



## €300,000,000 6½% Senior Secured Notes due 2021

*issued by, but with limited recourse to,*

## Telenet Finance III Luxembourg S.C.A.

*(a corporate partnership limited by shares (société en commandite par actions) under the laws of the Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register under number B-158666 for the sole purpose of financing a loan, as an additional tranche under a senior credit facility to*  
TELENET INTERNATIONAL FINANCE S.à r.l.)

Telenet Finance III Luxembourg S.C.A. is a corporate partnership limited by shares, *société en commandite par actions*, incorporated under the laws of the Grand Duchy of Luxembourg (the "Issuer"). All of the ordinary shares of the Issuer are owned directly by Stichting Telenet Finance III Luxembourg, a foundation (*stichting*) established under the laws of The Netherlands (the "Foundation") and all of the general partnership shares of the Issuer are owned by Telenet Finance III S.à r.l. (the "GP"). The Issuer is offering €300 million aggregate principal amount of its 6½% senior secured notes due 2021 (the "Notes"). The Notes will mature on February 15, 2021. The Issuer will pay interest on the Notes semi-annually in cash in arrears on each February 15 and August 15, commencing on August 15, 2011.

The proceeds from the offering of the Notes will be used by the Issuer to fund an additional facility under the Senior Credit Facility (as defined in this offering memorandum) (the "Finco Loan"), denominated in euro, borrowed by Telenet International Finance S.à r.l. ("Telenet International Finance," as borrower). Telenet International Finance is an entity wholly owned by Telenet NV. Telenet NV is an entity wholly owned by Telenet Group Holding NV ("Telenet Group Holding"). The obligations of Telenet International Finance under the Finco Loan are guaranteed by Telenet NV only and not by Telenet Group Holding. The Issuer is dependent upon payments under the Finco Loan and related agreements to make payments under the Notes. The Issuer will apply all payments it receives under the Finco Loan and such related agreements, including in respect of principal, premiums, interest and any additional amounts following certain tax events, to make corresponding payments under the Notes. **Neither Telenet Group Holding nor any of its subsidiaries will guarantee or provide credit support to the Issuer with respect to its obligations under the Notes, and therefore the Telenet Group Financial Statements are included for information purposes only.**

The accession agreement related to the Finco Loan will provide for the payment of certain additional payments in connection with certain voluntary and mandatory prepayments of the Finco Loan that will enable the Issuer to pay the premiums payable in respect of corresponding redemptions of the Notes, as described in "*Description of the Notes—Redemption and Repurchase—Optional Redemption*". Following a change of control as defined in the Senior Credit Facility, Telenet International Finance will be required, at the election of the Majority Lenders under, and as defined in, the Senior Credit Facility, to prepay the Finco Loan plus a payment in an amount equal to 1% of the principal amount of the Finco Loan. Following any such repayment, the Issuer will redeem all of the Notes issued under the indenture governing the Notes at a redemption price equal to 101% of the principal amount thereof plus accrued and unpaid interest to the date of redemption. See "*Description of the Notes—Redemption and Repurchase—Redemption upon a Change of Control*." In the event of certain asset sales, Telenet International Finance may elect, at its option, to (i) prepay a principal amount of the Finco Loan equal to the aggregate principal amount of the Notes tendered in a related asset sale offer to be made by the Issuer (not to exceed the available proceeds from the related asset sale) or (ii) subject to the payment of certain premiums, prepay the Finco Loan in an amount equal to the available proceeds from the related asset sale, and, in the case of clauses (i) and (ii), the Issuer will redeem a corresponding amount of Notes. See "*Description of the Notes—Redemption and Repurchase—Disposal Proceeds*". Further, the Notes may be redeemed at a price equal to their principal amount plus accrued and unpaid interest upon the occurrence of certain changes in tax law. See "*Description of the Notes—Redemption and Repurchase—Redemption for Changes in Withholding Taxes*". Further, in connection with a Telenet Group Transfer (as defined in this offering memorandum), subject to the receipt of certain consents of the noteholders, certain Notes may be redeemed, or an offer to redeem certain Notes may be made, at a price equal to 101% of the principal amount of the Notes redeemed plus accrued and unpaid interest to the redemption date.

The Notes are limited recourse obligations of the Issuer. In each case where amounts of principal, interest and other amounts (if any) are stated to be payable in respect of the Notes, the obligation of the Issuer to make any such payment shall constitute the obligation only to account to holders of the Notes for an amount equivalent to sums of principal, interest and other amounts (if any) actually received by or for the account of the Issuer pursuant to the Senior Credit Facility and related agreements between the Issuer and Telenet International Finance and/or Telenet NV, as the case may be. Neither Telenet Group Holding nor any of its subsidiaries will guarantee or provide any credit support to the Issuer with respect to its obligations under the Notes. Other than under the limited circumstances described herein, holders of the Notes will not have a direct claim on the cash flow or assets of Telenet Group Holding or any of its subsidiaries, and neither Telenet Group Holding nor any of its subsidiaries has any obligation, contingent or otherwise, to pay amounts due under the Notes, or to make funds available to the Issuer for those payments, other than the obligations of Telenet International Finance to make payments to the Issuer pursuant to the Finco Loan and agreements related thereto.

The Notes will be senior obligations of the Issuer. The Notes will be secured by, among other things, a first-ranking security interest in all of the ordinary shares and the bank account of the Issuer, a first-ranking security interest in the entire share capital of the GP and a first-ranking security interest over the Issuer's rights to and benefit in the Finco Loan (including all rights of the Issuer as a lender under the Senior Credit Facility (including the guarantees and security granted in respect thereof)). In addition, other than in certain limited circumstances specified herein, holders of the Notes will not have any recourse to the Issuer other than in respect of amounts received by the Issuer under the Senior Credit Facility and the Related Agreements. For a description of the terms of the Notes, see "*Description of the Notes*".

**See "Risk Factors" beginning on page 17 for a discussion of certain risks that you should consider in connection with an investment in any of the Notes.**

**The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any other jurisdiction. The Issuer is offering the Notes only to qualified institutional buyers in accordance with Rule 144A under the U.S. Securities Act and to non-U.S. persons outside the United States in accordance with Regulation S under the U.S. Securities Act. For a description of certain restrictions on the transfer of the Notes see "Plan of Distribution" and "Transfer Restrictions".**

Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to listing on the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF Market, which is not a regulated market (pursuant to the provisions of Directive 2004/39/EC).

The Notes are in registered form in denominations of €100,000 and integral multiples of €1,000 above €100,000. Notes have only been issued in minimum denominations of €100,000 principal amount. The Notes are represented by one or more global Notes that were delivered through Euroclear Bank SA/NV, as operator of the Euroclear System ("Euroclear") and Clearstream Banking ("Clearstream"), *société anonyme*, on February 15, 2011. Interests in each global Note are exchangeable for the relevant definitive Notes only in certain limited circumstances. See "*Book-Entry, Delivery and Form*".

**Price: 100.000% plus accrued interest from the issue date.**

*Joint lead and book-running managers*

**Credit Suisse J.P. Morgan BNP PARIBAS BofA Merrill Lynch The Royal Bank of Scotland Société Générale**

The date of this offering memorandum is March 3, 2011

**You should rely only on the information contained in this offering memorandum. Neither the Issuer or Telenet Group Holding nor any of the Initial Purchasers (as defined herein) has authorized anyone to provide you with different information. Neither the Issuer or Telenet Group Holding nor any of the Initial Purchasers is making an offer of the Notes in any jurisdiction where this offer is not permitted. You should not assume that the information contained in this offering memorandum is accurate at any date other than the date on the front of this offering memorandum.**

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Neither the Issuer nor Telenet Group Holding, or any of its subsidiaries, has authorized any dealer, salesperson or other person to give any information or represent anything to you other than the information contained in this offering memorandum. You must not rely on unauthorized information or representations.

This offering memorandum does not offer to sell or ask for offers to buy any of the securities in any jurisdiction where it is unlawful, where the person making the offer is not qualified to do so, or to any person who cannot legally be offered the securities.

The information in this offering memorandum is current only as of the date on the cover page, and may change after that date. For any time after the cover date of this offering memorandum, Telenet Group Holding and its subsidiaries do not represent that their affairs are the same as described or that the information in this offering memorandum is correct, nor does the Issuer imply those things by delivering this offering memorandum or selling securities to you. Telenet Group Holding and its subsidiaries will not guarantee or provide any credit support to the Issuer with respect to its obligations under the Notes.

The Issuer and the Initial Purchasers are offering to sell the Notes only in places where offers and sales are permitted.

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IN CONNECTION WITH THIS OFFERING OF NOTES, CREDIT SUISSE SECURITIES (EUROPE) LIMITED MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT CREDIT SUISSE SECURITIES (EUROPE) LIMITED WILL UNDERTAKE ANY SUCH STABILIZATION ACTION. SUCH STABILIZATION ACTION, IF COMMENCED, MAY BEGIN ON OR AFTER THE DATE OF ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES AND MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE DATE ON WHICH THE ISSUER RECEIVED THE PROCEEDS OF THE ISSUE AND 60 CALENDAR DAYS AFTER THE DATE OF ALLOTMENT OF THE NOTES.

The Issuer is offering the Notes in reliance on exemptions from the registration requirements of the U.S. Securities Act. These exemptions apply to offers and sales of securities that do not involve a public offering. The Notes have not been registered with, recommended by or approved by the U.S. Securities and Exchange Commission (the “SEC”) or any other securities commission or regulatory authority, nor has the SEC or any such securities commission or authority passed upon the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offence in the United States.

This offering memorandum is being provided for informational use solely in connection with consideration of a purchase of the Notes (i) to U.S. investors that the Issuer reasonably believes to be qualified institutional buyers as defined in Rule 144A under the U.S. Securities Act, and (ii) to certain persons in offshore transactions complying with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act. Its use for any other purpose is not authorized.

This offering memorandum is for distribution only to persons who (i) are investment professionals, as such term is defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “Financial Promotion Order”), (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations, etc.”) of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (“FSMA”)) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

This offering memorandum has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under Article 3 of Directive 2003/71/EC (the “Prospective Directive”), as implemented in member states of the European Economic Area (the “EEA”), from the requirement to produce a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA of the Notes should only do so in circumstances in which no obligation arises for the Issuer or any of the Initial Purchasers to produce a prospectus for such offer. None of the Issuer,

Telenet NV or the Initial Purchasers has authorized, nor does any of them authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by the Initial Purchasers which constitute the final placement of the Notes contemplated in this offering memorandum.

The Issuer, Telenet NV and Telenet International Finance have prepared this offering memorandum solely for use in connection with this offering and for applying to the Luxembourg Stock Exchange for the Notes to be admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market.

In the United States, you may not distribute this offering memorandum or make copies of it without the Issuer's and Telenet NV's prior written consent other than to people you have retained to advise you in connection with this offering.

You are not to construe the contents of this offering memorandum as investment, legal or tax advice. You should consult your own counsel, accountant and other advisers as to legal, tax, business, financial and related aspects of a purchase of the Notes. You are responsible for making your own examination of Telenet Group Holding and its subsidiaries and your own assessment of the merits and risks of investing in the Notes. None of the Issuer, Telenet NV, Telenet International Finance or the Initial Purchasers is making any representation to you regarding the legality of an investment in the Notes by you.

The information contained in this offering memorandum has been furnished by the Issuer, Telenet NV and Telenet International Finance and other sources the Issuer, Telenet NV and Telenet International Finance believe to be reliable. No representation or warranty, express or implied, is made by the Initial Purchasers as to the accuracy or completeness of any of the information set out in this offering memorandum, and nothing contained in this offering memorandum is or shall be relied upon as a promise or representation by the Initial Purchasers, whether as to the past or the future. This offering memorandum contains summaries, believed by the Issuer, Telenet NV and Telenet International Finance to be accurate, of some of the terms of specified documents, but reference is made to the actual documents, copies of which will be made available by the Issuer and Telenet NV upon request, for the complete information contained in those documents. Copies of such documents and other information relating to the issuance of the Notes will also be available for inspection at the specified offices of the Principal Paying Agent (as defined in this offering memorandum). All summaries of the documents contained herein are qualified in their entirety by this reference.

