833</b>                                 | <b>313,975</b> |

#### "Canon Lease"

The clientele fee payable under the Clientele Agreement is payable by the Company in return for access to the cable network customer database owned and controlled by the PICs. The clientele fee is payable as long as the Company maintains its usage rights to the cable network, and is adjusted periodically depending on the level of inflation. Such payments allow the PICs to recover part of their historical investment to

upgrade the original cable network to allow for two-way communication (the "HFC Upgrade"). Considering this, the present value of the clientele fee payments over the first 20 years (being the life of the longest lived assets that are part of the HFC Upgrade) was initially accounted for as network user rights under intangible assets, and was amortised over 10 or 20 years depending on the useful life of the underlying assets that make up the HFC Upgrade. At the time of the October 2008 Interkabel acquisition, the net book value of the user





rights was transferred from intangibles to property and equipment, as discussed in notes 5.4 and 5.6.

The old Clientele Fee, which represents the obligation for the first 20 years of the original 50 year agreement, remains unchanged. However, upon the October 2008 acquisition Telenet obtained the ownership and control over the entire network, including the obligation beyond 20 years under the original 50 year Clientele fee agreement.

In accordance with the terms of the Annuity Agreement, the PICs charge an annuity fee, which in substance covers the remaining 60% of the cost of the HFC Upgrade incurred by the PICs, to the Company. Payments under the Annuity Agreement are due over a period of 10 or 20 years, depending on the useful life of the underlying assets that make up the HFC Upgrade incurred by the PICs. The present value of the future payments under the Annuity Agreement was capitalised until October 1, 2008 as network user rights under intangible assets, and is amortised over 10 or 20 years depending on the useful life of the underlying assets that make up the HFC Upgrade.

At the time of the October 2008 Interkabel acquisition, the net book value of the user rights was transferred from intangibles to property and equipment, as discussed in notes 5.4 and 5.6.

New capex spending from October 1, 2008 is added to the network under the network lease agreement (Canon fee) and paid in instalments.

For the year ended December 31, 2009, the average effective borrowing rate for the canon fee was 6.62% (2008 : 6.73%)

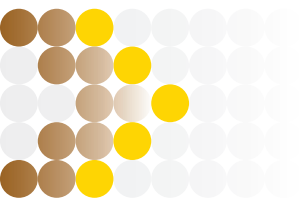
## Other leases

The Company leases certain assets under finance leases including buildings and certain vehicles with average lease terms of 20 and 5 years, respectively.

Until the 2008 Interkabel acquisition, leases of head-ends included the equipment used to receive signals of various devices, whether directly from the transmitter or from a microwave relay system. These devices are used, among other things, to transmit data and telephony and television signals.

Since the 2008 Interkabel acquisition, the lease of such head-ends is included in the aforementioned "Canon" lease.

For the year ended December 31, 2009, the average effective borrowing rate was 3.5% (2008: 4.44%). All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The Company's obligations under finance leases are secured by the lessors' title to the leased assets.



## 5.13. Derivative financial instruments

The Company has entered into various derivative instruments to manage interest rate and foreign currency exposure.

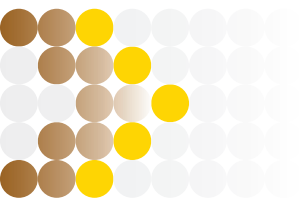
As of December 31, 2009 and 2008, the outstanding forward foreign exchange derivatives were as follows:

|                                                    | in thousands of euro      |                            |
|----------------------------------------------------|---------------------------|----------------------------|
|                                                    | DEC 31, 2009              | DEC 31, 2008               |
| <b>// Forward Purchase Contracts</b>               |                           |                            |
| Notional amount in US dollar                       | 9,000                     | 3,768                      |
| Weighted average strike price (US dollar per euro) | 1.486                     | 1.256                      |
| Maturity                                           | From January to June 2010 | From January to March 2009 |

As of December 31, 2009 and 2008, the outstanding interest rate derivatives were as follows:

|                               | in thousands of euro |                   |
|-------------------------------|----------------------|-------------------|
|                               | DEC 31, 2009         | DEC 31, 2008      |
| <b>// Basis Swaps</b>         |                      |                   |
| Notional amount               | 1,900,000            | -                 |
| Average pay interest rate     | EURIBOR 3M           | -                 |
| Average receive interest rate | EURIBOR 1M+0.2603%   | -                 |
| Maturity                      | 2010                 | -                 |
| <b>// Interest Rate Swaps</b> |                      |                   |
| Notional amount               | 1,250,000            | 422,699           |
| Average pay interest rate     | 3.88%                | 4.51%             |
| Average receive interest rate | 1.59%                | 5.29%             |
| Maturity                      | From 2010 to 2017    | From 2009 to 2012 |
| <b>// Caps</b>                |                      |                   |
| Notional amount               | 1,708,230            | 1,525,596         |
| Average cap interest rate     | 4.13%                | 4.71%             |
| Maturity                      | From 2011 to 2017    | From 2009 to 2012 |
| <b>// Collars</b>             |                      |                   |
| Notional amount               | 75,000               | 75,000            |
| Average floor interest rate   | 2.50%                | 2.50%             |
| Average cap interest rate     | 4.83%                | 4.83%             |
| Maturity                      | 2011                 | 2011              |



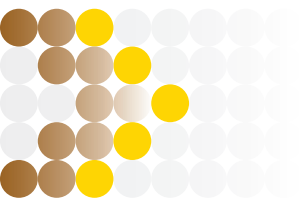


The following tables provide details of the fair value of our financial and derivative instrument assets (liabilities), net:

|                                       | in thousands of euro |                |
|---------------------------------------|----------------------|----------------|
|                                       | DEC 31, 2009         | DEC 31, 2008   |
| Current asset                         | 301                  | 230            |
| Non-current asset                     | 9,113                | 14,889         |
| Current liability                     | (16,582)             | (5,348)        |
| Non-current liability                 | (18,586)             | (14,934)       |
|                                       | <b>(25,754)</b>      | <b>(5,163)</b> |
| Interest rate derivatives             | (26,033)             | (4,888)        |
| Foreign exchange options and forwards | 231                  | (233)          |
| Embedded derivatives                  | 48                   | (42)           |
|                                       | <b>(25,754)</b>      | <b>(5,163)</b> |

Realized and unrealized gains (losses) on financial and derivative instruments comprise the following amounts:

|                                       | in thousands of euro |                 |
|---------------------------------------|----------------------|-----------------|
|                                       | DEC 31, 2009         | DEC 31, 2008    |
| Interest rate derivatives             | (21,417)             | (32,913)        |
| Foreign exchange options and forwards | 464                  | 31              |
| Embedded derivatives                  | 89                   | (104)           |
|                                       | <b>(20,864)</b>      | <b>(32,986)</b> |



### 5.13.1. Summary

The cumulative impact of all the derivative instruments has been allocated to earnings as follows:

in thousands of euro

|                                                                       | INCREASE<br>(DECREASE) IN<br>FAIR VALUE | CASH PAID<br>(RECEIVED) | INCREASE<br>(DECREASE) IN<br>EARNINGS |
|-----------------------------------------------------------------------|-----------------------------------------|-------------------------|---------------------------------------|
| <b>January 1, 2008</b>                                                | <b>27,823</b>                           | <b>90,894</b>           | <b>(63,071)</b>                       |
| Change in fair value of foreign exchange option and forward contracts | 31                                      | -                       | 31                                    |
| Change in fair value of interest rate derivatives                     | (32,913)                                | -                       | (32,913)                              |
| Embedded derivatives at fair value through P&L                        | (104)                                   | -                       | (104)                                 |
| <b>December 31, 2008</b>                                              | <b>(5,163)</b>                          | <b>90,894</b>           | <b>(96,057)</b>                       |

in thousands of euro

|                                                   | INCREASE<br>(DECREASE) IN<br>FAIR VALUE | CASH PAID<br>(RECEIVED) | INCREASE<br>(DECREASE) IN<br>EARNINGS |
|---------------------------------------------------|-----------------------------------------|-------------------------|---------------------------------------|
| <b>January 1, 2009</b>                            | <b>(5,163)</b>                          | <b>90,894</b>           | <b>(96,057)</b>                       |
| Change in fair value of interest rate derivatives | (23,263)                                | -                       | (23,263)                              |
| Embedded derivatives at fair value through P&L    | 89                                      | -                       | 89                                    |
| Prepaid hedge premiums CAPS                       | 1,133                                   | 1,133                   | -                                     |
| Prepaid hedge premiums IRS                        | 1,450                                   | 1,450                   | -                                     |
| Cash received upon early termination CAPS         | -                                       | (2,310)                 | 2,310                                 |
| <b>December 31, 2009</b>                          | <b>(25,754)</b>                         | <b>91,167</b>           | <b>(116,921)</b>                      |



### 5.13.2. Fair value

The carrying amounts and related estimated fair values of the Company's significant financial instruments were as follows:

in thousands of euro

|                                                         | DEC 31, 2009       |                    | DEC 31, 2008       |                    |
|---------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                                         | CARRYING AMOUNT    | FAIR VALUE         | CARRYING AMOUNT    | FAIR VALUE         |
| <b>Long-term debt (including short-term maturities)</b> | <b>(2,366,150)</b> | <b>(2,320,371)</b> | <b>(2,363,358)</b> | <b>(2,164,313)</b> |
| Foreign exchange options and forwards                   | 231                | 231                | (233)              | (233)              |
| Interest rate swaps                                     | (32,484)           | (32,484)           | (19,062)           | (19,062)           |
| Caps                                                    | 7,954              | 7,954              | 14,693             | 14,693             |
| Collars                                                 | (1,503)            | (1,503)            | (519)              | (519)              |
| Embedded derivatives                                    | 48                 | 48                 | (42)               | (42)               |
| <b>Total derivative instruments</b>                     | <b>(25,754)</b>    | <b>(25,754)</b>    | <b>(5,163)</b>     | <b>(5,163)</b>     |
| <b>TOTAL</b>                                            | <b>(2,391,904)</b> | <b>(2,346,125)</b> | <b>(2,368,521)</b> | <b>(2,169,476)</b> |

The fair value of interest rate swaps and foreign exchange forwards are calculated by the Company based on swap curves flat, taking into account the credit risk of both the Company and the respective counterparties to the instruments. Confirmations of the fair values received from the contractual counterparties, which are all commercial banks, are used to validate the internal calculations. The fair value of derivative instruments containing option-related features are determined by commercial banks and validated by management.

The fair values of our long-term debt instruments are derived as the lesser of either the call price of the relevant instrument or the market value as determined by quoted market prices at each measurement date, where available, or, where not available, at the present value of future cash flows discounted at rates consistent with comparable maturities with similar credit risk to the appropriate measurement date.

The carrying amounts for financial assets classified as current assets and the carrying amounts for financial liabilities classified as current liabilities approximate fair value due to the short maturity of such instruments

Management has applied its judgment in using market data to develop estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company would realize in a current market exchange.

## 5.14. Deferred taxes

Telenet Group Holding NV and its consolidated subsidiaries each file separate tax returns in accordance with Belgian tax laws. For financial reporting purposes, Telenet Group Holding NV and its subsidiaries calculate their respective tax assets and liabilities on a separate-return basis. These assets and liabilities are combined in the accompanying consolidated financial statements.