Each of the Issuer (except as noted in the following paragraph), Telenet NV and Telenet International Finance accept responsibility for the information contained in this offering memorandum pertaining to itself, the Senior Credit Facility and the Note Collateral. Telenet NV accepts responsibility for any information pertaining to Telenet Group Holding, including the consolidated financial statements of Telenet Group Holding, and any information pertaining to its holding companies, subsidiaries or affiliates contained in this offering memorandum. Telenet NV has made all reasonable inquiries and confirmed to the best of its knowledge, information and belief that the information contained in this offering memorandum with regard to Telenet Group Holding, each of its subsidiaries and affiliates, and the Notes is true and accurate in all material respects, that the opinions and intentions expressed in this offering memorandum are honestly held, and that it is not aware of any other acts the omission of which would make this offering memorandum or any statement contained herein misleading in any material respect.

The Issuer accepts responsibility for the information contained in this offering memorandum (except in relation to the information in respect of Telenet Group Holding, each of its subsidiaries and affiliates, for which Telenet NV takes sole responsibility). To the best of the knowledge and belief of each the Issuer, Telenet NV and Telenet International Finance, the information contained in this offering memorandum for which it takes responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person is authorized in connection with any offering made pursuant to this offering memorandum to give any information or to make any representation not contained in this offering memorandum, and, if given or made, any other information or representation must not be relied upon as having been authorized by the Issuer, Telenet NV, Telenet International Finance or the Initial Purchasers.

The Issuer reserves the right to withdraw this offering of the Notes at any time, and the Issuer and the Initial Purchasers reserve the right to reject any commitment to subscribe for the Notes in whole or in part and to allot to you less than the full amount of Notes subscribed for by you.

The distribution of this offering memorandum and the offer and sale of the Notes may be restricted by law in some jurisdictions. Persons into whose possession this offering memorandum or any of the Notes come must inform themselves about, and observe any restrictions on the transfer and exchange of the Notes. See “*Plan of Distribution*” and “*Transfer Restrictions*”.

This offering memorandum does not constitute an offer to sell or an invitation to subscribe for or purchase any of the Notes in any jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. You must comply with all laws that apply to you in any place in which you buy, offer or sell any Notes or possess this offering memorandum. You must also obtain any consents or approvals that you need in order to purchase any Notes. None of the Issuer, Telenet NV or the Initial Purchasers is responsible for your compliance with these legal requirements.

The Notes are subject to restrictions on resale and transfer as described under “*Plan of Distribution*” and “*Transfer Restrictions*”. By purchasing any Notes, you will be deemed to have made certain acknowledgments, representations and agreements as described in those sections of this offering memorandum. You may be required to bear the financial risks of investing in the Notes for an indefinite period of time.

#### **Internal Revenue Service Circular 230 Disclosure**

PURSUANT TO INTERNAL REVENUE SERVICE CIRCULAR 230, YOU ARE HEREBY INFORMED THAT ANY DISCUSSION HEREIN OF U.S. FEDERAL TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DISCUSSION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON ANY TAXPAYER UNDER THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED. SUCH DESCRIPTION WAS WRITTEN IN CONNECTION WITH THE MARKETING BY THE ISSUER OF THE NOTES. TAXPAYERS SHOULD SEEK ADVICE BASED ON THE TAXPAYERS’ PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

#### **NOTICE TO NEW HAMPSHIRE RESIDENTS**

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

#### **NOTICE TO U.S. INVESTORS**

Each purchaser of the Notes will be deemed to have made the representations, warranties and acknowledgments that are described in this offering memorandum under “*Transfer Restrictions*”. The Notes have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and are subject to certain restrictions on transfer. Prospective purchasers are hereby notified that the seller of any Note may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. For a description of certain further restrictions on resale or transfer of the Notes, see “*Transfer Restrictions*”. The Notes may not be offered to the public within any jurisdiction. By accepting delivery of this offering memorandum, you agree not to offer, sell, resell, transfer or deliver, directly or indirectly, any Note to the public.



## NOTICE TO EUROPEAN ECONOMIC AREA INVESTORS

In relation to each member state of the EEA which has implemented the Prospectus Directive (each, a “Relevant Member State”), each Initial Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”), it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this offering memorandum to the public in that Relevant Member State other than:

- (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive; provided that no such offer of the Notes shall require the publication by the Issuer or any Initial Purchaser of a prospectus pursuant to Article 3 of the Prospectus Directive other than in reliance of Article 3(2)(b).

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Each subscriber for or purchaser of the Notes in the offering located within a member state of the EEA will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive. The Issuer, the Initial Purchasers and their affiliates, and others will rely upon the trust and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Initial Purchasers of such fact in writing may, with the consent of the Initial Purchasers, be permitted to subscribe for or purchase the Notes in the offering.

## NOTICE TO CERTAIN EUROPEAN INVESTORS

**Austria** This offering memorandum has not been or will not be approved and/or published pursuant to the Austrian Capital Markets Act (*Kapitalmarktgesetz*) as amended. Neither this offering memorandum nor any other document connected therewith constitutes a prospectus according to the Austrian Capital Markets Act and neither this offering memorandum nor any other document connected therewith may be distributed, passed on or disclosed to any other person in Austria. No steps may be taken that would constitute a public offering of the Notes in Austria and the offering of the Notes may not be advertised in Austria. Any offer of the Notes in Austria will only be made in compliance with the provisions of the Austrian Capital Markets Act and all other laws and regulations in Austria applicable to the offer and sale of the Notes in Austria.

**Belgium** The Notes are not offered, directly or indirectly, to the public in Belgium. The Notes are being offered in Belgium to qualified investors only, within the meaning of Article 3, §2, a) and 10 of the Belgian law of June 16, 2006 on the public offering of securities and admission of securities to trading on a regulated market (“Belgian Prospectus Law”) and/or on the basis of the other exemptions set out in Article 3, §2 of the Belgian Prospectus Law. Accordingly, this offering memorandum has not been and will not be notified to, or approved by, the Belgian banking, finance and insurance commission (*Commissie voor het bank-, financie- en assurantiewezen/Commission bancaire, financière et des assurances*). This offering can not be advertised and this offering memorandum and any other information, circular, brochure or similar documents may not be distributed, directly or indirectly, in Belgium other than to said qualified investors or, as the case may be, other than on the basis of the other exemptions set out in Article 3, §2 of the Belgian Prospectus Law.

**Germany** The Notes may be offered and sold in Germany only in compliance with the German Securities Prospectus Act (*Wertpapierprospektgesetz*) as amended, the Commission Regulation (EC) No 809/2004 of

April 29, 2004 as amended, or any other laws applicable in Germany governing the issue, offering and sale of securities. The offering memorandum has not been approved under the German Securities Prospectus Act (*Wertpapierprospektgesetz*) or the Directive 2003/71/EC and accordingly the Notes may not be offered publicly in Germany.

**France** This offering memorandum has not been prepared in the context of a public offering in France within the meaning of Article L. 411-1 of the *Code Monétaire et Financier* and Title I of Book II of the *Règlement Général of the Autorité des marchés financiers* (the “AMF”) and therefore has not been submitted for clearance to the AMF. Consequently, the Notes may not be, directly or indirectly, offered or sold to the public in France, and offers and sales of the Notes will only be made in France to providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d’investissement de gestion de portefeuille pour le compte de tiers*) and/or to qualified investors (*investisseurs qualifiés*) and/or to a closed circle of investors (*cercle restreint d’investisseurs*) acting for their own accounts, as defined in and in accordance with Articles L. 411-2 and D. 411-1 of the *Code of Monétaire et Financier*. Neither this offering memorandum nor any other offering material may be distributed to the public in France.

**Italy** No action has been or will be taken which could allow an offering of the Notes to the public in the Republic of Italy. Accordingly, the Notes may not be offered or sold directly or indirectly in the Republic of Italy, and neither this offering memorandum nor any other offering circular, prospectus, form of application, advertisement, other offering material or other information relating to the Issuer or the Notes may be issued, distributed or published in the Republic of Italy, except under circumstances that will result in compliance with all applicable laws, orders, rules and regulations. The Notes cannot be offered or sold to any natural persons nor to entities other than qualified investors (according to the definition provided for by the Prospectus Directive) either on the primary or on the secondary market.

**Grand Duchy of Luxembourg** In addition to the cases described in the section entitled “Public Offer Selling Restriction” under the Prospectus Directive (defined below) in which the Initial Purchasers can make an offer of the Notes to the public in an EEA Member State (including the Grand Duchy of Luxembourg) (“Luxembourg”), the Initial Purchasers can also make an offer of the Notes to the public in Luxembourg:

- (a) at any time, to national and regional governments, central banks, international and supranational institutions (such as the International Monetary Fund, the European Central Bank, the European Investment Bank) and other similar international organisations;
- (b) at any time, to legal entities which are authorised or regulated to operate in the financial markets (including credit institutions, investment firms, other authorised or regulated financial institutions, undertakings for collective investment and their management companies, pension and investment funds and their management companies, insurance undertakings and commodity dealers) as well as entities not so authorised or regulated whose corporate purpose is solely to invest in securities; and
- (c) at any time, to certain natural persons or small and medium-sized enterprises (as defined in the Luxembourg Law dated 10 July 2005 on prospectuses for securities implementing the Directive 2003/71/EC (the “Prospectus Directive”) into Luxembourg law) recorded in the register of natural persons or small and medium-sized enterprises considered as qualified investors as held by the Commission de surveillance du secteur financier as competent authority in Luxembourg in accordance with the Prospectus Directive.

**The Netherlands** The Notes (including rights representing an interest in each global Note that represents the Notes) may not be offered or sold to individuals or legal entities in The Netherlands unless a prospectus relating to the offer is available to the public which is approved by the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*) or by a supervisory authority of another member state of the European Union (the “EU”). Article 5:3 Financial Supervision Act (the “FSA”) and article 53 paragraph 2 and 3 Exemption Regulation FSA provide for several exceptions to the obligation to make a prospectus available such as an offer to qualified investors within the meaning of article 5:3 FSA.

**Spain** This offering has not been registered with the Comisión Nacional del Mercado de Valores and therefore the Notes may not be offered in Spain by any means, except in circumstances which do not qualify as a public offer of securities in Spain in accordance with article 30 bis of the Securities Market Act (“*Ley 24/1988, de 28 de julio del Mercado de Valores*”) as amended and restated, or pursuant to an exemption from registration in accordance with article 41 of the Royal Decree 1310/2005 (“*Real Decreto*

*1310/2005, de 4 de noviembre por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos”).*

**Switzerland** The Notes offered hereby are being offered in Switzerland on the basis of a private placement only. This offering memorandum does not constitute a prospectus within the meaning of Art. 652A of the Swiss Federal Code of Obligations.

**United Kingdom** This offering memorandum is directed solely at persons who (i) are investment professionals, as such term is defined in Article 19(5) of the Financial Promotion Order (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations, etc.”) of the Financial Promotion Order (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FMSA) in connection with the issue or sale of any Notes may otherwise be lawfully communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). This offering memorandum must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this offering memorandum or any of its contents.

THIS OFFERING MEMORANDUM CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE NOTES.



## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### Financial Data

Unless otherwise indicated, the historical consolidated financial information presented herein has been prepared in accordance with International Financial Reporting Standards as adopted by the European Commission for use in the European Union (“IFRS”).

This offering memorandum includes the selected condensed consolidated interim financial statements of Telenet Group Holding and its subsidiaries, as of and for the nine months ended September 30, 2010 and the audited consolidated financial statements of Telenet Group Holding and its subsidiaries, as of and for the years ended December 31, 2009 and December 31, 2008, which have been audited by KPMG Bedrijfsrevisoren CVBA (together, the “Telenet Group Financial Statements”). Telenet Group Holding’s historical results do not necessarily indicate results that may be expected for any future period. Neither Telenet Group Holding nor any of its subsidiaries will guarantee or provide credit support to the Issuer with respect to its obligations under the Notes, and therefore the Telenet Group Financial Statements are included for information purposes only.

Telenet Group Holding’s financial results are reported in euro denominations.