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax entity, is as follows:

in thousands of euro

|                                       | JAN 1, 2009     | (CHARGED) CREDITED TO<br>INCOME STATEMENT | RECOGNITION OF PREVIOUSLY<br>UNRECOGNISED DEFERRED<br>TAXES, THROUGH THE INCOME<br>STATEMENT | DEC 31, 2009                  |
|---------------------------------------|-----------------|-------------------------------------------|----------------------------------------------------------------------------------------------|-------------------------------|
| <b>// Deferred tax assets:</b>        |                 |                                           |                                                                                              |                               |
| Financial instruments                 | 2,041           | 393                                       | 14,619                                                                                       | 17,053                        |
| Property and equipment                | -               | 11,428                                    | 432                                                                                          | 11,860                        |
| Intangible assets                     | -               | -                                         | 4,740                                                                                        | 4,740                         |
| Provisions                            | 8,999           | (4,830)                                   | -                                                                                            | 4,169                         |
| Tax loss carry-forwards               | 30,609          | (24,687)                                  | 105,682                                                                                      | 111,604                       |
| Other                                 | 345             | (345)                                     | -                                                                                            | -                             |
| <b>Total Deferred tax assets</b>      | <b>41,994</b>   | <b>(18,041)<sup>(1)</sup></b>             | <b>125,473<sup>(1)</sup></b>                                                                 | <b>149,426<sup>(2)</sup></b>  |
| <b>// Deferred tax liabilities:</b>   |                 |                                           |                                                                                              |                               |
| Intangible assets                     | (43,291)        | (501)                                     | -                                                                                            | (43,792)                      |
| Investments                           | -               | (131)                                     | -                                                                                            | (131)                         |
| Property and equipment                | (15,816)        | (7,953)                                   | -                                                                                            | (23,769)                      |
| Other                                 | (108)           | (1,838)                                   | (9,110)                                                                                      | (11,056)                      |
| <b>Total Deferred tax liabilities</b> | <b>(59,215)</b> | <b>(10,423)<sup>(1)</sup></b>             | <b>(9,110)<sup>(1)</sup></b>                                                                 | <b>(78,748)<sup>(2)</sup></b> |

in thousands of euro

|                                            | INCOME STATEMENT <sup>(1)</sup> | BALANCE SHEET <sup>(2)</sup> |
|--------------------------------------------|---------------------------------|------------------------------|
| Deferred tax assets                        | 107,432                         | 149,426                      |
| Deferred tax liabilities                   | (19,533)                        | (78,748)                     |
|                                            | <b>87,899</b>                   | <b>70,678</b>                |
| <b>// Income Statement (see Note 5.22)</b> |                                 |                              |
| Deferred tax (benefit) / expense           | (87,899)                        |                              |
| Current tax (benefit) / expense            | (829)                           |                              |
|                                            | <b>(88,728)</b>                 |                              |
| <b>// Balance Sheet</b>                    |                                 |                              |
| Deferred tax asset                         |                                 | 116,363                      |
| Deferred tax liability                     |                                 | (45,685)                     |
|                                            |                                 | <b>70,678</b>                |



in thousands of euro

|                                  | JAN 1, 2008   | (CHARGED) CRED-<br>ITED TO INCOME<br>STATEMENT | ACQUISITION OF<br>SUBSIDIARY | DEC 31, 2008 AS<br>REPORTED | ADJ (NOTE 5.1.5) | DEC 31, 2008<br>AS REPRESENTED |
|----------------------------------|---------------|------------------------------------------------|------------------------------|-----------------------------|------------------|--------------------------------|
| <b>// Deferred tax assets:</b>   |               |                                                |                              |                             |                  |                                |
| Financial instruments            | 1,487         | 554                                            | -                            | 2,041                       | -                | 2,041                          |
| Property and equipment           | 501           | (501)                                          | -                            | -                           | -                | -                              |
| Provisions                       | 4,590         | (4,827)                                        | 9,619                        | 9,382                       | (383)            | 8,999                          |
| Tax loss carry-forwards          | 88,576        | (58,208)                                       | 241                          | 30,609                      | -                | 30,609                         |
| Other                            | -             | 345                                            | -                            | 345                         | -                | 345                            |
| <b>Total Deferred tax assets</b> | <b>95,154</b> | <b>(62,637)<sup>(1)</sup></b>                  | <b>9,860</b>                 | <b>42,377<sup>(2)</sup></b> | <b>(383)</b>     | <b>41,994<sup>(3)</sup></b>    |

|                                       |                 |                            |                 |                               |          |                               |
|---------------------------------------|-----------------|----------------------------|-----------------|-------------------------------|----------|-------------------------------|
| <b>// Deferred tax liabilities:</b>   |                 |                            |                 |                               |          |                               |
| Intangible assets                     | (41,249)        | 3,660                      | (5,702)         | (43,291)                      | -        | (43,291)                      |
| Property and equipment                | (7,969)         | (3,327)                    | (4,520)         | (15,816)                      | -        | (15,816)                      |
| Other                                 | (323)           | 215                        | -               | (108)                         | -        | (108)                         |
| <b>Total Deferred tax liabilities</b> | <b>(49,541)</b> | <b>(548)<sup>(1)</sup></b> | <b>(10,222)</b> | <b>(59,215)<sup>(2)</sup></b> | <b>-</b> | <b>(59,215)<sup>(3)</sup></b> |

in thousands of euro

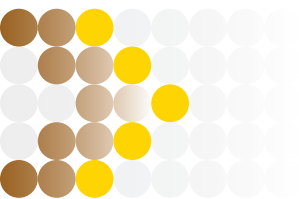
|                          | INCOME STATEMENT <sup>(2)</sup> | BALANCE SHEET <sup>(3)</sup><br>AS REPORTED | BALANCE SHEET <sup>(3)</sup><br>AS REPRESENTED |
|--------------------------|---------------------------------|---------------------------------------------|------------------------------------------------|
| Deferred tax assets      | (62,637)                        | 42,377                                      | 41,994                                         |
| Deferred tax liabilities | 548                             | (59,215)                                    | (59,215)                                       |
|                          | <b>(62,089)</b>                 | <b>(16,838)</b>                             | <b>(17,221)</b>                                |

#### // Income Statement (see Note 5.22)

|                                  |               |
|----------------------------------|---------------|
| Deferred tax (benefit) / expense | 62,089        |
| Current tax expense              | 181           |
|                                  | <b>62,270</b> |

#### // Balance Sheet

|                        |                 |              |                 |
|------------------------|-----------------|--------------|-----------------|
| Deferred tax asset     | -               | -            | -               |
| Deferred tax liability | (16,838)        | (383)        | (17,221)        |
|                        | <b>(16,838)</b> | <b>(383)</b> | <b>(17,221)</b> |



As of December 31, 2009, Telenet Group Holding NV and its subsidiaries had available combined cumulative tax loss carry forwards of €477.1 million (2008: €728.0 million). Under current Belgian tax laws, these loss carry forwards have an indefinite life and may be used to offset the future taxable income of Telenet Group Holding NV and its subsidiaries. Taxable profit is reduced by a notional interest deduction which can be carried forward for 7 years.

Deferred tax assets are recognised for tax loss carry forwards to the extent that the realization of the related tax benefit through the future taxable profits is probable. During 2009, a tax ruling was received that will allow the Company to merge two of its subsidiaries as part of a simplification of the corporate structure. As a result of this merger, the Company will forfeit €189.4 million of tax loss carryforwards based on Belgian tax law. Additionally, a net deferred tax asset of €119.6 was recognised for the tax loss carry forwards and other temporary differences that were previously not probable of being realized.

Telenet did not recognise deferred tax assets of €50.5 million (2008: €216.8 million) in respect of losses amounting to €148.7 million (2008: €638.0 million) that can be carried forward against future taxable income because it is not considered more likely than not that these net deferred tax assets will be utilized in the foreseeable future. Additionally, Telenet did not recognise net deferred tax assets of €8.6 million in 2008 related primarily to temporary differences on financial instruments, property and equipment and deferred financing fees for the same rationale.

## 5.15. Other liabilities

in thousands of euro

|                                     | NOTE | DEC 31, 2009  | DEC 31, 2008  | DEC 31, 2008  |
|-------------------------------------|------|---------------|---------------|---------------|
|                                     |      |               | RE-PRESENTED  | AS REPORTED   |
| Employee benefit obligations        | 5.16 | 5,031         | 7,436         | 7,436         |
| Copyright fees                      |      | 1,310         | 2,117         | 2,117         |
| Other personnel related obligations |      | 5,743         | 7,946         | 7,946         |
| Long service awards                 | 5.16 | 4,539         | 3,647         | 3,647         |
| Interkabel out of market opex       |      | 19,214        | 19,300        | 17,000        |
| Asset retirement obligation         |      | 2,334         | 2,313         | 2,313         |
| Other                               |      | 1,769         | 6,838         | 6,838         |
| <b>Total Other liabilities</b>      |      | <b>39,940</b> | <b>49,597</b> | <b>47,297</b> |

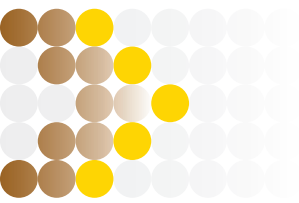


## 5.16. Employee benefit plans

The total employee benefit plans can be summarized as follows:

in thousands of euro

|                                                                          | NOTE         | DEC 31, 2009                         |                                                   |                                               | DEC 31, 2008                         |                                                   |                                               |
|--------------------------------------------------------------------------|--------------|--------------------------------------|---------------------------------------------------|-----------------------------------------------|--------------------------------------|---------------------------------------------------|-----------------------------------------------|
|                                                                          |              | TOTAL EMPLOY-<br>EE BENEFIT<br>PLANS | OF WHICH<br>DEFINED BEN-<br>EFIT PENSION<br>PLANS | OF WHICH<br>OTHER POST<br>RETIREMENT<br>PLANS | TOTAL EMPLOY-<br>EE BENEFIT<br>PLANS | OF WHICH<br>DEFINED BEN-<br>EFIT PENSION<br>PLANS | OF WHICH<br>OTHER POST<br>RETIREMENT<br>PLANS |
|                                                                          |              |                                      | NOTE 5.16                                         |                                               |                                      | NOTE 5.16                                         |                                               |
| Defined benefit pension plans                                            |              | 412                                  | 412                                               | -                                             | 372                                  | 372                                               | -                                             |
| Other post-retirement plans                                              |              | 3,768                                | -                                                 | 3,768                                         | 6,215                                | -                                                 | 6,215                                         |
| Other employee benefit plans                                             |              | 851                                  | -                                                 | -                                             | 849                                  | -                                                 | -                                             |
| <b>Total LT employee benefit obligations</b>                             | <b>5.15</b>  | <b>5,031</b>                         | <b>412</b>                                        | <b>3,768</b>                                  | <b>7,436</b>                         | <b>372</b>                                        | <b>6,215</b>                                  |
| <b>Total LT service awards</b>                                           | <b>5.15</b>  | <b>4,539</b>                         | -                                                 | -                                             | <b>3,647</b>                         | -                                                 | -                                             |
| <b>Total ST employee benefit plans</b>                                   |              | -                                    | -                                                 | -                                             | <b>495</b>                           | -                                                 | <b>495</b>                                    |
| <b>Total ST service awards</b>                                           |              | <b>637</b>                           | -                                                 | -                                             | -                                    | -                                                 | -                                             |
| Defined benefit pension plans                                            |              | (2,487)                              | (2,487)                                           | -                                             | (597)                                | (597)                                             | -                                             |
| Defined contribution plans                                               |              | (1,370)                              | -                                                 | -                                             | -                                    | -                                                 | -                                             |
| <b>Total LT asset related to funding of employee benefit obligations</b> | <b>5.8.1</b> | <b>(3,857)</b>                       | <b>(2,487)</b>                                    | -                                             | <b>(597)</b>                         | <b>(597)</b>                                      | -                                             |
| <b>Total employee benefit plans liability/(asset)</b>                    |              | <b>6,350</b>                         | <b>(2,075)</b>                                    | <b>3,768</b>                                  | <b>10,981</b>                        | <b>(225)</b>                                      | <b>6,710</b>                                  |



### Defined contribution plans

Total employer contributions to the defined contribution plan for 2009 amounted to €3.5 million (2008: € 2.0 million)

The majority of Telenet's employees participate in defined contribution plans funded through a pension fund. The accumulated assets in the pension fund amount to €23.9 million at December 31, 2009 (2008: €15.4 million).

By law, those plans provide an average minimum guaranteed rate of return over the employee's career equal to 3.75% on employee contributions and 3.25% on employer contributions paid as from January 1, 2004 onwards. At December 31, 2009, the plan assets exceeded the benefit obligations towards the employees by €1.8 million (2008: €1.2 million shortfall). The net asset recognised at December 31, 2009 in respect of defined contribution plans amounts to €1.3 million.

### Long service awards

The Company has also recognised a liability of €4.5 million at December 31, 2009 (2008: €3.6 million) for long service awards.

### Defined benefit pension plans and other post-retirement plans

The defined benefit pension plans are financed through insurance contracts which provide a guaranteed rate of return. The plan assets do not include any shares issued by Telenet or property occupied by Telenet.

Telenet also provides post-retirement health care benefits to certain employees. These obligations are financed directly by the Company

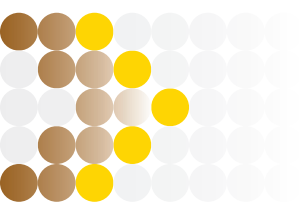
In Q4 2009, the Company agreed upon a post-employment settlement with former Electrabel (ICS) employees with regards to gas and electricity tariff discounts. This agreement ended all future obligations and led to a one-off provision of €6.6 million, which does not have an immediate cash impact.

The amounts recognised in the balance sheet with respect to the defined benefit plans are as follows:

in thousands of euro

|                                        | DEFINED BENEFIT PENSION PLANS |              | OTHER POST-RETIREMENT PLANS |              |
|----------------------------------------|-------------------------------|--------------|-----------------------------|--------------|
|                                        | DEC 31, 2009                  | DEC 31, 2008 | DEC 31, 2009                | DEC 31, 2008 |
| Present value of funded obligations    | 10,835                        | 7,559        | -                           | -            |
| Fair value of plan assets              | (8,856)                       | (5,303)      | -                           | -            |
|                                        | <b>1,979</b>                  | <b>2,256</b> | <b>-</b>                    | <b>-</b>     |
| Present value of unfunded obligations  | -                             | -            | 3,601                       | 7,149        |
| Unrecognised net actuarial gain/(loss) | (4,054)                       | (2,481)      | 167                         | (439)        |
| <b>Net (asset) liability</b>           | <b>(2,075)</b>                | <b>(225)</b> | <b>3,768</b>                | <b>6,710</b> |





The amounts recognised in the income statement are as follows:

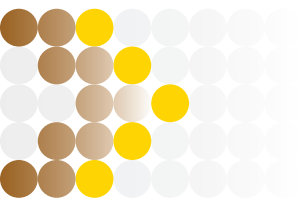
|                                         | DEFINED BENEFIT PENSION PLANS |              | OTHER POST-RETIREMENT PLANS |              |
|-----------------------------------------|-------------------------------|--------------|-----------------------------|--------------|
|                                         | DEC 31, 2009                  | DEC 31, 2008 | DEC 31, 2009                | DEC 31, 2008 |
| Service cost                            | 1,646                         | 1,434        | 711                         | 476          |
| Interest cost                           | 527                           | 382          | 561                         | 365          |
| Expected return on plan assets          | (293)                         | (204)        | -                           | -            |
| Losses / (gains) on curtailments        | -                             | -            | -                           | -            |
| Losses / (gains) on settlements         | -                             | -            | 2,123                       | -            |
| Actuarial losses recognised in the year | 161                           | 115          | 3,603                       | 18           |
| <b>Total</b>                            | <b>2,041</b>                  | <b>1,727</b> | <b>6,998</b>                | <b>859</b>   |

Changes in the present value of the defined benefit obligation are as follows:

|                                           | DEFINED BENEFIT PENSION PLANS |              | OTHER POST-RETIREMENT PLANS |              |
|-------------------------------------------|-------------------------------|--------------|-----------------------------|--------------|
|                                           | DEC 31, 2009                  | DEC 31, 2008 | DEC 31, 2009                | DEC 31, 2008 |
| Opening defined benefit obligation        | 7,559                         | 5,097        | 7,149                       | 6,052        |
| Service cost                              | 1,646                         | 1,434        | 711                         | 476          |
| Interest cost                             | 527                           | 382          | 561                         | 365          |
| Plan participants contributions           | 47                            | 56           | -                           | -            |
| Liabilities extinguished on settlements   | -                             | -            | (7,732)                     | -            |
| Actuarial loss (gain)                     | 1,056                         | 590          | 2,997                       | 318          |
| Benefits paid                             | -                             | -            | (85)                        | (62)         |
| <b>Closing defined benefit obligation</b> | <b>10,835</b>                 | <b>7,559</b> | <b>3,601</b>                | <b>7,149</b> |

Changes in the fair value of plan assets are as follows:

|                                          | DEFINED BENEFIT PENSION PLANS |              | OTHER POST-RETIREMENT PLANS |              |
|------------------------------------------|-------------------------------|--------------|-----------------------------|--------------|
|                                          | DEC 31, 2009                  | DEC 31, 2008 | DEC 31, 2009                | DEC 31, 2008 |
| Opening fair value of plan assets        | 5,303                         | 3,228        | -                           | -            |
| Expected return on plan assets           | 293                           | 204          | -                           | -            |
| Company contributions                    | 3,891                         | 2,080        | 9,940                       | 62           |
| Plan participants contributions          | 47                            | 56           | -                           | -            |
| Assets distributed on settlements        | 0                             | 0            | (9,855)                     | 0            |
| Actuarial (loss) gain                    | (678)                         | (265)        | -                           | -            |
| Benefits paid                            | -                             | -            | (85)                        | (62)         |
| <b>Closing fair value of plan assets</b> | <b>8,856</b>                  | <b>5,303</b> | <b>-</b>                    | <b>-</b>     |



The actual return on plan assets for the plans shown was €(0.4) million (2008: €(0.1) million).

A 1% change in assumed medical cost increase would have the following effects on:

|                                                       | in thousands of euro |             |
|-------------------------------------------------------|----------------------|-------------|
|                                                       | 1% INCREASE          | 1% DECREASE |
| a) aggregate amount of service cost and interest cost | 92                   | (70)        |
| b) Defined benefit obligation                         | 698                  | (545)       |

The experience adjustments for the current and previous four annual periods amount to:

|                                            | in thousands of euro |              |              |              |              |
|--------------------------------------------|----------------------|--------------|--------------|--------------|--------------|
|                                            | 2009                 | 2008         | 2007         | 2006         | 2005         |
| Defined benefit obligation                 | 14,436               | 14,708       | 11,150       | 13,431       | 8,189        |
| Fair value of plan assets                  | 8,856                | 5,303        | 3,228        | 6,185        | 1,878        |
| <b>(Surplus) / deficit</b>                 | <b>5,580</b>         | <b>9,405</b> | <b>7,922</b> | <b>7,246</b> | <b>6,311</b> |
| Experience adjustments on plan liabilities | (945)                | 590          | (831)        | 1,634        | -            |
| Experience adjustments on plan assets      | (678)                | (265)        | (1,547)      | (615)        | (1,018)      |

The principal assumptions used for the purpose of the actuarial valuations are as follows:

|                                | DEFINED BENEFIT PENSION PLANS |       | OTHER POST-RETIREMENT PLANS |       |
|--------------------------------|-------------------------------|-------|-----------------------------|-------|
|                                | 2009                          | 2008  | 2009                        | 2008  |
| Discount rate at December 31   | 4.75%                         | 5.35% | 4.75%                       | 5.35% |
| Rate of compensation increase  | 3.08%                         | 3.10% | -                           | -     |
| Expected return on plan assets | 4.92%                         | 4.89% | -                           | -     |
| Underlying inflation rate      | 2.00%                         | 2.00% | 2.00%                       | 2.00% |
| Increase of medical benefits   | -                             | -     | 3.00%                       | 3.00% |

The expected contributions towards defined benefit plans for 2010 are estimated at €2.4 million.

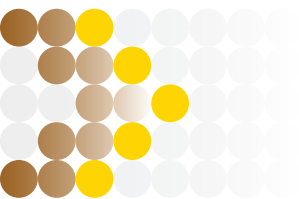
The expected rate of return reflects the guaranteed interest rates under the insurance contracts and expected insurance dividends.



## 5.17. Accrued expenses and other current liabilities

in thousands of euro

|                                                                   | DEC 31, 2009   | DEC 31, 2008   |
|-------------------------------------------------------------------|----------------|----------------|
| Customer deposits                                                 | 23,203         | 24,008         |
| Compensation and employee benefits                                | 42,163         | 39,693         |
| VAT and withholding taxes                                         | 13,241         | 5,586          |
| Copyright fees                                                    | 978            | 767            |
| Dividend payable to shareholders                                  | 275            | 239            |
| Current portion of "Interkabel out of market component" liability | 2,845          | 9,170          |
| Accrued programming fees                                          | 49,723         | 41,206         |
| Accrued capital expenditure                                       | 10,719         | 16,052         |
| Accrued other liabilities                                         | 124,760        | 127,827        |
| Accrued interest on derivatives                                   | 4,260          | -              |
| Other current liabilities                                         | 298            | 1,168          |
| <b>Total Accrued expenses and other current liabilities</b>       | <b>272,465</b> | <b>265,716</b> |



## 5.18. Revenue

The Company's revenue is comprised of the following:

in thousands of euro

|                                    | FOR THE YEARS ENDED |                              |                          |
|------------------------------------|---------------------|------------------------------|--------------------------|
|                                    | DEC 31, 2009        | DEC 31, 2008 AS RE-PRESENTED | DEC 31, 2008 AS REPORTED |
| Cable television:                  |                     |                              |                          |
| Basic Subscribers <sup>(1)</sup>   | 322,271             | 244,325                      | 244,325                  |
| Premium Subscribers <sup>(1)</sup> | 115,398             | 77,985                       | 77,985                   |
| Distributors/Other                 | 56,516              | 29,820                       | 29,820                   |
| Residential:                       |                     |                              |                          |
| Internet                           | 402,010             | 375,055                      | 353,682                  |
| Telephony <sup>(2)</sup>           | 224,278             | 214,900                      | 210,845                  |
| Business                           | 76,948              | 76,761                       | 102,189                  |
| <b>Total Revenue</b>               | <b>1,197,421</b>    | <b>1,018,846</b>             | <b>1,018,846</b>         |

As of January 1, 2009, all revenue from business subscribers to coaxial broadband internet and fixed telephony has been reallocated from Business service revenue to Residential broadband internet and Residential telephony revenue. The purpose of this reallocation is to match revenue with subscriber data since business subscribers to these coaxial products were already counted in the broadband internet and fixed telephony statistics.

For comparative purposes, we have re-presented full year 2008 revenue as follows:

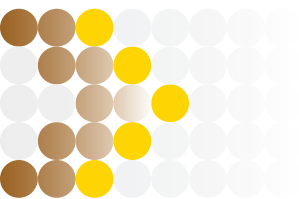
in thousands of euro

|                      | FOR THE YEAR ENDED DEC 31, 2008 |              |                  |
|----------------------|---------------------------------|--------------|------------------|
|                      | AS REPORTED                     | REALLOCATION | AS RE-PRESENTED  |
| Cable television:    |                                 |              |                  |
| Basic Subscribers    | 244,325                         | -            | 244,325          |
| Premium Subscribers  | 77,985                          | -            | 77,985           |
| Distributors/Other   | 29,820                          | -            | 29,820           |
| Residential:         |                                 |              |                  |
| Internet             | 353,682                         | 21,373       | 375,055          |
| Telephony            | 210,845                         | 4,055        | 214,900          |
| Business             | 102,189                         | (25,428)     | 76,761           |
| <b>Total Revenue</b> | <b>1,018,846</b>                | <b>-</b>     | <b>1,018,846</b> |

[1] Basic and premium cable television substantially comprises residential customers, but also includes a small portion of business customers.

[2] Residential telephony revenue also includes interconnection fees generated by business customers.