This offering memorandum contains non-IFRS measures and ratios, including Adjusted EBITDA and free cash flow, that are not required by, or presented in accordance with, IFRS. Telenet presents non-IFRS measures because it believes that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-IFRS measures may not be comparable to similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of Telenet’s operating results as reported under IFRS. Non-IFRS measures and ratios such as Adjusted EBITDA and free cash flow are not measurements of Telenet’s performance or liquidity under IFRS or any other generally accepted accounting principles. In particular, you should not consider Adjusted EBITDA as an alternative to (a) operating profit or profit for the period (as determined in accordance with IFRS) as a measure of Telenet’s operating performance, (b) cash flows from operating, investing and financing activities as a measure of Telenet’s ability to meet Telenet’s cash needs or (c) any other measures of performance under generally accepted accounting principles. Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for an analysis of Telenet’s results as reported under IFRS. Some of these limitations are:

- it does not reflect Telenet’s cash expenditures or future requirements for capital expenditures or contractual commitments;
- it does not reflect changes in, or cash requirements for, Telenet’s working capital needs;
- it does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on Telenet’s debts;
- although depreciation, amortization and impairment are non-cash charges, the assets being depreciated and amortized will generally need to be replaced in the future and Adjusted EBITDA does not reflect any cash requirements that would be required for such replacements; and
- some of the exceptional items that Telenet eliminates in calculating Adjusted EBITDA reflect cash payments that were made, or will in the future be made.

The Issuer was incorporated on January 28, 2011 for the purpose of the offering of the Notes. Consequently, limited historical financial information relating to the Issuer is available, and the financial information included in this offering memorandum with respect to the Issuer consists only of the Issuer’s opening balance sheet as of January 28, 2011, which has been prepared in accordance with the generally accepted accounting principles of Luxembourg (“Luxembourg GAAP”) (the “Issuer Financial Statements”). Since its incorporation, no other financial statements of the Issuer have been prepared. The Issuer intends to publish its first annual financial statements in respect of the year ended December 31, 2011. Financial statements will be published by the Issuer on an annual basis and the Issuer will prepare interim half-yearly financial reports and publish them in accordance with applicable law.

As further described under “*General Description of Telenet’s Business, the Issuer and the Offering—The Issuer and Consolidation of the Issuer by Telenet*” below, following the issuance of the Notes and the related advance of the Finco Loan to Telenet International Finance, the Issuer will be consolidated with Telenet Group Holding and its subsidiaries for the purposes of IFRS.

Unless otherwise indicated, convenience translations into euros have been calculated as of September 30, 2010. Certain amounts and percentages presented herein have been rounded and, accordingly, the sum of amounts presented may not equal the total.

All references in this document to EUR, euro and € refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended and all references to “U.S.\$” or “\$” are to U.S. dollars.

## Definitions

Unless otherwise stated or unless the context otherwise requires:

“Belgium” means the Kingdom of Belgium.

“Clearstream” refers to Clearstream Banking, *société anonyme*.

“Combined Network” refers to Telenet’s network in Flanders and parts of Brussels, including both the Telenet Network and the Partner Network.

“December 31, 2009 Consolidated Financial Statements” refers to Telenet Group Holding’s audited consolidated financial statements as of December 31, 2009 and 2008 and for the years ended December 31, 2009 and 2008 and the notes thereto, which have been audited by KPMG Bedrijfsrevisoren CVBA, included in this offering memorandum.

“EU” refers to the European Union.

“Euroclear” refers to Euroclear Bank S.A./N.V.

“Facility Agreement Obligor” refers to each of Telenet NV and Telenet International Finance in its capacity as obligor under the Facility Agreement.

“Facility O” refers to the term loan facility “O” giving effect to the Finco Loan, under the Senior Credit Facility, between the Issuer as lender and Telenet International Finance as borrower.

“Facility O Accession Agreement” refers to the agreement between, *inter alios* the Issuer, Telenet International Finance and the facility agent and the security agent in respect of the Senior Credit Facility, dated as of February 15, 2011, pursuant to which the Issuer accedes as a lender under the Senior Credit Facility. The Facility O Accession Agreement is also referred to herein as the “Finco Accession Agreement”.

“Flanders” refers to the Flemish region of Belgium, excluding Brussels.

“Foundation” refers to Stichting Telenet Finance III Luxembourg, a foundation (*stichting*) established under the laws of The Netherlands, being the limited shareholder of the Issuer.

“Full-MVNO Agreement” refers to the Full-MNVO agreement entered into between Telenet and Mobistar, dated July 2, 2009 embodying the agreement reached between Telenet and Mobistar pursuant to a Full-MVNO term sheet, dated February 12, 2009.

“GP” refers to Telenet Finance III S.à r.l., a private limited liability company (*société à responsabilité limitée*) established under the laws of Luxembourg.

“General Partner Pledge Agreement” refers to the share pledge agreement dated as of February 15, 2011, between the Foundation, the GP and the Security Agent, executed in the presence of the GP, pursuant to which the Foundation grants a first-ranking security interest in the entire issued share capital of the GP.

“IFRS” refers to International Financial Reporting Standards as adopted by the European Commission for use in the European Union.

“Indenture” refers to the indenture governing the Notes.

“Initial Purchasers” refers to BNP Paribas, Credit Suisse Securities (Europe) Limited, J.P. Morgan Securities Ltd., Merrill Lynch International, The Royal Bank of Scotland plc and Société Générale.

“Intercreditor Agreement” refers to the intercreditor agreement, as amended, originally entered into on October 10, 2007 among Telenet NV, the original intercompany creditors party thereto, the original subordinated debtors party thereto, the security providers party thereto, ABN Amro Bank N.V., BNP Paribas S.A. and J.P. Morgan plc, as mandated lead arrangers, the financial institutions party thereto as original lenders, The Bank of Nova Scotia, as facility agent, and KBC Bank NV, as security agent.

“Interkabel” refers to Interkabel Vlaanderen CVBA.

“Issue Date” refers to date of first issuance of the Notes.

“Issuer” refers to Telenet Finance III Luxembourg S.C.A., *société en commandite par actions*, incorporated under the laws of Luxembourg, with registered address 65, Boulevard Grande-Duchesse Charlotte, L-1331 Luxembourg, Grand-Duchy of Luxembourg and is registered with the Luxembourg Trade and Companies Register under number B-158666.

“Issuer Financial Statements” refers to the unaudited opening balance sheet of the Issuer as of January 28, which has been prepared in accordance with Luxembourg GAAP.

“Issuer Pledge Agreement” refers to the share pledge agreement dated as of February 15, 2011, between the Foundation, the Issuer and the Trustee, executed in the presence of the Issuer, pursuant to which the Foundation grants a first-ranking security interest in all of the ordinary shares in the Issuer.

“Issuer’s Account” refers to the account in which payments from the Finco Loan are deposited or collected for and on behalf of the Issuer.

“LGI” refers to Liberty Global, Inc., with or without its consolidated subsidiaries, as the context requires.

“LG Europe” refers to Liberty Global Europe, Inc., with or without its consolidated subsidiaries, as the context requires.

“Liberty Global Consortium” refers to LGI, Binan Investments B.V. and any other subsidiary of LGI holding shares of Telenet Group Holding, from time to time.

“Liquidation Dispreference Shares” refers to the shares of Telenet Group Holding, owned by Interkabel and the Liberty Global Consortium, which are subject to a liquidation dispreferential treatment in the case of a liquidation of Telenet Group Holding, and which can be converted into ordinary shares on the basis of a 1.04-for-1 ratio.

“Listing Agent” refers to The Bank of New York Mellon (Luxembourg) S.A.

“Luxembourg” refers to the Grand Duchy of Luxembourg.

“Luxembourg GAAP” refers to the generally accepted accounting principles of Luxembourg.

“MICs” refers to the mixed intermunicipalities in Belgium. Mixed intermunicipalities, as opposed to PICs, have the private company Electrabel as a partner.

“Note Collateral” has the meaning given to such term in “*Description of the Notes*”.

“Noteholder” refers to a holder of the Notes.

“Notes” refers to the €300,000,000 aggregate principal amount of 6<sup>5</sup>/<sub>8</sub>% Senior Secured Notes due 2021 offered hereby.

“Partner Network” refers to the network owned by Interkabel and the PICs, encompassing about one third of Flanders, over which Telenet provides its services based on a long-term emphyteotical lease and long-term usage rights.

“PICs” refers to pure intermunicipalities in Belgium.

“PICs Agreement” refers to an agreement dated June 28, 2008 entered into between Telenet, Interkabel, INDI ESV and four PICs in Flanders.

“Principal Paying Agent” refers to The Bank of New York Mellon acting in its capacity as principal paying agent under the Indenture.

“Registrar” refers to The Bank of New York Mellon (Luxembourg) S.A. acting in its capacity as registrar under the Indenture.

“Related Agreements” refers to the Telenet Service Agreement and the Telenet Fee Letter.

“Senior Credit Facility” refers to the Senior Secured Credit Facility Agreement dated August 1, 2007 as amended from time to time, between, *inter alios*, Telenet NV, Telenet International Finance, the obligors listed therein, The Bank of Nova Scotia as facility agent, and KBC Bank NV as security agent.

“September 30, 2010 Selected Condensed Consolidated Interim Financial Statements” refers to Telenet Group Holding’s unaudited selected condensed consolidated interim financial statements as of and for the nine months ended September 30, 2010, included in this offering memorandum.

“Syndicate Agreement” refers to the shareholders’ agreement dated October 14, 2005 entered into between the principal shareholders of Telenet Group Holding at that date and Telenet Group Holding; presently only continuing as between the Liberty Global Consortium and Telenet Group Holding.

“Syndicate Shareholders” refers to the shareholder participants to the Syndicate Agreement, from time to time.

“Telenet” or “Telenet Group Holding” refers to Telenet Group Holding NV, with or without its consolidated subsidiaries, as the context requires.

“Telenet Articles of Association” refers to the articles of association of Telenet Group Holding.

“Telenet Belgian Company” refers to each member of the Telenet Group that is organized under the laws of Belgium and has its center of main interests within the meaning of the Council Regulation (EC) No. 1346/2000 of May 29, 2000 on insolvency proceedings.

“Telenet Board of Directors” refers to the board of directors of Telenet Group Holding, from time to time.

“Telenet Fee Letter” refers to the fee letter agreement to be entered into between the Issuer, Telenet International Finance and Telenet NV in respect of the payment of certain fees incurred in connection with the offering of the Notes. See “*Description of the Senior Credit Facility and Related Agreement—Description of the Related Agreements*”.

“Telenet Finance Luxembourg” refers to Telenet Finance Luxembourg S.C.A., a corporate partnership limited by shares, *société en commandite par actions*, incorporated under the laws of the Grand Duchy of Luxembourg and the issuer of the Telenet Finance Luxembourg Notes.

“Telenet Finance Luxembourg II.” refers to Telenet Finance Luxembourg II S.A., a public limited liability company, *société anonyme*, incorporated under the laws of the Grand Duchy of Luxembourg and the issuer of the Telenet Finance Luxembourg II Notes.

“Telenet Finance Luxembourg Notes” refers to the €500 million aggregate principal amount of 6¾% senior secured notes due 2020 issued by Telenet Finance Luxembourg.

“Telenet Finance Luxembourg II Notes” refers to the €100 million aggregate principal amount of 5.3% senior secured fixed rate notes due November 15, 2016 issued by Telenet Finance Luxembourg II.

“Telenet Group” refers to Telenet Group Holding NV and its subsidiaries from time to time.

“Telenet Group Financial Statements” refers to the September 30, 2010 Selected Condensed Consolidated Interim Financial Statements and the December 31, 2009 Consolidated Financial Statements.

“Telenet International Finance” refers to Telenet International Finance S.à r.l., a private limited liability company (*société à responsabilité limitée*) established under the laws of Luxembourg.

“Telenet Network” refers to Telenet’s proprietary network, encompassing parts of Brussels and about two thirds of Flanders.

“Telenet NV” refers to Telenet NV (formerly named Telenet BidCo NV), a limited liability company (*naamloze vennootschap/société anonyme*) organized under the laws of Belgium, with or without its subsidiaries, as the context requires.