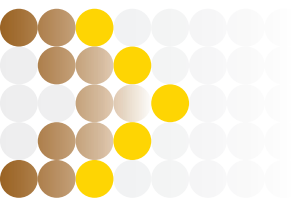




The Company also has deferred revenue as follows:

|                                    | in thousands of euro |                 |                |
|------------------------------------|----------------------|-----------------|----------------|
|                                    | DEC 31, 2009         | DEC 31, 2008    | DEC 31, 2008   |
|                                    |                      | AS RE-PRESENTED | AS REPORTED    |
| Cable television:                  |                      |                 |                |
| Basic Subscribers <sup>(1)</sup>   | 69,539               | 94,956          | 97,011         |
| Premium Subscribers <sup>(1)</sup> | 2,441                | 1,514           | 1,514          |
| Distributors/Other                 | 27,222               | 27,772          | 27,772         |
| Residential:                       |                      |                 |                |
| Internet                           | 10,583               | 10,361          | 10,361         |
| Telephony <sup>(2)</sup>           | 3,154                | 2,871           | 2,871          |
| Business                           | 769                  | 593             | 593            |
| <b>Total Deferred Revenue</b>      | <b>113,708</b>       | <b>138,067</b>  | <b>140,122</b> |
| <b>Current portion</b>             | <b>105,143</b>       | <b>127,363</b>  | <b>129,418</b> |
| <b>Long term portion</b>           | <b>8,565</b>         | <b>10,704</b>   | <b>10,704</b>  |

Deferred revenue is generally fees prepaid by the customers and, as discussed in Note 5.2.8 to the consolidated financial statements of the Company, is recognised in the income statement on a straight-line basis over the related service period.



## 5.19. Expenses by nature

in thousands of euro

|                                                           | NOTE | FOR THE YEARS ENDED |                |
|-----------------------------------------------------------|------|---------------------|----------------|
|                                                           |      | DEC 31, 2009        | DEC 31, 2008   |
| <b>Employee benefits:</b>                                 |      |                     |                |
| Wages, salaries, commissions and social security costs    |      | 105,314             | 107,113        |
| Other employee benefit costs                              |      | 17,736              | 20,006         |
|                                                           |      | <b>123,050</b>      | <b>127,119</b> |
| Depreciation and impairment                               |      | 238,999             | 199,535        |
| Amortisation                                              |      | 55,475              | 54,140         |
| Amortisation of broadcasting rights                       |      | 8,329               | 8,572          |
| Network operating and service costs                       |      | 343,237             | 281,877        |
| Advertising, sales and marketing                          |      | 69,225              | 63,171         |
| Share-based payments granted to directors and employees   |      | 5,067               | 4,614          |
| Non-recurring post-employment benefits                    | 5.16 | 6,571               | -              |
| Operating charges related to acquisitions or divestitures |      | 1,293               | 800            |
| Other costs                                               |      | 47,667              | 40,272         |
| <b>TOTAL COSTS AND EXPENSES</b>                           |      | <b>898,913</b>      | <b>780,100</b> |

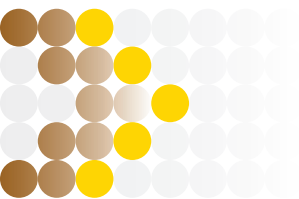
The number of full time equivalents employed by the Company at the year ended December 31, 2009 was 1,887 (2008: 1,597).



## 5.20. Finance income / expense

in thousands of euro

|                                                                      | FOR THE YEARS ENDED |                  |
|----------------------------------------------------------------------|---------------------|------------------|
|                                                                      | DEC 31, 2009        | DEC 31, 2008     |
| <b>// Recognised in profit or loss</b>                               |                     |                  |
| <b>Finance income</b>                                                |                     |                  |
| Interest income on bank deposits and commercial paper                | 974                 | 5,104            |
| Net gain on derivative financial instruments                         | -                   | -                |
| Net foreign exchange gain                                            | 189                 | 511              |
|                                                                      | <b>1,163</b>        | <b>5,615</b>     |
| <b>// Finance expense</b>                                            |                     |                  |
| <b>Interest expense, net</b>                                         |                     |                  |
| Interest expense on financial liabilities measured at amortised cost | (115,243)           | (162,354)        |
| Interest expense on derivatives at fair value through profit or loss | (33,236)            | (13,151)         |
| Interest income on derivatives at fair value through profit or loss  | 19,069              | 17,474           |
| Amortisation of financing cost                                       | (4,551)             | (5,861)          |
|                                                                      | <b>(133,961)</b>    | <b>(163,892)</b> |
| Net loss on derivative financial instruments                         | (20,864)            | (32,986)         |
| Net foreign exchange loss                                            | -                   | -                |
|                                                                      | <b>(154,825)</b>    | <b>(196,878)</b> |
| <b>Net finance expense recognised in profit or loss</b>              | <b>(153,662)</b>    | <b>(191,263)</b> |



## 5.21. Equity accounted investees

The Group's share in the net result of its equity accounted investees for the year was €0.5 million (loss) (2008: 0.4 million (loss)).

In 2009 and 2008 the Group did not receive dividends from any of its investments in equity accounted investees.

The net profit (loss) of the equity accounted investees can be summarized as follows:

|                                                              | OWNERSHIP | TOTAL NET RESULT | GROUP'S SHARE IN THE TOTAL NET RESULT |
|--------------------------------------------------------------|-----------|------------------|---------------------------------------|
| in thousands of euro                                         |           |                  |                                       |
| // 2009                                                      |           |                  |                                       |
| Pebble Media NV                                              | 33.33%    | (1,023)          | (341)                                 |
| Thalys NV                                                    | 20%       | (715)            | (143)                                 |
| <b>Total share of the loss of equity accounted investees</b> |           | <b>(1,738)</b>   | <b>(484)</b>                          |
| // 2008                                                      |           |                  |                                       |
| City Live NV                                                 | 25.68%    | (650)            | (167)                                 |
| Thalys NV                                                    | 20%       | (1,330)          | (266)                                 |
| <b>Total share of the loss of equity accounted investees</b> |           | <b>(1,330)</b>   | <b>(433)</b>                          |

Summarised financial information regarding assets, liabilities and revenue of our main equity accounted investee Pebble Media NV that has been used to account for the Company's share in the net result is detailed in the table below. The amounts mentioned are not adjusted for the percentage ownership held by the Company.

|                          |                                 |
|--------------------------|---------------------------------|
|                          | in thousands of euro            |
|                          | DEC 31, 2009                    |
| Current assets           | 2,633                           |
| Non-current assets       | 142                             |
| <b>Total assets</b>      | <b>2,775</b>                    |
| Current liabilities      | 1,996                           |
| Non-current liabilities  | -                               |
| Equity                   | 779                             |
| <b>Total liabilities</b> | <b>2,775</b>                    |
|                          | in thousands of euro            |
|                          | FOR THE YEAR ENDED DEC 31, 2009 |
| Revenue                  | 4,825                           |
|                          | <b>4,825</b>                    |



## 5.22. Income tax (benefit) / expense

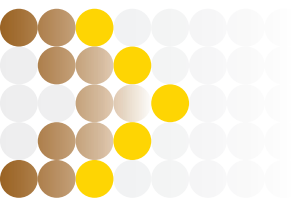
in thousands of euro

|                                            | FOR THE YEAR ENDED |               |
|--------------------------------------------|--------------------|---------------|
|                                            | DEC 31, 2009       | DEC 31, 2008  |
| Current tax expense                        | (829)              | 181           |
| Deferred tax (benefit) expense (Note 5.14) | (87,899)           | 62,089        |
| <b>Income tax (benefit) / expense</b>      | <b>(88,728)</b>    | <b>62,270</b> |

The tax on the Company's profit (loss) before tax differs from the theoretical amount that would arise using the Belgian statutory tax rate applicable to profits (losses) of the consolidated companies as follows:

in thousands of euro

|                                                                                       | NOTE | FOR THE YEAR ENDED |               |
|---------------------------------------------------------------------------------------|------|--------------------|---------------|
|                                                                                       |      | DEC 31, 2009       | DEC 31, 2008  |
| <b>Profit (loss) before tax</b>                                                       |      | <b>144,362</b>     | <b>47,050</b> |
| Income tax expense (benefit) at the Belgian statutory rate of 33.99%                  |      | 49,069             | 15,992        |
| Expenses not deductible for tax purposes                                              |      | 3,393              | 916           |
| Benefit of the investment deduction                                                   |      | (19,203)           | -             |
| Notional interest deduction                                                           |      | (8,336)            | (5,143)       |
| Recognition of previously unrecognised deferred tax assets                            | 5.14 | (124,638)          | (998)         |
| Expiration of tax losses                                                              |      | -                  | 212           |
| Adjustments recognised in the current year in relation to the filings for prior years |      | (8,197)            | (360)         |
| Utilisation of previously unrecognised tax losses                                     |      | (1,069)            | -             |
| Tax losses and temporary differences for which no deferred tax asset was recognised   |      | 16,085             | 51,555        |
| Other                                                                                 |      | 4,168              | 96            |
| <b>Tax expense (benefit) for the year</b>                                             |      | <b>(88,728)</b>    | <b>62,270</b> |



## 5.23. Earnings (loss) per share

### 5.23.1. Basic

The earnings and weighted average number of shares used in calculating basic earnings (loss) per share are:

in thousands of euro, except share and per share data

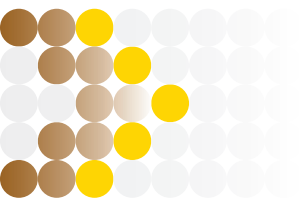
|                                                                                              | FOR THE YEAR ENDED |                    |
|----------------------------------------------------------------------------------------------|--------------------|--------------------|
|                                                                                              | DEC 31, 2009       | DEC 31, 2008       |
| Net profit attributable to the equity holders of the Company                                 | 233,090            | (15,220)           |
| Weighted average number of ordinary shares                                                   | 111,160,918        | 109,851,262        |
| Weighted average number of Class A Profit Certificates                                       | 126,473            | 73,650             |
| Weighted average number of Class B Profit Certificates                                       | 67,562             | 56,582             |
| <b>Weighted average number of shares used in the calculation of basic earnings per share</b> | <b>111,354,953</b> | <b>109,981,494</b> |
| <b>Basic earnings (loss) per share in €</b>                                                  | <b>2.09</b>        | <b>(0.14)</b>      |

### 5.23.2. Diluted

Diluted earnings (loss) per share are calculated by using the treasury stock method by adjusting the weighted average number of shares used in the calculation of basic earnings per share to assume full conversion of all dilutive potential ordinary shares. During the year ended December 31, 2009, the Company had eight categories of dilutive potential ordinary shares:

- Class A Options
- Class B Options
- Stock Option Plan 2007
- Stock Option Plan 2007bis
- Stock Option Plan 2007ter
- Stock Option Plan 2007quater
- Stock Option Plan 2008
- Stock Option Plan 2009





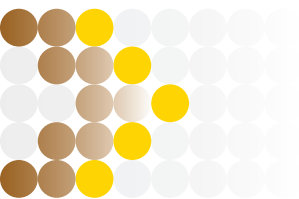
During the year ended December 31, 2008, the Company had six categories of dilutive potential ordinary shares:

- Class A Options
- Class B Options
- Stock Option Plan 2007
- Stock Option Plan 2007bis
- Stock Option Plan 2007ter
- Stock Option Plan 2008

The earnings (loss) used in the calculation of diluted earnings (loss) per share measures are the same as those for the basic earnings (loss) per share measures, as outlined above.

(in thousands of euro, except share and per share data)

|                                                                                                | FOR THE YEAR ENDED |                    |
|------------------------------------------------------------------------------------------------|--------------------|--------------------|
|                                                                                                | DEC 31, 2009       | DEC 31, 2008       |
| Weighted average number of shares used in the calculation of basic earnings per share          | 111,354,953        | 109,981,494        |
| Adjustment for:                                                                                |                    |                    |
| Class A Options                                                                                | 386,785            | -                  |
| Class B Options                                                                                | 157,794            |                    |
| Esop 2007 bis Options                                                                          | 56,418             |                    |
| Esop 2007 ter Options                                                                          | 590                | -                  |
| <b>Weighted average number of shares used in the calculation of diluted earnings per share</b> | <b>111,956,540</b> | <b>109,981,494</b> |
| <b>Diluted earnings (loss) per share in €</b>                                                  | <b>2.08</b>        | <b>(0.14)</b>      |



## 5.24. Acquisitions of subsidiaries

### 5.24.1. Acquisition of Interkabel

Telenet acquired from the PICs, effective October 1, 2008, certain cable television assets (Interkabel), including (i) substantially all of the rights that Telenet did not already hold to use the broadband communications network owned by the PICs (the Telenet PICs Network) and (ii) the analog and digital television activities of the PICs, including the entire subscriber base (together with the acquisition of the rights to use the Telenet PICs Network, the Interkabel Acquisition). Telenet had previously acquired in 1996 the exclusive right to provide point-to-point services, including broadband internet and telephony services, and the right to use a portion of the capacity of the Telenet PICs Network.

In connection with the Interkabel Acquisition, (i) Telenet paid net cash consideration of €224.9 million before working capital adjustments and direct acquisition costs and (ii) entered into a long-term lease of the Telenet PICs Network. The €224.9

million of cash consideration includes €8.3 million representing compensation to the PICs for the acquisition of certain equipment and other rights, net of compensation to Telenet for the transfer of certain liabilities to Telenet. In addition, the PICs paid Telenet cash of €27.0 million during the fourth quarter of 2008 in connection with certain working capital adjustments. Telenet incurred €2.7 million of direct acquisition costs associated with this transaction.

Telenet accounted for the Interkabel Acquisition using the purchase method of accounting, whereby the total purchase price has been allocated to the acquired identifiable net assets based on assessments of their respective fair values, and the excess of the purchase price over the fair values of these identifiable net assets was allocated to goodwill. The purchase price allocation, as reflected in the consolidated financial statements as of and for the year ended December 31, 2008, was preliminary and subject to adjustment based on Telenet's final assessment of the fair values of the acquired identifiable assets and liabilities.

In the course of 2009, the Company finalized its allocation of the consideration paid over the acquired identifiable net assets as follows:

|                                      | in thousands of euro               |                                      |
|--------------------------------------|------------------------------------|--------------------------------------|
|                                      | FINAL PURCHASE<br>PRICE ALLOCATION | INITIAL PURCHASE<br>PRICE ALLOCATION |
| Current assets, net of cash acquired | 500                                | 500                                  |
| Property and equipment               | 195,532                            | 195,532                              |
| Intangible assets                    | 160,958                            | 196,200                              |
| Non-current assets                   | 10,402                             | 9,620                                |
| Liabilities assumed                  | (300,354)                          | (286,471)                            |
| Goodwill                             | 133,569                            | 85,226                               |
| <b>Total cash consideration paid</b> | <b>200,607</b>                     | <b>200,607</b>                       |

As a result of the finalization of the purchase price allocation in 2009, goodwill was adjusted with €48.3 million.



### 5.24.2. Other acquisitions

#### Acquisition of Hostbasket NV

On January 7, 2008, Telenet acquired all of the shares in Hostbasket NV ("Hostbasket"), a leading Belgian hosting provider in the SME market. Hostbasket was founded in 2000 and privately held. In 2005, Hostbasket was awarded "EMEA service provider of the Year" by Microsoft. Hostbasket has built its market leader position through its comprehensive partner and reseller channel, its in-depth technological and market expertise, and a unique – internally developed – extremely

scalable and flexible hosting platform. Hostbasket's activities mainly consist of domain name registration, e-mail hosting and website hosting. The agreed purchase price consists of a fixed amount €4.7 million at closing and an earn-out amount based on EBITDA and revenue targets for 2008 and 2009.

During 2008, the Company finalized its allocation of the consideration paid over the net assets as follows:

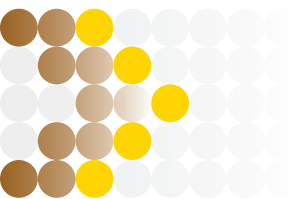
| in thousands of euro                 |              |
|--------------------------------------|--------------|
|                                      |              |
| Current assets, net of cash acquired | 882          |
| Property and equipment               | 1,343        |
| Intangible assets                    | 1,855        |
| Non-current assets                   | 258          |
| Liabilities assumed                  | (5,032)      |
| Goodwill                             | 5,018        |
| <b>Total cash consideration paid</b> | <b>4,324</b> |

Based on the achievement of the earn-out criteria related to EBITDA and revenue targets for 2008 and 2009 as foreseen in the purchase agreement, an additional consideration of €0.6 million will be paid, of which € 0.4 million was already accrued

in 2008. As a result of this earn-out, the total consideration and allocation over the assets and liabilities can be summarized as follows:

| in thousands of euro                 |              |
|--------------------------------------|--------------|
|                                      |              |
| Current assets, net of cash acquired | 882          |
| Property and equipment               | 1,343        |
| Intangible assets                    | 1,855        |
| Non-current assets                   | 258          |
| Liabilities assumed                  | (5,032)      |
| Goodwill                             | 5,256        |
| <b>Total purchase consideration</b>  | <b>4,562</b> |

This additional consideration results in an increase of goodwill of €0.2 million.



### Pebble Media NV

On January 22, 2009, Telenet NV invested in the equity of a new company, Pebble Media NV, together with Vlaamse Audiovisuele Regie (VAR) NV and Concentra Media NV. The VAR is a subsidiary of the Flemish public broadcaster VRT and manages the advertising strategy of the various public radio and television brands. The Concentra Group publishes various national, regional and specialized newspapers and magazines and owns three regional television stations. Telenet NV holds 33.33% of the voting and dividend rights in this venture. Telenet's share in the capital of Pebble Media NV amounts to €0.7 million of which €0.6 million was effectively paid. This joint-venture is active in intermediation services for the sale of online advertising space and also offers certain ancillary online advertising services. Pebble Media NV is accounted for using the equity method.

### Acquisition of BelCompany Belgium NV

On June 30, 2009, Telenet acquired the BelCompany stores and points of sale in Belgium, the second largest independent supplier of mobile telecom and related products in Belgium. Its range comprises the latest products and the widest possible choice of mobile phones, subscriptions, accessories and pre-paid products of all brands, as well as internet products. BelCompany stores are situated at prime locations in all medium-sized and large cities, thus operating near the customer. The agreed purchase price amounts to €6.1 million and a success / retention fee for 2009. Telenet capitalised €0.6 million of direct acquisition costs associated with the transaction.

As at December 31, 2009, the Company has not yet finalized its allocation of the consideration paid over the net assets. As a result, the consideration paid was allocated in first instance fully to goodwill on acquisition. The preliminary effect of the acquisition on the Company's assets and liabilities can thus be summarized as follows:

|                                      | in thousands of euro |
|--------------------------------------|----------------------|
| Current assets, net of cash acquired | 5,977                |
| Property and equipment               | 1,633                |
| Intangible assets                    | -                    |
| Non-current assets                   | -                    |
| Liabilities assumed                  | (6,566)              |
| Goodwill                             | 5,524                |
| <b>Total purchase consideration</b>  | <b>6,568</b>         |



## 5.25. Non cash investing and financing transactions

|                                                                                 | in thousands of euro |              |
|---------------------------------------------------------------------------------|----------------------|--------------|
|                                                                                 | FOR THE YEAR ENDED   |              |
|                                                                                 | DEC 31, 2009         | DEC 31, 2008 |
| Acquisition of property and equipment in exchange for capital lease obligations | 17,654               | 7,665        |

## 5.26. Commitments and contingencies

### 5.26.1. Pending litigations

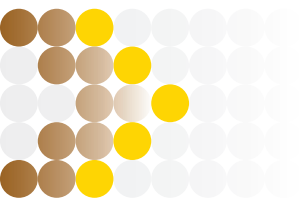
We are involved in a number of legal proceedings that have arisen in the ordinary course of our business. We discuss below certain pending lawsuits in which we are involved, which may or have had in the recent past significant effects on our financial position or profitability. Other than as discussed below, we do not expect the legal proceedings in which we are involved or with which we have been threatened to have a material adverse effect on our business or consolidated financial position. We note, however, that the outcome of legal proceedings can be extremely difficult to predict with certainty, and we offer no assurances in this regard.

#### **Litigation concerning the in-principle agreement concluded between Telenet and the pure intercommunal cable operators, Interkabel and IN.DI (together the "PICs")**

On November 26, 2007, Telenet and the PICs announced a non-binding agreement-in-principle to transfer the analog and digital television activities of the PICs, including all existing subscribers to Telenet. Subsequently, Telenet and the PICs entered into the 2008 PICs Agreement, which closed effective October 1, 2008. Beginning in December 2007, Belgacom NV/SA (Belgacom), the incumbent telecommunications operator in Belgium, instituted several proceedings seeking to block implementation of these agreements. It lodged summary proceedings with the President of the Court of First Instance of

Antwerp to obtain a provisional injunction preventing the PICs from effecting the agreement-in-principle and initiated a civil procedure on the merits claiming the annulment of the agreement-in-principle. In March 2008, the President of the Court of First Instance of Antwerp ruled in favor of Belgacom in the summary proceedings, which ruling was overturned by the Court of Appeal of Antwerp in June 2008. Belgacom has brought this appeal judgment before the Cour de Cassation (Belgian Supreme Court), which could overrule the appeal judgment, but only on matters of law or procedure. On April 6, 2009, the Court of First Instance of Antwerp ruled in favor of the PICs and Telenet in the civil procedure on the merits, dismissing Belgacom's request for the rescission of the agreement-in-principle and the 2008 PICs Agreement. On June 12, 2009, Belgacom appealed this judgment with the Court of Appeal of Antwerp. In this appeal, Belgacom is now also seeking compensation for damages should the 2008 PICs Agreement not be rescinded. The claim for compensation is however not yet quantified. At the introductory hearing, which was held on September 8, 2009, the proceedings on appeal were postponed indefinitely at the request of Belgacom.

In parallel with the above proceedings, Belgacom filed a complaint with the Government Commissioner seeking suspension of the approval by the PICs' board of directors of the agreement-in-principle and initiated suspension and annulment procedures before the Council of State against these approvals and subsequently against the Board resolutions of the PICs approving the 2008 PICs Agreement. Belgacom's efforts to suspend approval of these agreements were unsuccessful. Final judgment in the Council of State annulment case with respect to the Board resolution of the PICs approving the November 2007 agreement-in-principle is expected to take more than one year.



It is possible that Belgacom will initiate further legal proceedings in an attempt to block the integration of the PICs' analog and digital television activities or obtain the rescission of the 2008 PICs Agreement. No assurance can be given as to the outcome of the ongoing or other Belgacom proceedings. However, an unfavorable outcome of existing or future Belgacom proceedings could potentially lead to a rescission of the 2008 PICs Agreement and/or an obligation for Telenet to pay compensation for damages, subject to the relevant provisions of the 2008 PICs Agreement.

#### **Litigation between Telenet and the PICs concerning interactive television services in certain service areas**

In 2007, Telenet and the PICs were discussing the PICs' desire to provide video-on-demand and related digital interactive services over the Telenet PICs Network. These discussions were complicated by differences in the parties' interpretation of the precise scope of the long-term exclusive right to provide point-to-point services over the Telenet PICs Network that the PICs contributed to Telenet in exchange for stock in 1996. Telenet learned that the PICs intended to launch certain digital interactive services in breach of Telenet's exclusive right to provide point-to-point services on the Telenet PICs Network and therefore lodged summary proceedings with the President of the Court of First Instance of Brussels to protect its rights. On July 5, 2007, the President issued an injunction, prohibiting the PICs from offering video-on-demand and other interactive services on the Telenet PICs Network.