“Telenet NV Board of Directors” refers to the board of directors of Telenet NV, from time to time.

“Telenet Service Agreement” refers to the service agreement to be entered into between the Issuer, Telenet International Finance and Telenet NV in respect of the payment of certain ongoing costs, expenses and taxes which may be incurred by the Issuer in connection with its entry into and performance of its obligations in connection with the Notes. See “*Description of the Senior Credit Facility and Related Agreements—Description of the Related Agreements*”.

“Telenet Solutions” refers to Telenet Solutions Luxembourg S.A., with or without its consolidated subsidiaries, as the context requires.

“Transfer Agent” refers to The Bank of New York Mellon acting in its capacity as transfer agent under the Indenture.

“Trustee” refers to The Bank of New York Mellon acting in its capacity as trustee under the Indenture.

“U.S. Exchange Act” refers to the U.S. Securities Exchange Act of 1934, as amended.

“U.S. GAAP” refers to generally accepted accounting principles in the United States.

“U.S. Securities Act” refers to the U.S. Securities Act of 1933, as amended.

For an explanation or definition of certain other terms used in this offering memorandum, see “*Glossary*” starting on page G-1 of this offering memorandum.



## **SUBSCRIBER, MARKET AND INDUSTRY DATA**

### **Subscriber Data**

Each subscriber to any of Telenet's services is counted as a revenue generating unit ("RGU") for each service subscribed. Thus, a subscriber who receives cable television, broadband internet and telephony services from Telenet (regardless of their number of telephony access lines) would be counted as three RGUs. The subscriber data included in this offering memorandum, including penetration rates, average monthly subscription revenue earned per average RGU ("ARPU") are determined by management, are not part of the Telenet Group Financial Statements and have not been audited or otherwise reviewed by an outside auditor, consultant or expert. Telenet defines ARPU per customer relationship as average total recurring revenue (including revenue earned from carriage fees and set-top box rentals and excluding interconnection revenue, installation fees, mobile telephony revenue and set-top box sales) for the indicated period, divided by the average of the opening and closing RGU base or customer relationships, as applicable, for the period.

### **Market and Industry Data**

Telenet operates in an industry in which it is difficult to obtain precise market and industry information. Telenet has generally obtained the market and competitive position data in this offering memorandum from industry publications and from surveys or studies conducted by third party sources that it believes to be reliable.

However, none of the Issuer, Telenet NV, Telenet International Finance, the Initial Purchasers or any of their respective advisors can verify the accuracy and completeness of such information and none of the Issuer, Telenet NV, Telenet International Finance, the Initial Purchasers or any of their respective advisors has independently verified such market and position data. Telenet NV does, however, accept responsibility for the correct reproduction of this information and, as far as it is aware and is able to ascertain from information published, no facts have been omitted that would render the reproduced information inaccurate or misleading.

In addition, in many cases Telenet has made statements in this offering memorandum regarding its industry and Telenet's position in the industry based on its experience and its own investigation of market conditions. None of the Issuer, Telenet NV, Telenet International Finance, the Initial Purchasers or any of their respective advisors can assure you that any of these assumptions are accurate or correctly reflect its position in the industry, and none of its internal surveys or information has been verified by independent sources.

## EXCHANGE RATE INFORMATION

Telenet presents its consolidated financial statements in euro. Telenet has set forth in the table below, for the periods and dates indicated, certain information regarding the exchange rates between U.S. dollars and the euro based on the market rates at 6:00 p.m. London time. Telenet has provided this exchange rate information solely for your convenience. Neither Telenet nor the Issuer makes any representation that any amount of currencies specified in the table below has been, or could be, converted into the applicable currency at the rates indicated or any other rate. The market rate at 6:00 p.m. London time of the euro on March 2, 2011 was \$1.39 = €1.00.

	U.S.\$ per €1.00			
	Period Average <sup>(1)</sup>	High	Low	Period End <sup>(2)</sup>
<b>Year</b>				
2005 .....	1.24	1.35	1.17	1.18
2006 .....	1.26	1.33	1.19	1.32
2007 .....	1.37	1.49	1.29	1.46
2008 .....	1.47	1.60	1.24	1.39
2009 .....	1.39	1.51	1.25	1.43
2010 .....	1.33	1.45	1.20	1.34
<b>Month</b>				
January 2011 .....	1.34	1.37	1.29	1.37
February 2011 .....	1.37	1.38	1.35	1.38
March 2011 (through March 2, 2011) .....	1.38	1.39	1.38	1.39

(1) Period Average means the average of the market rates at 6:00 pm London time during the relevant period.

(2) Represents the exchange rate on the last business day of the applicable period.

## FORWARD-LOOKING STATEMENTS

This offering memorandum contains “forward-looking statements” as that term is defined by the U.S. federal securities laws. These forward-looking statements include, but are not limited to, statements other than statements of historical facts contained in this offering memorandum, including, but without limitation, those regarding Telenet’s future financial condition, results of operations and business, Telenet’s product, acquisition, disposition and finance strategies, Telenet’s capital expenditure priorities, regulatory or technological developments in the market, subscriber growth and retention rates, competitive and economic factors, the maturity of its markets, anticipated cost increases, liquidity, credit risk and target leverage levels. In some cases, you can identify these statements by terminology such as “aim”, “anticipate”, “believe”, “continue”, “could”, “estimate”, “expect”, “forecast”, “guidance”, “intend”, “may”, “plan”, “potential”, “predict”, “project”, “should”, and “will” and similar words used in this offering memorandum.

By their nature, forward-looking statements are subject to numerous assumptions, risks and uncertainties. Many of these assumptions, risks and uncertainties are beyond the control of the Issuer or Telenet. Accordingly, actual results may differ materially from those expressed or implied by the forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding Telenet’s present and future business strategies and the environment in which it operates. The Issuer and Telenet caution readers not to place undue reliance on the statements, which speak only as of the date of this offering memorandum, and the Issuer and Telenet expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in its expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based.

Where, in any forward-looking statement, the Issuer or Telenet expresses an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished.

Risks and uncertainties that could cause actual results to vary materially from those anticipated in the forward-looking statements included in this offering memorandum include those described under “*Risk Factors*”.

The following are some but not all of the factors that could cause actual results or events to differ materially from anticipated results or events:

- Telenet’s substantial leverage and debt service obligations;
- Telenet’s ability to generate sufficient cash to service its debt, to control and finance its capital expenditures and operations;
- Telenet’s ability to raise additional financing;
- risks associated with Telenet’s structure, this offering, and Telenet’s other indebtedness;
- Telenet’s relationship with its shareholders;
- economic and business conditions and industry trends in which Telenet and the entities in which it has interests, operate;
- the competitive environment and downward price pressure (notably, through offerings of bundles) in the broadband communications and television sector in Belgium in which Telenet and the entities in which it has interests, operate;
- Telenet’s penetration of the mobile telephony market;
- competitor responses to products and services of Telenet, and the products and services of the entities in which it has interests;
- fluctuations in currency exchange rates and interest rates;
- consumer disposable income and spending levels, including the availability and amount of individual consumer debt;
- changes in consumer television viewing preferences and habits;
- government intervention that opens Telenet’s broadband distribution network to competitors;

- consumer acceptance of existing service offerings, including Telenet's analog and digital video, fixed and mobile voice and broadband internet services;
- consumer acceptance of new technology, programming alternatives and broadband services that Telenet may offer;
- Telenet's ability to manage rapid technological changes;
- Telenet's ability to maintain and increase the number of subscriptions to its digital television, voice and broadband internet services and the average revenue per household;
- Telenet's ability to increase or maintain rates to its subscribers or to pass through increased costs to its subscribers;
- the impact of Telenet's future financial performance, or market conditions generally, on the availability, terms and deployment of capital;
- the outcome of any pending or threatened litigation;
- changes in, or failure or inability to comply with, government regulations in Belgium and adverse outcomes from regulatory proceedings;
- the application of competition law generally and government intervention that opens Telenet's broadband distribution and television networks to competitors, which may have the effect of reducing Telenet's control over the management of, or the quality of, its network and Telenet's ability to reach the expected returns on investment;
- changes in laws or treaties relating to taxation in Belgium, or the interpretation thereof;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- capital spending for the acquisition and/or development of telecommunications networks and services and equipment, and obtaining regulatory approvals therefor;
- Telenet's ability to successfully integrate and recognize anticipated efficiencies from the businesses it may acquire;
- the ability of suppliers and vendors to timely deliver qualitative products, equipment, software and services;
- technical failures, equipment defects, physical or electronic break-ins to the services, computer viruses and similar description problems;
- the availability of attractive programming for Telenet's analog and digital video services at reasonable costs;
- the loss of key employees and the availability of qualified personnel and a deterioration of the relationship with employee representatives;
- changes in the nature of key strategic relationships with partners and joint ventures;
- events that are outside of Telenet's control, such as political unrest in international markets, terrorist attacks, natural disasters, pandemics and other similar events; and
- other factors discussed in this offering memorandum.

The broadband communications services industries are changing rapidly and, therefore, the forward-looking statements of expectations, plans and intent in this offering memorandum are subject to a significant degree of risk. These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this offering memorandum, and the Issuer and Telenet expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in its expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based.

The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward-looking statements that the Issuer or Telenet or persons acting on their behalf may issue. Telenet does not undertake any obligation to review or confirm analysts' expectations or estimates or to

release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this offering memorandum.

The Issuer and Telenet disclose important factors that could cause their actual results to differ materially from their expectations in this offering memorandum. These cautionary statements qualify all forward-looking statements attributable to the Issuer or Telenet or persons acting on their behalf. When Telenet indicates that an event, condition or circumstance could or would have an adverse effect on it, it means to include effects upon business, financial and other conditions, results of operations and ability to make payments on the Finco Loan, which in turn would have an adverse effect on the Issuer's ability to make payments under the Notes.



## **AVAILABLE INFORMATION**

For so long as any of the Notes are “restricted securities” within the meaning of Rule 144A(a)(3) under the U.S. Securities Act, the Issuer will, during any period in which it is neither subject to the reporting requirements of Section 13 or 15(d) of the U.S. Exchange Act, nor exempt from the reporting requirements of the U.S. Exchange Act under Rule 12g3-2(b) thereunder, provide to the holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, in each case upon the written request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the U.S. Securities Act.

Neither the Issuer nor Telenet is currently subject to the periodic reporting and other information requirements of the U.S. Exchange Act. However, pursuant to the Indenture and so long as the Notes are outstanding, the Issuer will furnish periodic information to holders of the Notes. See “*Description of the Notes—Certain Covenants—Information*”.

## **TAX CONSIDERATIONS**

Prospective purchasers of the Notes are advised to consult their own tax advisors as to the consequences of purchasing, holding and disposing of the Notes, including, without limitation, the application of U.S. federal tax laws to their particular situations, as well as any consequences to them under the laws of any other taxing jurisdiction, and the consequences of purchasing the Notes at a price other than the initial issue price in the offering. See “*Tax Considerations*”.

## **TRADEMARKS AND TRADE NAMES**

Telenet owns or has rights to certain trademarks or trade names that it uses in conjunction with the operation of its businesses. Each trademark, trade name or service mark of any other company appearing in this offering memorandum is the property of its respective holder.

## GENERAL DESCRIPTION OF TELENET'S BUSINESS, THE ISSUER AND THE OFFERING

*This general description of Telenet's business, the Issuer and the offering highlights selected information contained in this offering memorandum regarding Telenet, the Issuer and the Notes. The Notes are obligations of the Issuer alone and not of, or guaranteed by, Telenet Group Holding NV, Telenet NV, Telenet International Finance S.à r.l. or any of their respective subsidiaries or affiliates. See "—The Offering". In addition, this general description does not contain all the information you should consider prior to investing in the Notes. You should read the entire offering memorandum carefully, including the "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations of Telenet", the September 30, 2010 Selected Condensed Consolidated Interim Financial Statements, the December 31, 2009 Consolidated Financial Statements and the notes to those financial statements included in this offering memorandum. Please see page G-1 of this offering memorandum for a glossary of technical terms used in this offering memorandum.*

### **Telenet's Business**

#### **Overview**

Telenet is the largest cable television operator in Belgium. Telenet's hybrid-fiber coaxial ("HFC") cable network spans the Flanders region, covers 61% of Belgium by homes passed and includes the metropolitan centers of Antwerp and Ghent and approximately one-third of Brussels. Telenet's shares are listed on the Euronext Brussels Stock Exchange under the ticker symbol TNET and it is part of the BEL20 stock market index. As of 6:00 p.m. London time on February 7, 2011, Telenet's market capitalization amounted to €3,414 million.

Telenet offers analog and digital cable television and digital pay television, including high definition ("HD") and on-demand television, high-speed broadband internet and fixed and mobile telephony services to residential subscribers who reside in Telenet's network area. Telenet also combines its services into packages, or bundles, which offer subscribers the convenience of being able to purchase television, broadband internet and telephony services from a single provider at an attractive and discounted price. In addition, Telenet offers voice and data services to small and medium-sized businesses throughout Belgium and parts of Luxembourg.

As of September 30, 2010, Telenet had 2,288,200 unique residential subscribers, which represented 81% of the 2,812,600 homes passed by its network. As of September 30, 2010, all of Telenet's 2,288,200 unique residential subscribers subscribed to its basic cable television services, 1,196,800 subscribed to its broadband internet services and 794,800 subscribed to its fixed telephony services. In addition, 51% of its basic cable television subscribers had upgraded from analog to digital television. For the year ended December 31, 2009, Telenet's total revenue was €1,197 million, an 18% increase over the year ended December 31, 2008, and its Adjusted EBITDA was €608 million, a 20% increase over the year ended December 31, 2008. For the nine months ended September 30, 2010, Telenet achieved revenue of €967 million, an increase of 10% over the nine months ended September 30, 2009, and it generated €506 million of Adjusted EBITDA, representing a similar 10% increase over the nine months ended September 30, 2009.

Telenet's business was founded on the provision of high-speed broadband internet and fixed telephony services, but following its acquisition of the cable television businesses of the mixed intermunicipalities (the "MICs") in 2002, the provision of standard cable television services became its largest business activity. Because consumers are increasingly looking to receive all of their media and communications services from one provider at attractive prices in the form of bundles, Telenet has been increasingly focused on offering its subscribers broadband internet and telephony subscriptions and services together with its basic cable television services in the form of attractively priced multiple-play bundles. Telenet has derived, and believes it can continue to derive, substantial benefits from the trend towards bundled subscriptions, through which it is able to sell more products to individual subscribers, resulting in significantly higher ARPU and, in its experience, the reduction of customer churn. For the nine months ended September 30, 2010, Telenet's ARPU per unique subscriber was €38.4 per month, a €4.0 per month increase over Telenet's ARPU per unique subscriber for the nine months ended September 30, 2009, which represented the largest absolute increase achieved at present.

Telenet's entire cable network has been upgraded to bi-directional capability, is fully EuroDocsis 3.0 enabled and provides a spectrum bandwidth capacity of 600 MHz. As a result, Telenet believes its network today offers sufficient capacity for television and broadband internet services. In February 2010, Telenet announced its "Digital Wave 2015" upgrade project, under which it will split optical nodes thereby

reducing the number of homes connected to an optical node from an average of 1,400 homes per node to an average of 500 per node. This increase in the number of nodes throughout Telenet's footprint will allow Telenet to build a next-generation network, with increased download and upload speeds, supporting new internet applications and enhanced services and technology.

Prior to October 2008, Telenet offered all services to the approximately 1,933,000 homes passed by its network but was only able to offer broadband internet and telephony services to the approximately 829,500 homes passed by its network which were owned by Interkabel and the pure intermunicipalities (the "PICs") which encompassed about one third of Flanders (the "Partner Network"). Pursuant to an agreement entered into on June 28, 2008 between Telenet, Interkabel, INDI ESV and four PICs in Flanders (the "PICs Agreement"), which effectively closed in October 2008, Telenet acquired full rights to use substantially all of the Partner Network under a long-term lease (*erfpacht/emphytéose*) for an initial period of 38 years, for which Telenet is required to pay recurring fees in addition to the fees paid under certain pre-existing agreements with the PICs. The PICs remain the legal owners of the Partner Network. Following the PICs Agreement, Telenet now has the direct customer relationship with the analog and digital television video subscribers on the Partner Network and is able to make all of its services available to all of the homes passed in the Partner Network. See "*Description of Telenet's Business—Telenet's Network*" and "*Description of Telenet's Business—PICs Agreement and Interkabel Contribution Deed: Telenet's Usage Rights on the Partner Network.*"

Telenet provides the following products and services to its customers:

#### *Basic Cable Television*

Basic cable television is the principal medium for the provision of television services in Flanders. As of September 30, 2010, Telenet provided its basic cable television services to all of its approximately 2,288,200 unique residential subscribers, or 81% of homes passed by its network. All of Telenet's basic cable television subscribers have access to at least 25 basic analog television channels and an average of 20 analog radio channels. Telenet's basic cable television subscribers who have installed a set-top box and activated a smart card have access to the same 25 or more television channels simulcast in digital, providing a total of approximately 80 digital channels and approximately 36 digital radio channels, for no additional fee. Telenet offers its basic cable television services in digital for no additional fee in order to encourage its subscribers to migrate to digital cable television so they can access Telenet's digital pay television services, including video-on-demand and other interactive television services. As of September 30, 2010, approximately 1,168,800, or 51% of Telenet's standard cable subscribers had activated smart cards, up from approximately 916,200, or 39% of Telenet's standard cable subscribers as of September 30, 2009. Telenet generally provides its basic cable television services under individual contracts with its subscribers, the majority of whom pay monthly.

#### *Digital Television*

As of September 30, 2010, Telenet served 1,168,800 digital television customers, an increase of 28% compared to September 30, 2009. The vast majority of Telenet's digital television customers (1,108,600 subscribers at the end of September 2010) opt for the interactive Telenet Digital television platform ("iDTV") and the remaining 60,200 subscribers watched digital television through a non-interactive digital platform ("INDI") set-top box. Following the launch of Telenet's 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. iDTV customers have the choice between a range of set-top box types available for rent, and to a lesser extent, for purchase. Following the launch of HD on Telenet's iDTV platform in 2007, Telenet's customers have access to additional HD channels and HD premium content. Telenet's 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. Telenet's premium content is acquired through various studio contracts, including Universal Studios, MGM, Twentieth Century Fox, Paramount, Sony, Disney and Warner Brothers. Telenet's digitalization ratio, which measures the total base of digital television customers (both iDTV and INDI) relative to Telenet's total cable television subscriber base, continued to grow, and reached 51% at the end of September 2010 compared to 39% at the end of September 2009.

### *Broadband internet*

Telenet is the leading provider of residential broadband internet services in Flanders. As of September 30, 2010, Telenet provided its broadband internet services to 1,196,800 subscribers, an increase of 10% compared to September 30, 2009. Through Telenet's HFC upgraded network, it offers its residential subscribers a broadband internet service at a downstream data transfer speed of up to 100 Mbps. Telenet's current residential offerings include multiple tiers, which range from "Basicnet", which allows end users to receive data from the internet at a downstream data transfer speed of up to 4 Mbps, to "Fibernet 100", which offers end users a downstream speed of up to 100 Mbps. Fibernet represents the first set of next-generation broadband products relying on the latest EuroDocsis 3.0 technology, which has been deployed across Telenet's entire network. With the launch of Telenet's Fibernet offer in February 2010, Telenet has maintained its position as the leading high-speed internet provider in its service area, offering download speeds of up to 100 Mbps, comparing favorably to the download speeds offered by its asymmetrical digital subscriber lines ("ADSL") competitors.

### *Telephony*

Telenet offers its residential subscribers local, national and international long distance fixed-line telephony services, mobile telephony services and a variety of value-added features. In Flanders, Telenet believes that it is currently the largest competitor to Belgacom NV/SA ("Belgacom"), the Belgian incumbent, due in part to Telenet's emphasis on customer service and innovative tariff plans. The majority of Telenet's telephony subscribers use voice-over-internet protocol ("VoIP") technology which utilizes the open standards EuroDocsis protocol, and through which Telenet is able to provide both internet and telephony services. As of September 30, 2010, Telenet provided fixed telephony services to 794,800 subscribers and mobile telephony services to 182,200 subscribers with an active SIM-card. This compared to 714,900 fixed telephony subscribers and 104,500 mobile telephony subscribers with an active SIM-card as of September 30, 2009.

Telenet's mobile telephony offer was launched in August 2006 under the Telenet Mobile brand name. Telenet provides this service through an MVNO partnership with Mobistar NV, the second largest mobile operator in Belgium, providing Telenet's customers all network services as well as access to Mobistar NV's mobile telecommunications network. In February 2009, Telenet signed a broader agreement with Mobistar (the "Full-MVNO Agreement"), which provides Telenet with greater flexibility in terms of product offers and which enables Telenet to roll out fixed-mobile convergent products. Telenet launched the Full-MVNO on October 11, 2010. Telenet has also undertaken the construction of certain proprietary mobile infrastructure, including a mobile switch, mobile rating and billing platform.

### *Business services*

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

### **Telenet's Competitive Strengths**

Telenet believes that it benefits from the following key strengths which will help it execute its strategy:

***Telenet operates in one of Europe's most favorable cable markets and has a large, affluent existing customer base.*** Telenet's cable network passes 61% of the homes in Belgium and includes the metropolitan centers of Antwerp and Ghent and approximately one-third of Brussels. Telenet believes that Belgium, and in particular the Flanders region in which it operates, is one of Europe's most attractive cable markets due to, among other things, a relatively high population density and cable penetration rate. According to Eurostat, Belgium is one of the most prosperous countries in Europe with a GDP per capita of €31,400 in 2009 compared to a European average of €23,600 for the comparable period. As of September 30, 2010, Telenet provided its standard cable services to approximately 2,288,200 unique residential subscribers, or 81% of homes passed by its network. Telenet believes that its attractive network area and large and affluent existing customer base offer significant potential for it to sell its multiple-play bundles and other services primarily to Telenet's existing basic cable television customer base.

***Telenet can offer higher quality television and broadband internet services than its competitors because of its state-of-the-art, highly-invested cable network.*** Telenet's HFC cable network allows it to offer digital television and broadband internet services across its network area. These services are highly competitive to the offerings of any of Telenet's competitors. The core of Telenet's network has recently been fully upgraded to a minimum spectrum bandwidth capacity of 600 MHz, allowing Telenet to offer high-quality, highly-reliable analog and digital video and sophisticated interactive television services available in Telenet's network area. Telenet's network is also EuroDocsis 3.0 enabled and its core fiber network connects to on average 1,400 homes passed through an optical node. This allows Telenet to offer its broadband internet subscribers significantly higher speeds across its network area than Telenet's competitors in Telenet's network area can offer over their DSL network.

***Telenet has a strong platform to compete in the growing market for triple- or multi-play bundles in its network area.*** Consumers are increasingly looking to receive all of their media and communications services from one provider at an attractive price in the form of multiple-play bundles. Given the relatively high levels of cable penetration in Telenet's network area and the higher aggregate monthly ARPU associated with bundled offerings, Telenet believes that the increasing penetration of triple-play services within Telenet's network area will be one of the primary drivers of its future revenue growth. Telenet believes that it has a platform to capture further growth in the market for triple-play bundles in its network area since it can offer its large basic cable television customer base an attractive combination of interactive digital television, broadband internet and fixed and mobile telephony services.

***Strong, stable cash flows and significant operating leverage.*** Telenet's large customer base and relatively low churn rates provide it with greater visibility of future revenue and recurring cash flows, which have historically proven to be resilient even during periods of challenging economic conditions. Certain of Telenet's cost elements, such as a portion of its network operations, marketing, general and administrative costs, are relatively fixed, which Telenet expects to allow it to generate incremental returns as it grows its business. Telenet increased its Adjusted EBITDA margin from 49.7% in the year ended December 31, 2008 to 50.7% in the year ended December 31, 2009. Telenet also reduced its Net Total Debt to Consolidated Annualised EBITDA ratio, calculated as set forth in the Senior Credit Facility, from 3.7x as of December 31, 2008 to 3.1x as of December 31, 2009. For the nine months ended September 30, 2010, Telenet realized an Adjusted EBITDA margin of 52.3% and its Net Total Debt to Consolidated Annualised EBITDA ratio amounted to 2.8x as of September 30, 2010.