The PICs appealed the court decision on July 28, 2007. If the appeal were to be determined in a manner unfavorable to Telenet, Telenet's operations and revenue are likely to be adversely affected, although the extent of such adverse effect is difficult to predict at this time. However, in view of the final agreements that Telenet concluded with the PICs in the meanwhile concerning the takeover of the cable television activities of the PICs, the appeal has become without object.

#### **Interconnection litigation**

We have been involved in regulatory and court proceedings with Belgacom related to the increased interconnection fees that we began charging telephone operators to terminate calls made to receivers on the Combined Network in August 2002. Traditionally, interconnection fees between fixed line telephony operators had been charged on a reciprocal basis—the interconnection termination rates that Belgacom charged us were the same as

the interconnection termination rates we charged Belgacom. This fee arrangement made it difficult for us to provide telephony services at a profitable level, because we did not have the benefit of scale to be able to achieve the same unit cost as Belgacom. We requested permission from the BIPT to increase our domestic and international interconnection rates.

On August 12, 2002, Belgacom increased the retail tariffs that it charges its telephony subscribers calling Telenet numbers to reflect our increased termination rates. In a series of rulings in June and August of 2002, the regulator of the Belgian telephony industry, the Belgian Institute for Postal Services and Telecommunications (*Belgisch Instituut voor Postdiensten en Telecommunicatie*) (the "BIPT"), approved, under protest of Belgacom, our request to increase the rates we charge other telephone operators to terminate domestic calls on the Combined Network. We raised our interconnection termination rates for inbound domestic calls on August 13, 2002, from €0.009 to €0.0475 and Belgacom appealed the BIPT's decision to the Council of State, the highest administrative court in Belgium.

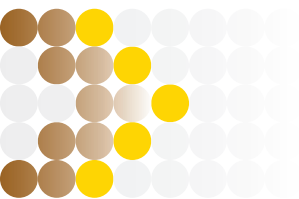
On July 3, 2002, the Council of State rejected an emergency request from Belgacom to suspend the implementation of the increased interconnection termination rate. In the meantime the auditor of the Council of State has advised the Council on the merits of the case to annul the BIPT decision as it was not sufficiently motivated. Belgacom has filed a compensation claim of €75 million before the Court of First Instance in Brussels. A hearing was held on January 26th 2009 and the final judgment by the Council of State is to be expected in 2010.

Separately, Belgacom challenged the higher rates before the commercial court (*Rechtbank van Koophandel*) of Mechelen, alleging that the new rates constituted abusive pricing.

The court found no indication that Telenet's interconnection tariffs breached the unfair trade practices law, competition law or pricing regulations as alleged by Belgacom. The court decided that the only potential claim of Belgacom was limited to a contractual claim, making the commercial court of Mechelen not competent to rule over this claim. As a result, the court dismissed the claim. The Court of Appeal of Antwerp rejected Belgacom's appeal of this decision on March 17, 2005.

In February 2006, Belgacom brought the case before the Belgian Supreme Court (Hof van Cassatie). The Court of Cassation has annulled the BIPT decision on May 29. The case will now be referred to the Court of Appeal in Gent. We don't





expect any material impact as the initial cease and desist order by Belgacom is no longer relevant.

If Belgacom would be successful in its claim, it is possible that Telenet would be required to refund the excess amounts that we have collected since August 2002, which would result in a substantial liability.

However independent legal advice obtained by the Company has concluded that the probability of a retroactive claim is remote. In addition, a new article has been included into the Belgian Telecommunications Act, allowing the Regulator to repair annulled BIPT decisions retro-actively, which could be in Telenet's advantage if the 2002 BIPT decision were indeed annulled by the Council of State.

Following the transposition of the new European regulatory framework in Belgian law, the BIPT decided to implement a three year gliding path to near reciprocity starting on January 1, 2007.

In October 2006, Belgacom submitted an appeal to the Court of Appeal in Brussels arguing for a faster reduction in our interconnection rates. Telenet has also launched an appeal with the Brussels Court of Appeal arguing that the reduction in our interconnection rates should be cost oriented. If Belgacom should be successful in this appeal, we could be required to pay back part of our interconnection revenues, leading to a substantial liability. However independent legal advice obtained by the Company has concluded that the probability of a retroactive claim is remote. In addition, a new article has been included into the Belgian Telecommunications Act, allowing the Regulator to repair annulled BIPT decisions retro-actively, which could be in Telenet's advantage if the 2006 BIPT decision on the three year glide path were indeed annulled by the Court of Appeal.

### Copyright litigation

In 2006, Telenet started a judicial procedure against some collection agencies.

This procedure is related to a discussion between Telenet and these collection agencies about the payment – by Telenet – of fees for copyrights and neighbouring rights in case of (i) simulcast, (ii) direct injection and (iii) all rights included contracts.

As of December 31, 2009, we retained an accrual of €2.4 million for claims of collection agencies and / or certain broadcasters (which were not directly injected in Telenets cable network and with whom Telenet has no all rights included contracts until December 31, 2009).

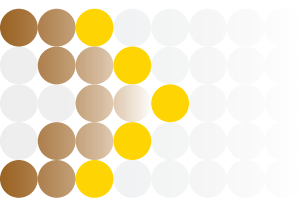
In November 2002, we, together with other Belgian cable operators, began to reach settlements with the copyright agencies and broadcasters pursuant to which we agreed to make certain upfront payments as well as to make increased payments over time. Consequently, in August 2003, we increased the copyright fee we charge our subscribers.

The amounts that we expect to pay as a result of these settlements have been accrued for in our financial statements.

We remain involved in one further case involving copyright claims. In July 2004, the Association for the Collection, Distribution and Protection of the Rights of the Artists, Interpreters and Performers (CVBA Vereniging voor de inning, repartitie en de verdediging van de vertolkende en uitvoerende kunstenaars) ("Uradex") filed a claim against the Belgian Radio and Television Distributors Association (Beroepsvereniging voor Radio- en Televisiedistributie / Union professionnelle de radio et de télédistribution) (the "RTD", renamed afterwards to "Cable Belgium") for €55 million plus interest concerning neighboring rights owed by the members of the RTD to artists and performers represented by Uradex during the period from August 1994 through the end of July 2004 (the "Period"). Based on our market share during the Period, we estimate that we would be liable for approximately €24 million plus interest if Uradex received a judgment for the full amount of its claim. We dispute Uradex's claims and intend to defend the lawsuit vigorously through the RTD. Although we cannot provide assurance that this claim will be unsuccessful, based on our assessment of our potential liability, we have not accrued or reserved any amounts for this claim.

### Equipment supplier litigation

On November 30, 2005, we terminated our agreement with M-Tec NV, a network equipment supplier, for the delivery of amplifiers for use in our Expressnet upstream upgrade project, following persistent issues with the quality of the equipment delivered by M-Tec. Separately, we provisioned expenses resulting from our decision to write off certain equipment delivered by M-Tec during the 2005. Following our termination of M-Tec's contract, M-Tec filed litigation against Telenet,



claiming €1.6 million for unpaid invoices and €5.0 million in damages for unlawful termination. The Court of First Instance has awarded M-Tec €287,356 plus interest and costs, which Telenet paid into a blocked account. In a second proceeding before the Court of First Instance, M-Tec is claiming a further €396,520 for unpaid invoices, the judgment for which remains pending. A former supplier of M-Tec for the Expressnet contract, Unitron NV, also initiated proceedings against Telenet. Unitron has significant outstanding invoices owed by M-Tec for the delivery of Expressnet equipment and aims to recover these directly from Telenet. Telenet filed an appeal against the judgment of the Court of First Instance on September 25, 2006, the Court of Appeal of Antwerp revoked the previous judgment that was against Telenet in Telenet's favor. Following this, sums previously paid by Telenet on the basis of the first judgment were restituted. Two judicial experts - one technical, one financial - have been appointed by the Court of Appeal to investigate the underlying facts of the case. The technical expert started his work. The first phase consisted of an inventory of all delivered products. The second phase will focus on the acceptance testing and criteria in order to determine whether the products were fit for the purpose for which they

were destined. The technical expert however has stopped work as he found the mandate of the Court was unclear with regard to his objectives. The decision of the Court of Appeal is pending in this matter. Meanwhile Telenet proceeded with a conservatory seizure of funds on the bank accounts of M-Tec. This has been contested successfully by M-Tec in first instance, but was won in appeal by Telenet. On March 4, 2010, the Belgian Supreme Court ruled that the Court of Appeal of Antwerp unjustly revoked the decision of the Court of First Instance of 2006 to award judicial protection to M-Tec. The case will be heard by a different Court of Appeal.

### 5.26.2. Operating leases

The Company leases facilities, vehicles and equipment under cancellable and non-cancellable operating leases. The following schedule details, at December 31, 2009 and 2008, the future minimum lease payments under cancellable and non-cancellable operating leases:

|                                                                    | in thousands of euro |               |
|--------------------------------------------------------------------|----------------------|---------------|
|                                                                    | DEC 31, 2009         | DEC 31, 2008  |
| Within one year                                                    | 12,237               | 9,083         |
| In the second to fifth year, inclusive                             | 25,838               | 15,441        |
| Thereafter                                                         | 1,321                | 2,617         |
| <b>Total minimum lease payments</b>                                | <b>39,396</b>        | <b>27,141</b> |
| <b>Minimum lease payments recognised as an expense in the year</b> | <b>26,340</b>        | <b>25,722</b> |



## 5.27. Related parties

The related parties of the Company mainly comprise its shareholders that have the ability to exercise significant influence or control. This consisted of the Liberty Global Consortium for both 2009 and 2008. The 2009 figures also include transactions with Pebble Media NV.

The following tables summarize material related party balances and transactions for the period:

### 5.27.1. Balance sheet

|                                        | in thousands of euro |              |
|----------------------------------------|----------------------|--------------|
|                                        | DEC 31, 2009         | DEC 31, 2008 |
| Trade receivables                      | 612                  | -            |
| Trade payables and accrued liabilities | 413                  | 239          |

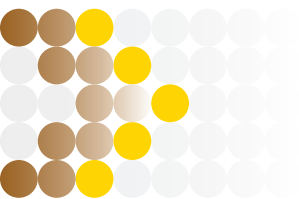
### 5.27.2. Income statement

|                        | in thousands of euro |              |
|------------------------|----------------------|--------------|
|                        | FOR THE YEAR ENDED   |              |
|                        | DEC 31, 2009         | DEC 31, 2008 |
| <b>Operating</b>       |                      |              |
| Revenue                | 1,548                | -            |
| Operating expenses     | (752)                | (481)        |
| Other operating income | 57                   | 164          |

### 5.27.3. Key management compensation

For purpose of this footnote, key management is identified as people involved in strategic orientation of this firm.

|                                                     | in thousands of euro |              |
|-----------------------------------------------------|----------------------|--------------|
|                                                     | FOR THE YEAR ENDED   |              |
|                                                     | DEC 31, 2009         | DEC 31, 2008 |
| Salaries and other short-term employee benefits     | 5,945                | 4,655        |
| Post-employment benefits                            | 201                  | 168          |
| Share-based payments (compensation cost recognized) | 2,416                | 1,626        |
|                                                     | <b>8,562</b>         | <b>6,449</b> |



## 5.28. Subsidiaries

Details of the Company's significant subsidiaries as of December 31, 2009 are as follows:

| Company                                    | National Number | Address                                                 | % Held              | Consolidation Method |
|--------------------------------------------|-----------------|---------------------------------------------------------|---------------------|----------------------|
| <b>Telenet Group Holding NV</b>            | 0477,702,333    | Liersesteenweg 4.<br>2800 Mechelen. Belgium             | -                   | Parent company       |
| <b>Telenet Communications NV</b>           | 0473,416,814    | Liersesteenweg 4.<br>2800 Mechelen. Belgium             | 100%                | Fully consolidated   |
| <b>Telenet BidCo NV</b>                    | 0473,416,418    | Liersesteenweg 4.<br>2800 Mechelen. Belgium             | 100%                | Fully consolidated   |
| <b>Telenet NV</b>                          | 0439,840,857    | Liersesteenweg 4.<br>2800 Mechelen. Belgium             | 100% <sup>(1)</sup> | Fully consolidated   |
| <b>Telenet Vlaanderen NV</b>               | 0458,840,088    | Liersesteenweg 4.<br>2800 Mechelen. Belgium             | 100%                | Fully consolidated   |
| <b>Telenet Solutions<br/>Luxembourg SA</b> | 1,999,223,4426  | Rue de Neudorf 595.<br>L-2220 Luxembourg.<br>Luxembourg | 100%                | Fully consolidated   |
| <b>Hostbasket NV</b>                       | 0472,225,692    | Antwerpsesteenweg 19.<br>9080 Lochristi. Belgium        | 100% <sup>(2)</sup> | Fully consolidated   |
| <b>T-VGAS NV</b>                           | 0808,321,289    | Ballaerstraat 99.<br>2018 Antwerpen. Belgium            | 90% <sup>(3)</sup>  | Fully consolidated   |
| <b>Telenet Mobile NV</b>                   | 0813,219,195    | Zandvoortstraat 5.<br>2800 Mechelen. Belgium            | 100% <sup>(4)</sup> | Fully consolidated   |

## 5.29. Subsequent events

There were no significant events subsequent to December 31, 2009, that would require adjustment to or disclosure in the accounting data included in this Annual Report.