***Strong brand name and customer base.*** Telenet is a well-recognized brand in Telenet's franchise area. Telenet has developed its brand through extensive marketing campaigns, website promotions, customer referrals, and the use of a dedicated sales force and dealer networks. Third party research commissioned by Telenet indicates that consumers had over 95% aided brand awareness of Telenet as a provider of internet, fixed telephony services and digital television. In addition, third party customer surveys that Telenet commissioned have indicated that customers recognize Telenet for the quality of its products, with one survey of Telenet's internet business reporting a customer satisfaction rate of approximately 90%. Telenet believes that the development of its brand and focus on customer service enables it to sell additional products and value-added services to its existing customers, acquire new customers and retain its existing customer base.

***Strong management team with focus on operational excellence.*** Telenet's management team has extensive experience in managing communications and technology businesses in competitive markets. They have a track record of successfully growing Telenet's customer base and market share and introducing new products and tiered offerings to customers in a competitive environment, with a continued focus on managing costs and increasing free cash flows. Management seeks to promote an environment that supports a dynamic and innovative culture. Telenet's controlling shareholder, Liberty Global, Inc. ("LGI"), also brings a combination of international telecommunications experience and relationships to Telenet's operations. Telenet's management have also established strong local relationships with the Belgian political and regulatory environment.

### **Telenet's Strategy**

Telenet's strategy is to be the best-in-class and preferred provider of digital television, broadband internet and telephony services while improving its revenues, profitability and cash flow. Telenet aims to accomplish



this by continuing to improve the quality of its network and offer cutting-edge technologies and innovative services to its customers. The key components of Telenet's strategy are to:

***Drive continued revenue and profit growth by leveraging Telenet's superior products and multiple-play bundles.*** Telenet has achieved significant growth in its digital television, broadband internet and telephony services and it plans to further increase its subscriber base for these services as well as its multiple-play bundles through product positioning, attractive pricing and strong focus on customer care. Telenet has launched several successful product and marketing initiatives to further increase the uptake of bundles and migrate subscribers to its "Shakes" bundles. As of September 30, 2010, 57% of Telenet's unique residential customers subscribed to its double- or triple-play packages, of which 31% or 697,300 represented triple-play subscribers (representing an increase of 11% compared to September 30, 2009). Telenet will continue to upsell its bundles to its customer base to improve ARPU per unique customer, reduce customer acquisition costs, lower churn rates and lower maintenance expenses.

***Further convert Telenet's analog basic cable television subscriber base to digital television.*** Telenet continues to convert its analog basic cable television subscriber base to its digital television platform. Subscribers to Telenet's digital television product get access to a much richer high-quality content offering, an extensive video-on-demand ("VoD") library and interactive applications at no additional cost, other than the set top box which can either be purchased or rented. On average, a subscriber converting from analog basic cable television to digital television increases its ARPU substantially by additional services, including the subscription to additional content packages and the usage of VoD and interactive applications. In the second quarter of 2010 Telenet deployed its next-generation user interface on its existing and future set-top boxes, introducing an entirely new enhanced experience for Telenet's digital television customers and launched its set-top box recording feature over the internet.

***Enhance customer satisfaction and loyalty.*** Telenet has improved its operations, upgraded various customer care and billing systems and implemented management incentive schemes to enhance customer satisfaction. Telenet has invested in its customer care function in order to improve satisfaction and retention at all customer touch points. Telenet conducts a monthly independent survey to track its customers' satisfaction by product and customer process. Telenet believes that its investments in customer care and sustained focus on customer satisfaction are important drivers of its ability to maintain its current levels of low churn.

***Explore additional growth opportunities.*** Telenet believes that the business-to-business segment presents a growth opportunity for Telenet, providing Telenet with an opportunity to leverage its existing network and EuroDocsis 3.0 technology to meet the needs of small and medium-sized businesses. Telenet plans to reposition its business-to-business offerings and more aggressively market them moving forward in order to gain a larger share of the market in its network area. Telenet believes that due to its ability to provide telephony and high-speed broadband internet services over its existing cable network, it is well positioned to provide cost effective voice and data services to meet the needs of small and medium-sized enterprises without significant capital investment. Telenet will also continue to explore balanced growth opportunities in mobile broadband and mobile voice in order to enhance and retain its position in the market. Although the mobile voice market is already highly penetrated, Telenet believes that its ability to offer combined fixed and mobile products will become an important differentiator as converged service offerings start to develop. In addition, since the mobile broadband market is currently not yet developed in Belgium, Telenet believes that its fixed broadband market position should put Telenet in a favorable position to exploit future growth in this market.

***Focus on cash flow growth.*** Telenet believes that it has a solid Adjusted EBITDA margin and cash flow generation profile. Telenet is committed to exploiting growth opportunities available to it in a manner that Telenet expects to generate high incremental return on its investments. Telenet believes that the large scale of its existing operations provides it with a platform to invest in new products and services and translate revenue growth into improved profitability and cash flow generation.

#### **Telenet's Controlling Shareholders**

##### ***Liberty Global, Inc.***

LGI is Telenet's controlling shareholder and as of February 7, 2011 held a majority ownership interest in Telenet of 50.17%. LGI is an international provider of video, voice and broadband internet services, with consolidated broadband communications and/or direct-to-home satellite operations in 14 countries,

primarily in Europe, Chile and Australia. As of February 7, 2011, Telenet's free float amounted to 49.81% with its shares trading on the Euronext Brussels Stock Exchange under the ticker symbol TNET.

### **The Issuer and Consolidation of the Issuer by Telenet**

The Issuer was incorporated under the laws of the Grand Duchy of Luxembourg on January 28, 2011, as a special purpose financing company for the primary purpose of facilitating the offering of the Notes. Its share capital is €31,000 divided into 999 ordinary shares without par value (the "Ordinary Shares") and one share without par value allocated to the general partner (the "GP Share"), all of which have been subscribed and fully paid-up. The Ordinary Shares are held by Stichting Telenet Finance III Luxembourg, a foundation (*stichting*) established under the laws of The Netherlands (the "Foundation") and the GP Share is held by Telenet Finance III S.à r.l., a private limited liability company (*société à responsabilité limitée*) established under the laws of Luxembourg (the "GP"). None of Telenet Group Holding or any of its subsidiaries has any direct or indirect interest in the Issuer, the Foundation or the GP. The Noteholders will not have a direct claim against the cash flow or assets of any member of the Telenet Group, and no member of the Telenet Group will have any direct obligation to holders of the Notes to pay amounts due under the Notes. The Foundation will, under the Issuer Pledge Agreement and the General Partner Pledge Agreement, grant security over the issued ordinary shares of the Issuer owned by the Foundation and all shares in the GP held by the Foundation in favor of the Trustee for the benefit of the Trustee and the holders of the Notes.

The Issuer has no material business operations and upon completion of this offering will have no material assets other than the Finco Loan advanced in connection with the offering of the Notes and its rights under certain related agreements. The Issuer has not engaged in any business activities or incurred any material liabilities since the date of its incorporation, other than relating to this offering and transactions related thereto. The Issuer is dependent on payments by Telenet International Finance, which payments are guaranteed by Telenet NV under the Finco Loan, in order to service its obligations under the Notes. The proceeds from the offering of the Notes will be loaned by the Issuer to Telenet International Finance pursuant to the Finco Loan. Although Telenet International Finance has no equity or voting interest in the Issuer, the Finco Loan creates a variable interest in the Issuer for which Telenet International Finance is the primary beneficiary, as contemplated by IFRS. As such, Telenet International Finance and its parent entities, including Telenet Group Holding, will be required by the provisions of IFRS to consolidate the Issuer following the issuance of the Notes. See "*Risk Factors—Risks Relating to the Notes and the Structure—Holders of the Notes have limited recourse to the Issuer, as payments under the Notes are limited to the amount of certain payments received by the Issuer under the Senior Credit Facility and the Related Agreements*".

### **Brief Description of the Structure of the Offering**

In connection with the offering of the Notes, the Issuer has entered into a Facility O Accession Agreement with Telenet International Finance and the facility agent under the Senior Credit Facility pursuant to which the Issuer made available to Telenet International Finance an additional facility under the Senior Credit Facility in a principal amount equal to the aggregate principal amount of the Notes issued in the offering. On the Issue Date of the Notes, the Issuer advanced the proceeds of the issuance of the Notes to Telenet International Finance pursuant to the Facility O Accession Agreement. The principal amount of the Notes due at maturity, as well as the maturity date, rate of interest and currency, among other things, is substantially identical to the corresponding provisions of the Finco Loan.

The Issuer, as a lender under the Senior Credit Facility (a "Telenet Lender"), is treated the same as all other lenders under that facility and has benefits, rights and protections that are similar to those benefits, rights and protections afforded to other Telenet Lenders. Through the covenants in the Indenture and the security interests over all of the Ordinary Shares of the Issuer, all of the share capital of the GP and the Finco Loan granted to secure the Issuer's obligations under the Notes, the holders of Notes are provided indirectly with the benefits, rights and protections granted to the Issuer as a Telenet Lender, including the benefit of the covenants contained in the Senior Credit Facility and the guarantees and security granted for the benefit of the Telenet Lenders. See "*Description of the Senior Credit Facility and the Related Agreements*". In the case of the ongoing obligations of the Telenet Group and Telenet International Finance under the Senior Credit Facility, the Issuer are treated in the same way as the other Telenet Lenders, with the right to vote as part of the lending group at the direction of the holders of the Notes in accordance with the provisions of the Indenture and to receive principal and interest on the Finco Loan, which it will in turn use to make payments on the Notes. For a description of procedures under the

Indenture and the Facility O Accession Agreement regarding voting rights of holders of the Notes with respect to decisions under the Senior Credit Facility, see below under “*Description of the Notes—Amendment, Supplement and Waiver—To the Senior Credit Facility and the Finco Accession Agreement*”.

Under the Senior Credit Facility, to the extent the Telenet Group is in compliance with certain financial ratios, the borrowers under the Senior Credit Facility, at their discretion and without the consent of the Telenet Lenders, are permitted to incur additional *pari passu* indebtedness pursuant to additional facilities under the Senior Credit Facility, which benefit from the protections provided to all Telenet Lenders. For a further description of the Senior Credit Facility, see “*Description of the Senior Credit Facility and the Related Agreements*”. However, the Senior Credit Facility limits the ability of the Telenet Group to directly issue the Notes. As a result, the structure for this offering has been created pursuant to which the Issuer will loan the proceeds of this offering of the Notes to Telenet International Finance, thus indirectly affording holders of Notes the ability to participate in the Senior Credit Facility.

### **The Refinancing**

The gross proceeds of the offering of the Notes were used by the Issuer to fund the Finco Loan, denominated in euro, under an additional facility borrowed by Telenet International Finance under the Senior Credit Facility. Telenet intends to use the proceeds from the Finco Loan to repay in full or in part outstanding amounts under tranches J, K and L1 of the Senior Credit Facility (the “Refinancing”), and to service certain payments to the Issuer under the Related Agreements. See “*Use of Proceeds*” and “*Description of the Senior Credit Facility and the Related Agreements*”.