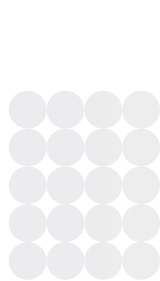
[1] In order to simplify the internal corporate structure of the Company and to align the corporate structure with the operating functioning of the Company, on February 1, 2008 Telenet NV merged with UPC Belgium NV with effect from January 1, 2008 (with Telenet NV as surviving entity).

[2] On January 7, 2008 Telenet NV acquired Hostbasket NV as a 100% owned subsidiary. On December 24, 2008 Telenet NV has transferred one share of Hostbasket NV to Telenet Group Holding NV. See also Note 5.23.2 of the consolidated financial statements of the Company

[3] On December 9, 2008 Telenet NV incorporated a new company, T-VGAS NV. Telenet NV holds 90% of the economic interests in this venture. An individual, Frank Molnar, holds 10% of the economic interests. Telenet holds 100% of the ordinary shares issued and Frank Molnar holds profit certificates corresponding to a 10% economic interest.

[4] On June 23, 2009, Telenet Mobile NV was incorporated within the Telenet group as a 100% owned subsidiary.





## 5.30. External audit

(all amounts in euro)

The general shareholders' meeting of May 29, 2008 appointed KPMG Bedrijfsrevisoren CVBA ("KPMG"), represented by Jos Briers, as statutory auditor of the Company for a period of three years.

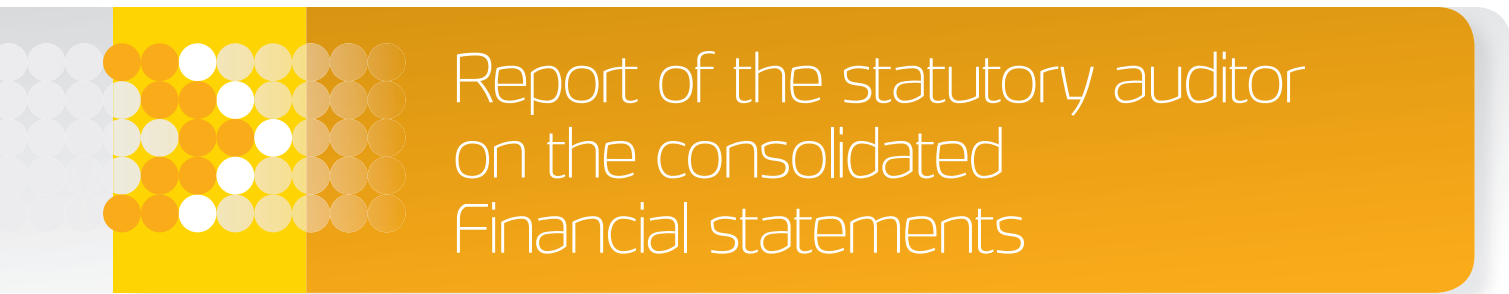
The general shareholders' meeting determined the fee of KPMG Bedrijfsrevisoren CVBA for the audit of the consolidated financial statements of Telenet Group Holding NV and the audit of the statutory financial statements of Telenet Group Holding NV and its subsidiaries, excluding Hostbasket NV, T-VGAS NV and Telenet Mobile NV, at €499,650.

The general shareholders' meeting of Hostbasket NV, held on June 19, 2008, appointed KPMG Bedrijfsrevisoren CVBA, represented by Jos Briers, as statutory auditor of Hostbasket NV for a period of three years. The fee of KPMG Bedrijfsrevisoren for the audit of the statutory financial statements of Hostbasket NV amounts to €10,000.

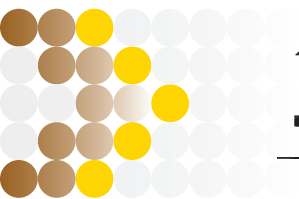
Upon the incorporation of T-VGAS NV on December 9, 2008, KPMG Bedrijfsrevisoren CVBA, represented by Jos Briers, was appointed as statutory auditor of T-VGAS NV for a period of three years, with the first statutory accounting period ending on December 31, 2009. The fee of KPMG Bedrijfsrevisoren CVBA for the audit of the statutory financial statements of T-VGAS NV amounts to €6,000.

Upon the incorporation of Telenet Mobile NV on June 23, 2009, KPMG Bedrijfsrevisoren CVBA, represented by Jos Briers, was appointed as statutory auditor of Telenet Mobile NV for a period of three years. Telenet Mobile NV's first statutory accounting period will end on 31 December 2010.

Fees paid to KPMG for other engagements prescribed by Belgian Company Law amounted to €6,900 for the year ended December 31, 2009. Fees paid to KPMG for engagements other than those described above amounted to €88,620 for the year ended December 31, 2009. These related primarily to additional audit-related services to Telenet NV.



Report of the statutory auditor  
on the consolidated  
Financial statements



# 1

## STATUTORY AUDITOR'S REPORT TO THE GENERAL MEETING OF SHAREHOLDERS OF TELENET GROUP HOLDING NV ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31 2009



In accordance with legal and statutory requirements, we report to you on the performance of our audit mandate. This report includes our opinion on the consolidated financial statements together with the required additional comment and information.

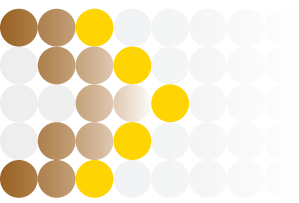
### **Unqualified audit opinion on the consolidated financial statements**

We have audited the consolidated financial statements of Telenet Group Holding NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated accounts comprise the consolidated statement of financial position as of 31 December 2009 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, as well as the summary of significant accounting policies and the other explanatory information. The total of the consolidated statement of financial position amounts to EUR'000 3.273.245 and the consolidated statement of comprehensive income shows a profit for the year of EUR'000 233.090.

The board of directors of the company is responsible for the preparation of the consolidated financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing, legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Réviseurs d'Entreprises/Instituut der Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. We have also evaluated the appropriateness of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the consolidated financial statements, taken as a whole. Finally, we have obtained from management



and responsible officers of the company the explanations and information necessary for our audit. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the group's net worth and financial position as of 31 December 2009 and of its results and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

#### **Additional comment and information**

The preparation of the management report on the consolidated financial statements and its content are the responsibility of the board of directors.

Our responsibility is to supplement our report with the following additional comment and information, which does not modify our audit opinion on the financial statements:

- The management report on the consolidated financial statements includes the information required by law and is consistent with the consolidated financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the group is facing, and on its financial situation, its foreseeable evolution or the significant influence of certain facts on its future development. We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our mandate.
- As disclosed in the notes to the consolidated financial statements, the accounting policies applied when preparing these consolidated financial statements have been modified compared to the previous year.

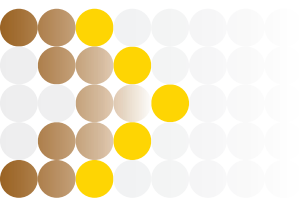
Brussels, March 24, 2010

KPMG Bedrijfsrevisoren - Réviseurs d'Entreprises  
Statutory auditor  
represented by

Jos Briers

Réviseur d'Entreprises / Bedrijfsrevisor





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## Abridged annual report of the board of directors to the annual general meeting of shareholders

This section contains an abridged version of the statutory (non-consolidated) annual accounts and annual report of Telenet Group Holding NV (TGH).

The auditor issued an unqualified opinion on the 2009 Telenet Group Holding NV statutory annual accounts for Telenet Group Holding NV for the year ended on December 31, 2009. The second part of the audit report also includes the additional paragraph similar to that included in the auditor's report on the consolidated financial statements, as well as a number of specific paragraphs in respect of procedures in the context of article 523 of the Belgian Company Code (conflict of interest reported by members of the Board of Directors).

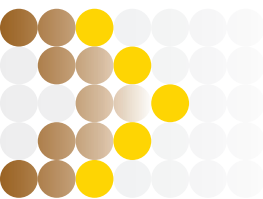
The full version of the annual accounts will be filed with the National Bank of Belgium and are available on the Company's website (<http://investors.telenet.be>).

in thousands of euro

|                                           | DEC 31, 2009     | DEC 31, 2008     |
|-------------------------------------------|------------------|------------------|
| <b>// Assets</b>                          |                  |                  |
| <b>Non-current assets:</b>                |                  |                  |
| Formation expenses                        | -                | 2,976            |
| Financial assets                          | 1,555,300        | 1,558,539        |
| <b>Total non-current assets</b>           | <b>1,555,300</b> | <b>1,561,515</b> |
| <b>Current assets:</b>                    |                  |                  |
| Amounts receivable after more than 1 year | -                | -                |
| Amounts receivable within 1 year          | 8,559            | 531              |
| Other investments and deposits            | -                | 10,000           |
| Cash at bank and in hand                  | 1,905            | 2,435            |
| Deferred charges and accrued income       | 214              | 227              |
| <b>Total current assets</b>               | <b>10,678</b>    | <b>13,193</b>    |
| <b>TOTAL ASSETS</b>                       | <b>1,565,978</b> | <b>1,574,708</b> |

in thousands of euro

|                                        | DEC 31, 2009     | DEC 31, 2008     |
|----------------------------------------|------------------|------------------|
| <b>// Equity and Liabilities</b>       |                  |                  |
| <b>Equity:</b>                         |                  |                  |
| Capital                                | 1,041,812        | 1,089,599        |
| Share premium account                  | 62,805           | 62,573           |
| Reserves                               | 360              | 1,067            |
| Accumulated losses                     | (116,381)        | (76,546)         |
| <b>Total equity</b>                    | <b>988,596</b>   | <b>1,076,693</b> |
| <b>Liabilities:</b>                    |                  |                  |
| Amounts payable after more than 1 year | 576,629          | 497,189          |
| Amounts payable within 1 year          | 753              | 826              |
| Accrued charges and deferred income    | -                | -                |
| <b>Total liabilities</b>               | <b>577,382</b>   | <b>498,015</b>   |
| <b>TOTAL EQUITY AND LIABILITIES</b>    | <b>1,565,978</b> | <b>1,574,708</b> |