### **Recent Developments**

#### ***Telenet Finance Luxembourg Notes and Facility M under the Senior Credit Facility***

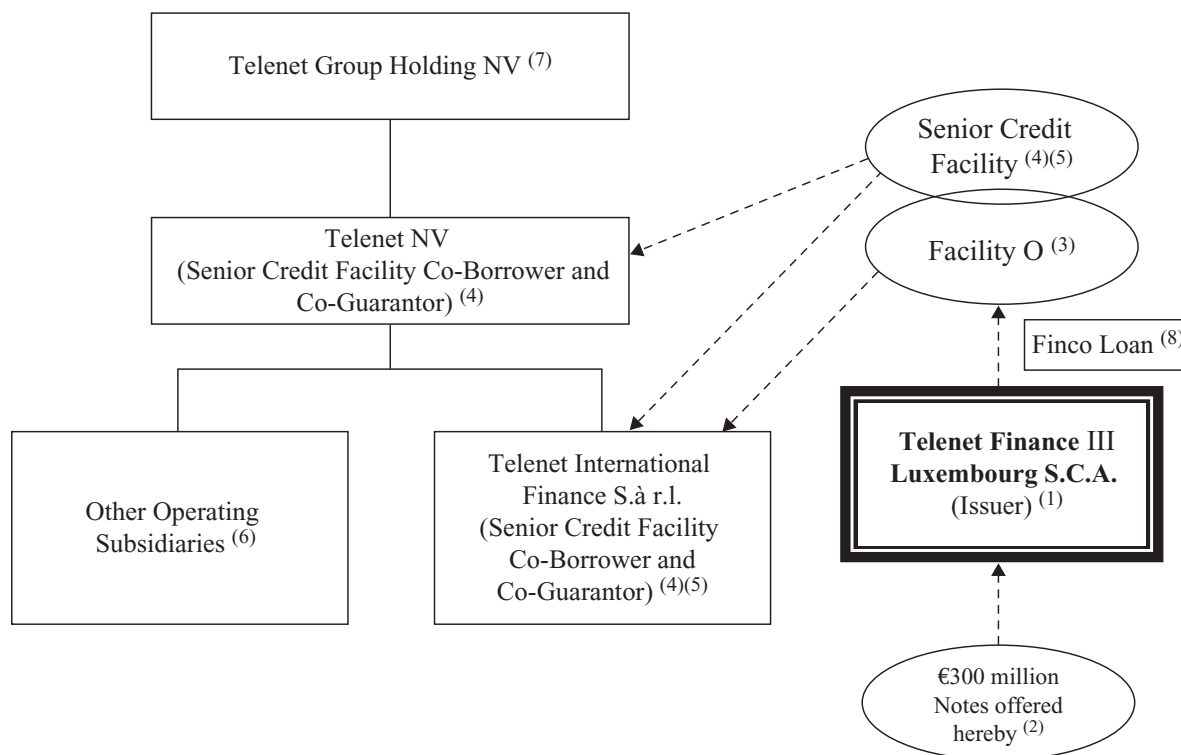
On November 3, 2010, Telenet Finance Luxembourg, an unaffiliated special purpose financing company created for the primary purpose of issuing senior notes, issued €500.0 million principal amount of 6<sup>3</sup>/<sub>8</sub>% senior secured notes due 2020 at par (the “Telenet Finance Luxembourg Notes”). Telenet Finance Luxembourg used the proceeds from the Telenet Finance Luxembourg Notes to fund a new Facility M under the Senior Credit Facility. Telenet International Finance, a direct subsidiary of Telenet NV, is the borrower under the Senior Credit Facility. Telenet International Finance used approximately €202 million of the proceeds from Facility M to repay tranches H, I and L2 under the Senior Credit Facility, and to service certain payments to Telenet Finance Luxembourg in connection with the issuance of the Telenet Finance Luxembourg Notes. The remainder of the proceeds from the new Facility M was used for the general corporate purposes of the Telenet Group.

#### ***Telenet Finance Luxembourg II Notes and Facility N under the Senior Credit Facility***

On November 26, 2010, Telenet Finance Luxembourg II, an unaffiliated special purpose financing company created for the primary purpose of issuing senior notes, issued €100.0 million principal amount of 5.3% senior secured fixed rate notes at 101.75% (the “Telenet Finance Luxembourg II Notes”). Telenet Finance Luxembourg II used the proceeds from the Telenet Finance Luxembourg II Notes to fund a new Facility N under the Senior Credit Facility. Telenet International Finance used the proceeds from Facility N for the general corporate purposes of the Telenet Group.

## SUMMARY CORPORATE AND FINANCING STRUCTURE

The following diagram summarizes the corporate and financing structure of the Issuer and the Telenet Group after giving effect to the offering of the Notes and the application of the proceeds therefrom. The following is provided for indicative and illustration purposes only and should be read in conjunction with the information contained in this offering memorandum as a whole.



- (1) The Issuer is a special purpose financing company formed for the primary purpose of facilitating the offering of the Notes and is owned 99.9% by a foundation established under the laws of The Netherlands and 0.1% by a Luxembourg private limited liability company as general partner.
- (2) The Notes will be senior obligations of the Issuer. The holders of the Notes will benefit directly from first-ranking security interests granted to the Trustee on behalf of itself and the holders of the Notes in the following rights, property and assets: (1) all of the issued ordinary shares of the Issuer; (2) all of the issued shares of the GP; (3) all of the Issuer's rights, title and interest under the Finco Loan; (4) all of the Issuer's rights, title and interests in the Related Agreements; and (5) all of the Issuer's rights, title and interests in the Issuer's Account. See "*Description of the Notes—Security*".
- (3) The proceeds from the issuance of the Notes will be used by the Issuer to fund a Finco Loan, denominated in euro, under an additional facility borrowed by Telenet International Finance under the Senior Credit Facility.
- (4) Both Telenet NV and Telenet International Finance are, and will continue to be following the offering of the Notes, the funding of the Finco Loan and the application of the proceeds of the Finco Loan, borrowers and guarantors under the Senior Credit Facility. See "*Description of the Senior Credit Facility and the Related Agreements—The Senior Credit Facility*".
- (5) The Senior Credit Facility includes Facility M and Facility N, which consist of loans made to Telenet International Finance by Telenet Finance Luxembourg and Telenet Finance Luxembourg II, respectively, special purpose financing companies unaffiliated to the Telenet Group, using the proceeds from the issuances of the Telenet Finance Luxembourg Notes and the Telenet Finance Luxembourg II Notes, respectively. Following the issuance of the Telenet Finance Luxembourg Notes and the Telenet Finance Luxembourg II Notes and the making of the loans under Facility M and Facility N, respectively, Telenet Finance Luxembourg and Telenet Finance Luxembourg II were, and will continue to be as long as Facility M and Facility N, as applicable, remain outstanding, consolidated by Telenet Group Holding. Accordingly, the loans under Facility M and Facility N are eliminated through the consolidation of Telenet Finance Luxembourg and Telenet Finance Luxembourg II, respectively, within Telenet Group Holding's consolidated financial statements. See "*Capitalization of Telenet and the Issuer*".
- (6) Subsidiaries of Telenet NV that are not borrowers or guarantors under the Senior Credit Facility include: Telenet Vlaanderen NV, Hostbasket NV, Telenet Mobile NV, TVGAS NV, C-CURE NV, Telenet Luxembourg Finance Center S.à r.l. and Telenet Solutions Luxembourg S.A. During the nine months ended and as of September 30, 2010 and during the year ended and as of December 31, 2009, the subsidiaries who guarantee the obligations under the Senior Credit Facility generated 100% and 100% of Telenet's Consolidated Adjusted EBITDA, respectively, and held more than 96% and 96% of its consolidated total assets, respectively.
- (7) Telenet Group Holding is listed on Euronext Brussels and is included in the Eurostoxx 600 and the BEL20 index.
- (8) The Issuer will apply all payments it receives under the Finco Loan and such related agreements, including in respect of principal, premiums, interest and any additional amounts following certain tax events, to make corresponding payments under the Notes.

## THE OFFERING

*The summary below describes the principal terms of the Notes and certain terms of the Finco Loan. Certain of the terms and conditions described below are subject to important limitations and exceptions. The “Description of the Notes” section of this offering memorandum contains a more detailed description of the terms and conditions of the Notes, including the definitions of certain terms used in this summary.*

<b>Issuer</b>	Telenet Finance III Luxembourg S.C.A.
<b>Notes offered</b>	€300 million aggregate principal amount of 6½% Senior Secured Notes due 2021.
<b>Issue date</b>	February 15, 2011
<b>Maturity date</b>	February 15, 2021.
<b>Interest payment dates</b>	Semi-annually in cash in arrears on each February 15 and August 15, commencing August 15, 2011. Interest will accrue from the issue date of the Notes.
<b>Denomination</b>	€100,000 and any integral multiples of €1,000 in excess of €100,000. Notes in denominations of less than €100,000 will not be available.
<b>Issue price</b>	100.000% plus accrued interest, if any, from February 15, 2011.
<b>Ranking</b>	The Notes will be senior obligations of the Issuer and will rank equally with all other future senior debt of the Issuer.
<b>Senior Credit Facility</b>	The proceeds from the issuance of the Notes will be used by the Issuer to fund a loan (the “Finco Loan”), denominated in euro, under an additional facility borrowed by Telenet International Finance under the Senior Credit Facility. Under the terms of the Senior Credit Facility and the related arrangements, the Issuer will benefit from, among other things, all the rights of a lender under the Senior Credit Facility.
<b>Limited recourse</b>	<p>Except under the limited circumstances specified under “<i>Description of the Notes—Events of Default and Remedies</i>”, the obligations of the Issuer under the Indenture, the Notes and the Notes Security Documents will be solely to make payments of amounts in aggregate equivalent to the amounts actually received by or for the account of the Issuer from Telenet International Finance under the Senior Credit Facility and agreements related thereto.</p> <p>In addition, other than under the limited circumstances described under “<i>Description of the Notes—Events of Default and Remedies</i>”, holders of the Notes will not have a direct claim on the cash flow or assets of Telenet and Telenet has no obligation, contingent or otherwise, to pay amounts due under the Notes, or to make funds available to the Issuer for those payments, other than the obligations of Telenet International Finance to make payments to lenders under the Senior Credit Facility and agreements related thereto.</p> <p>None of the members of the Telenet Group will guarantee the Issuer’s obligations under the Notes.</p>
<b>Note Collateral</b>	<p>The holders of the Notes will benefit directly from first-ranking security interests granted to the Trustee on behalf of itself and the holders of the Notes in the following rights, property and assets:</p> <ol style="list-style-type: none"> <li>(1) all of the issued ordinary shares of the Issuer;</li> <li>(2) all of the issued shares of the GP;</li> <li>(3) all of the Issuer’s rights, title and interest under the Finco Loan;</li> <li>(4) all of the Issuer’s rights, title and interests in the Related Agreements; and</li> <li>(5) all of the Issuer’s rights, title and interests in the Issuer’s Account.</li> </ol> <p>See “<i>Description of the Notes—Security</i>”.</p>



The Issuer, as a lender under the Senior Credit Facility, will be treated the same as all other lenders under that facility and will have benefits, rights and protections that are similar to those benefits, rights and protections afforded to other Telenet Lenders. Through the covenants in the Indenture and the security interests over all of the issued ordinary shares of the Issuer, all of the issued shares of the GP and the Finco Loan granted to secure the Issuer's obligations under the Notes, the holders of the Notes will be provided indirectly with the benefits, rights and protections granted to the Issuer as a Telenet Lender, including the indirect benefit of the covenants contained in the Senior Credit Facility and the guarantees and security granted for the benefit of the Telenet Lenders.

**Senior Credit Facility  
Guarantors**

As at the date of this offering memorandum, Telenet NV and Telenet International Finance are the only guarantors of the obligations of the Obligors (as defined in the Senior Credit Facility) under the Senior Credit Facility (subject to certain specified guarantee limitations, including, but not limited to, the exclusion of liability to the extent that such guarantee would constitute unlawful financial assistance under applicable law). In addition, the Senior Credit Facility requires that additional members of the Telenet Group become guarantors under the Senior Credit Facility, (a) in the event that they become Material Subsidiaries (as defined in the Senior Credit Facility), or (b) where necessary in order to ensure that the aggregate gross assets, earnings before interest, tax, depreciation and amortization or turnover, of the Obligors (on an unconsolidated basis and excluding intra group items) equal or exceed, respectively, 85% of the consolidated EBITDA, consolidated gross assets or consolidated turnover (as appropriate) of Telenet Group Holding (excluding intra group items).