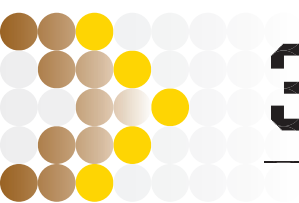
# 2

## ABRIDGED NON-CONSOLIDATED INCOME STATEMENT

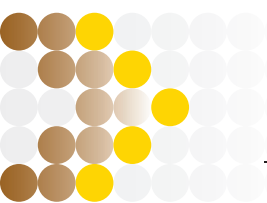
in thousands of euro

|                                         | FOR THE YEAR ENDED |                 |
|-----------------------------------------|--------------------|-----------------|
|                                         | DEC 31, 2009       | DEC 31, 2008    |
| Operating income                        | -                  | -               |
| Operating expenses                      | (3,236)            | (5,322)         |
| <b>Operating profit/(loss)</b>          | <b>(3,236)</b>     | <b>(5,322)</b>  |
| Finance income/(expenses)               | (41,864)           | (38,168)        |
| Extraordinary income/(expenses)         | 5,265              | -               |
| <b>Profit/(Loss) to be appropriated</b> | <b>(39,835)</b>    | <b>(43,490)</b> |





|                                                                                 | IN THOUSANDS OF<br>EURO | NUMBER OF SHARES   |
|---------------------------------------------------------------------------------|-------------------------|--------------------|
| // Issued capital                                                               |                         |                    |
| <b>January 1, 2009</b>                                                          | <b>1,089,599</b>        | <b>110,299,104</b> |
| 09/04/2009 Capital increase conversion of profit certificates B                 | 34                      | 5,392              |
| 26/05/2009 Capital increase conversion of profit certificates A + B             | 7,576                   | 1,407,859          |
| 28/05/2009 Capital decrease                                                     | (55,856)                | -                  |
| 12/10/2009 Capital increase conversion of profit certificates B + warrants 2007 | 459                     | 49,311             |
| <b>December 31, 2009</b>                                                        | <b>1,041,812</b>        | <b>111,761,666</b> |
| // Composition of the capital                                                   |                         |                    |
| Dispreference shares                                                            | 15,521                  | 1,665,087          |
| Golden shares                                                                   | -                       | 30                 |
| Ordinary shares without nominal value                                           | 1,026,290               | 110,096,549        |



# 4

## ACCOUNTING POLICIES

### 4.1. General

The Accounting Policies have been determined in accordance with the conditions of Chapter II of the Royal Decree of January 30, 2001 on the financial statements of companies.

Every component of the assets is valued individually. Depreciation was calculated on an annual basis up to 2001 and on a monthly basis from 2002 onwards. As a general rule, each component of the assets is valued at its acquisition cost, and shown in the balance sheet at that amount, minus any depreciation or write-downs. The amounts receivable are also shown, in principle, at their nominal value.

### 4.2. Specific accounting policies

#### 4.2.1. Formation expenses

These expenses are shown at their acquisition value and amortised using the straight –line method over 4 years. Expenses for formation and capital increase in foreign currency are kept at the historic exchange rate. That value is used for the calculation of amortization and write-downs.

The capitalised issue expenses relating to the Senior Discount Notes and the Senior Notes were spread over the term of the loan and included in the result in proportion to the monthly amount of interest.

#### 4.2.2. Financial assets

Investments are recorded at their acquisition value. For the holdings and shares held recorded under the heading “Financial fixed assets”, an impairment loss is accounted for in case of permanent capital loss or decline in value, justified by the situation, profitability or outlook of the company in which the shares are held.

#### 4.2.3. Amounts receivable within one year

Amounts receivable are recorded on the balance sheet at their nominal value. An appropriate write-down will be made if part or all of the payment on the due date is uncertain, or if the recoverable amount on the date of closure of the annual accounts is lower than the book value.

Amounts receivable in foreign currency are converted at the official exchange rate applicable on the date when the invoice is posted. At the end of the financial year, they are converted using the official exchange rate on the balance sheet date.

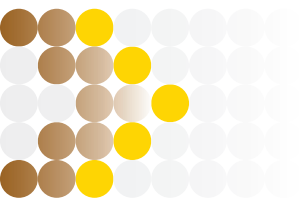
#### 4.2.4. Other investments and Cash at bank and in hand

Balances held with financial institutions are valued at their nominal value.

Securities are valued at their acquisition value. Other cash equivalents are shown at their nominal value.

The additional expenses are charged immediately to earnings. Write-downs are accounted for if the recoverable amount on the balance sheet date is lower than the book value.





#### 4.2.5. Amounts payable after more than 1 year and within 1 year

Creditors are shown in the balance sheet at their nominal value. Trade creditors in foreign currency are shown at the exchange rate on the date when the incoming invoice was posted. At the end of the financial year, they are converted using the official exchange rate on the balance sheet date.

#### 4.2.6. Income statement

Income and expenses are recognised in the period to which they relate.



# 5

## ABRIDGED ANNUAL REPORT CONCERNING THE STATUTORY ANNUAL ACCOUNTS OF TELENET GROUP HOLDING NV

### 5.1. Comments on the balance sheet

#### 5.1.1. Formation expenses

Depreciation on formation expenses amounts to €3.0 million. Capitalised formation expenses have been fully amortised.

#### 5.1.2. Financial assets

The participating interests amounting to €1,555.3 million consist primarily of shares held in Telenet Communications NV at €1,555.0 million. Furthermore, Telenet Group Holding NV has a share in Telenet Vlaanderen NV amounting to €0.3 million. The company held an investment in Telenet NV which was recorded at a book value of €3.2 million at year end 2008. This investment was transferred in 2009 to Telenet BidCo NV for an amount of €8.5 million, resulting in a gain of €5.3 million for Telenet Group Holding NV.

#### 5.1.3. Amounts receivable within one year

Amounts receivable within one year amount to €8.6 million, compared to €0.5 million at year end 2008. The significant increase can be explained by the receivable that Telenet Group Holding NV holds on Telenet BidCo NV as a result of the transfer of the Telenet NV shares for an amount of €8.5 million.

#### 5.1.4. Other investments and deposits

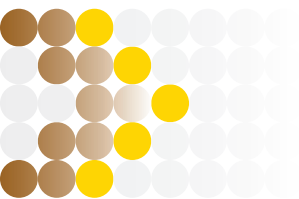
The investments as reported at year end 2008 contained term accounts / deposits realizable within one year for an amount of €10.0 million. At December 31, 2009 the company has no such other investments and deposits.

#### 5.1.5. Capital

The changes in capital during 2009 can be summarized as follows:

|            |                                                                      | IN EURO                |
|------------|----------------------------------------------------------------------|------------------------|
| 09/04/2009 | Capital increase conversion of profit certificates B                 | 34,239.20              |
| 26/05/2009 | Capital increase conversion of profit certificates A + B             | 7,575,642.71           |
| 28/05/2009 | Capital decrease                                                     | (55,856,177.50)        |
| 12/10/2009 | Capital increase conversion of profit certificates B + warrants 2007 | 459,578.52             |
|            |                                                                      | <b>(47,786,717.07)</b> |





#### 5.1.6. Share premium account

Upon the exercise in 2009 of options related to the Stock Option Plan 2007 bis and quater, an amount of €0.2 million was accounted for as share premium account. As a result, share premium account amounts to €62.8 million at the end of 2009.

#### 5.1.7. Amounts payable after more than one year

The amounts payable after more than one year consist of an intercompany debt of Telenet Group Holding NV to Telenet Communications NV for a total amount of €576.6 million, compared to €497.2 million as per end of December 2008. The increase is the result of the monthly interest charges due on this loan and the funding by Telenet Communications NV of the payment of the capital reduction of €55.9 million EUR by Telenet Group Holding NV to the shareholders.

#### 5.1.8. Amounts payable within one year

Amounts payable within one year amount to €0.8 million and consist mainly of accounts payable/invoices to receive for €0.5 million and other amounts payable for an amount of €0.3 million, being the remainder of the amounts payable related to the capital decrease of September 2009.

### 5.2. Comments on the income statement

The income statement shows a loss of €39,835,017.74 for the financial year ended December 31, 2009 (versus a loss of €43,490,564.34 in 2008). Net operating loss for the year amounts to €3,236,345.77 (compared to a loss of €5,322,352.87 in 2008).

Finance income amounts to €0.3 million and remains stable in comparison with last year. Financial Income consists of the proceeds on term deposits for a total amount of €0.2 million (€0.3 million last year) and other financial income of €0.1 million.

Finance expense (€42.1 million) consists almost entirely of interest due to Telenet Communications NV (€41.9 million). Last year this interest charge amounted to €38.5 million.

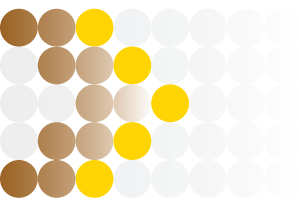
Finance expenses also include other expenses (€0.2 million) consisting primarily of bank charges and decreases with €0.3 million compared to prior year.

The extraordinary income of €5.3 million in 2009 consists entirely of the gain realized as a result of the transfer to Telenet BidCo NV of the participation Telenet Group Holding NV held in Telenet NV. No extraordinary expenses were incurred.

We propose to the General Shareholders' Meeting to carry forward the loss brought forward amounting to €76,546,145.22 and the loss for the period available for appropriation €39,835,017.74. As a result, the loss to be carried forward amounts to €116,381,162.96 as of December 31, 2009.

### 5.3. Information on research and development

We refer to the consolidated annual report of the Board of Directors.



## 5.4. Risk factors

We refer to the consolidated annual report of the Board of Directors.

## 5.5. Information about subsequent events

We refer to the consolidated annual report of the Board of Directors.

## 5.6. Going concern

The going concern of the Company is entirely dependent on that of the Telenet Group.

Currently, the Telenet group still has a substantial amount of losses carry forward on the balance sheet, but succeeded to deliver solid margins and stable cash flows. This is entirely aligned to our long range plan, which encompasses a continued development of our profit generating activities in order to absorb the losses carry forward over time. Because of the strong growth in the number of subscribers on telephony, internet and digital television and a further focus on cost control and process improvements, we were again able to strongly increase our operating result and margins.

Following our balance sheet optimization in 2008, the total debt drawn at the end of 2009 amounted to €1.990 billion as a result of the Amended Senior Credit Facility at Telenet BidCo NV. However, thanks to our strong autonomous deleverage capacity, our leverage ratio decreased from 3.7x at the end of 2008 to 3.1x at the end of 2009, including the Interkabel acquisition in the fourth quarter of 2008 – partly funded by debt - and far below the 6.25x EBITDA covenant as per the Amended Senior Credit Facility agreement.

Taking into account the growing positive EBITDA results of the current year, the Board of Directors believes that the Telenet group will be able to fund the further development of its

operations and to meet its obligations and believes that the current valuation rules, as enclosed in the annual account, and in which the continuity of the Company is assumed, are correct and justified under the current circumstances.

## 5.7. Application of legal rules regarding conflicts of interest

We refer to the consolidated financial statements of the Board of Directors.

## 5.8. Branch offices of the company

Telenet Group Holding NV has no Branch Offices.

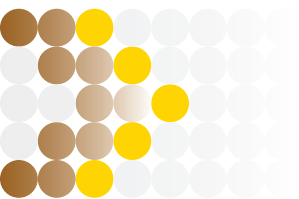
## 5.9. Extraordinary activities and special assignments carried out by the auditor

We refer to the notes of the consolidated financial statements of the Company.

## 5.10. Telenet hedging policy and the use of financial instruments

We refer to the consolidated annual report of the Board of Directors.





### 5.11. Grant of discharge to the directors and statutory auditor

In accordance with the law and articles of association, the shareholders will be requested at the annual shareholders' meeting of April 28, 2010 to grant discharge to the directors and the statutory auditors of their responsibilities assumed in the financial year 2009.

### 5.12. Information required pursuant to article 34 of the Belgian Royal Decree of November 14, 2007

We refer to the consolidated annual report of the Board of Directors.

This report shall be deposited in accordance with the relevant legal provisions and is available at the registered office of the Company.

Mechelen, March 24, 2010

On behalf of the Board of Directors

Duco Sickinghe  
Chief Executive Officer

Frank Donck  
Chairman