**Senior Credit Facility  
Collateral**

The Finco Loan will be secured by the security interests on substantially all assets of the Telenet Group granted to the security agent under the Senior Facility Agreement to secure the Telenet Loans. The Telenet Loans are secured on a first-ranking basis by substantially all of the properties and assets of the borrowers and guarantors under the Senior Facility Agreement, and certain other security providers, under the Senior Credit Facility, including:

- (a) share pledges over all the shares of Telenet NV, Telenet Vlaanderen NV and Telenet International Finance;
- (b) mortgages over all real property and the network assets of Telenet NV and Telenet Vlaanderen NV;
- (c) floating charges over all moveable property of Telenet NV and Telenet Vlaanderen NV; and
- (d) pledges on bank accounts and of all present and future receivables of Telenet Group Holding, Telenet NV, Telenet Vlaanderen NV and Telenet International Finance.

**Mandatory redemption**

Following a change of control as defined under the Senior Credit Facility, Telenet International Finance will be required, at the election of the Majority Lenders under, and as defined in, the Senior Credit Facility, to prepay the Finco Loan plus a payment equal to 1% of the principal amount of the Finco Loan. Following any such repayment, the Issuer will redeem all of the Notes issued under the indenture governing the Notes at a redemption price equal to 101% of the principal amount thereof plus accrued and unpaid interest to the date of redemption.

**Optional redemption with disposal proceeds**

In the event of certain asset sales, Telenet NV and Telenet International Finance may elect, at their option, (i) to offer to prepay a principal amount of the Finco Loan equal to the aggregate principal amount of the Notes tendered in a related asset sale offer to be made by the Issuer (not to exceed the available proceeds from the related asset sale) or (ii) subject to the payment of certain premiums, to prepay the Finco Loan in an amount equal to the available proceeds from the related asset sale, and, in the case of clauses (i) and (ii), the Issuer will redeem a corresponding amount of Notes. See “*Description of the Notes—Redemption and Repurchase—Disposal Proceeds*”.

**Optional redemption upon certain share transfers**

Following certain transfers of the assets or shares of Telenet NV (a “Telenet Group Transfer”): (a) if the holders of a majority of the aggregate principal amount of the Notes outstanding consent to the Telenet Group Transfer, then the Issuer will, to the extent that Telenet International Finance notifies the Issuer that it intends to prepay a corresponding principal amount of the Finco Loan, redeem all, but not less than all of the Notes of all holders who do not consent to the Telenet Group Transfer at a redemption price equal to 101% of the principal amount thereof; and (b) if the holders of a majority of the aggregate principal amount of the Notes outstanding do not consent to the Telenet Group Transfer, then the Issuer will make an offer to all holders of the Notes to purchase their Notes at a redemption price equal to 101% of the principal amount thereof.

**Additional amounts; tax redemption**

All payments in respect of the Notes will be made without withholding or deduction for any taxes or other governmental charges, except to the extent required by law. If withholding or deduction is required by law, subject to certain exceptions, the Issuer will pay additional amounts so that the net amount you receive is no less than that which you would have received in the absence of such withholding or deduction. See “*Description of the Notes—Withholding Taxes*”. The Issuer may redeem the Notes in whole, but not in part, at any time, upon giving prior notice, if certain changes in tax law impose certain withholding taxes on amounts payable on the Notes or the Finco Loan and, as a result, the Issuer, or Telenet International Finance, as the case may be, is required to pay additional amounts with respect to such withholding taxes. If the Issuer decides to exercise such redemption right, it must pay holders a redemption price equal to the principal amount of the Notes being redeemed, together with accrued and unpaid interest and additional amounts, if any, to the redemption date. See “*Description of the Notes—Redemption and Repurchase—Redemption for Changes in Withholding Taxes*”.

**Certain covenants**

The Issuer will issue the Notes under the Indenture. The Indenture will contain covenants with respect to restrictions on the business activities of the Issuer; maintenance of the existence of the Issuer; maintenance of listing; maintenance of rating; minimum period for consents under loan documents; payments for consent; amendments to loan documents to be applied equally to all lenders; and information.

In addition, the Senior Credit Facility and the Facility O Accession Agreement will provide that Telenet NV will not arrange an additional facility under the Senior Credit Facility unless, at such time, the ratio of Net Total Debt to Consolidated Annualised EBITDA would not be greater than 5.00:1 and the ratio of Net Total Senior Debt to Consolidated Annualised EBITDA would not be greater than 4.50:1, as such terms are defined under “*Description of the Notes*”.

**Voting in respect of the  
Finco Loan and the Senior  
Credit Facility**

The Issuer will vote as a lender under the Senior Credit Facility. The voting method to be used to determine the voting position of the Issuer on any matter subject to a lender vote under the Senior Credit Facility is described under “*Description of the Notes—Amendment, Supplement and Waiver—To the Senior Credit Facility or the Facility O Accession Agreement*”.

**Transfer restrictions**

The Notes have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction. The Notes are subject to restrictions on transfer and may only be offered or sold in transactions that are exempt from or not subject to the registration requirements of the U.S. Securities Act. See “*Transfer Restrictions*” and “*Plan of Distribution*”.

**Absence of a public market  
for the Notes**

The Notes will be new securities for which there is currently no market. Although the Initial Purchasers have informed the Issuer and Telenet NV that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market making at any time without notice. Accordingly, neither the Issuer nor Telenet NV can assure you that a liquid market for the Notes will develop or be maintained.

**Use of proceeds**

The proceeds from the issuance of the Notes will be used by the Issuer to fund the Finco Loan, denominated in euro, under a new additional facility (Facility O) borrowed by Telenet International Finance under the Senior Credit Facility. Telenet Group Holding intends to use the proceeds from the Finco Loan to repay in full or in part outstanding amounts under tranches J, K and L1 under the Senior Credit Facility, and to service certain payments to the Issuer under the Related Agreements. See “*Use of Proceeds*”.

**Listing Agent**

The Bank of New York Mellon (Luxembourg) S.A.

**Listing and Trading**

Application has been made for the Notes to be admitted to listing and to trading on the Euro MTF Market of the Luxembourg Stock Exchange. See “*Description of the Notes—Maintenance of Listing*”.

**Trustee**

The Bank of New York Mellon.

**Principal Paying Agent and  
Transfer Agent**

The Bank of New York Mellon.

**Registrar**

The Bank of New York Mellon (Luxembourg) S.A.

**Governing law**

The Indenture and the Notes are governed by the laws of the State of New York. The Senior Credit Facility, the Facility O Accession Agreement, the Telenet Service Agreement and the Telenet Fee Letter will be governed by, and construed in accordance with, English law. Certain of the Notes Security Documents will be governed by, and construed in accordance with, the laws of Luxembourg and certain of the Notes Security Documents will be governed by, and construed in accordance with, English law. See “*Description of the Notes—Security*”. The application of the provisions set out in articles 86 to 97 of the Luxembourg law on commercial companies, as amended, is excluded.

**Risk factors**

Please see the “*Risk Factors*” section for a description of certain of the risks you should carefully consider before investing in the Notes.

**Certain United States federal income tax consequences**

The Notes may be treated as having been issued with original issue discount for U.S. federal income tax purposes. An obligation generally is treated as having been issued with original issue discount if its stated redemption price at maturity exceeds its issue price by at least a defined de minimis amount. If a Note is treated as issued with original issue discount, U.S. investors will be subject to tax on that original issue discount as ordinary income as it accrues, in advance of the receipt of cash payments attributable to that income (and in addition to qualified stated interest). See “*Tax Considerations—U.S. Federal Income Taxation of the Notes*”.

**Certain ERISA considerations**

The Notes and/or any interest therein may, subject to certain restrictions described herein under “*Certain Employee Benefit Plan Considerations*”, be sold and transferred to ERISA Plans (as defined in this offering memorandum). See “*Certain Employee Benefit Plan Considerations*”.

## SUMMARY CONDENSED CONSOLIDATED HISTORICAL FINANCIAL AND OTHER DATA OF TELENET

The Issuer was incorporated on January 28, 2011 for the purpose of the offering of the Notes. Consequently, limited historical financial information relating to the Issuer is available, and the financial information included in this offering memorandum with respect to the Issuer consists only of the Issuer's opening balance sheet as of January 28, 2011, which has been prepared in accordance with Luxembourg GAAP.

The tables below sets out certain summary historical financial information and operating data for Telenet Group Holding for the indicated periods. The summary condensed consolidated historical financial information as of and for the nine months ended September 30, 2010 and 2009 presented below is derived from the September 30, 2010 Selected Condensed Consolidated Interim Financial Statements included in this offering memorandum. The summary condensed consolidated historical financial information as of December 31, 2009 and 2008 and for the years ended December 31, 2009 and 2008 presented below is derived from the December 31, 2009 Consolidated Financial Statements included in this offering memorandum, which have been audited by KPMG Bedrijfsrevisoren CVBA, as set forth in their auditors' report included elsewhere in this offering memorandum.

The consolidated financial statements of Telenet included in this offering memorandum have been prepared in accordance with IFRS. The following information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations of Telenet Group Holding" and the September 30, 2010 Selected Condensed Consolidated Interim Financial Statements and the December 31, 2009 Consolidated Financial Statements included in this offering memorandum. Telenet's historical results do not necessarily indicate results that may be expected for any future period.

	For the nine months ended September 30,		For the year ended December 31,	
	2010	2009	2009	2008
	In millions of EUR			
<b>Revenue</b>				
Basic cable television . . . . .	244.8	240.0	322.3	244.3
Premium cable television . . . . .	110.0	82.5	115.4	78.0
Distributors/Other . . . . .	42.3	38.0	56.5	29.8
Residential broadband internet . . . . .	321.0	298.7	402.0	375.1
Residential telephony . . . . .	188.6	165.1	224.3	214.9
Business services . . . . .	60.3	57.6	76.9	76.8
<b>Total revenue . . . . .</b>	<b>967.0</b>	<b>881.9</b>	<b>1,197.4</b>	<b>1,018.8</b>
<b>Expenses</b>				
Cost of services provided . . . . .	(545.4)	(505.5)	(688.9)	(589.3)
<b>Gross Profit . . . . .</b>	<b>421.6</b>	<b>376.4</b>	<b>508.5</b>	<b>429.6</b>
Selling, general and administrative expenses . .	(153.5)	(143.6)	(210.0)	(190.8)
<b>Operating profit . . . . .</b>	<b>268.1</b>	<b>232.7</b>	<b>298.5</b>	<b>238.7</b>
Finance income . . . . .	1.3	0.9	1.2	5.6
Finance expenses . . . . .	(179.4)	(120.9)	(154.8)	(196.9)
Net finance expenses . . . . .	(178.1)	(120.0)	(153.6)	(191.3)
Share of the loss of equity accounted investees	(0.4)	(0.5)	(0.5)	(0.4)
<b>Profit before income tax . . . . .</b>	<b>89.6</b>	<b>112.3</b>	<b>144.4</b>	<b>47.1</b>
Income tax benefit (expense) . . . . .	(42.4)	(39.6)	88.7	(62.3)
<b>Profit (loss) for the period . . . . .</b>	<b>47.2</b>	<b>72.7</b>	<b>233.1</b>	<b>(15.2)</b>
<b>Other financial information</b>				
Adjusted EBITDA <sup>(1)(2)</sup> . . . . .	505.6	461.1	607.7	506.4

	As of September 30, 2010	As of December 31, 20092008	
	In millions of EUR		
Consolidated Balance Sheet Data:			
Cash and cash equivalents . . . . .	217.2	145.7	65.6
Total assets . . . . .	3,209.6	3,273.2	3,035.8
Total current liabilities . . . . .	499.3	508.9	478.6
Total loans and borrowings (long and short term) . . . . .	2,459.7	2,323.9	2,329.1
Total liabilities . . . . .	3,045.0	2,913.2	2,865.7
Total equity . . . . .	164.6	360.1	170.2

**Other financial information:**

	For the nine months ended September 30,		For the year ended December 31,	
	2010	2009	2009	2008
	In millions of EUR			
<b>Cash Flow Information:</b>				
Cash flow provided by operating activities . . . .	379.9	351.1	440.8	352.0
Cash flow used in investing activities . . . . .	(175.1)	(209.0)	(279.6)	(433.5)
Cash flow provided by (used in) financing activities . . . . .	(133.3)	(77.3)	(81.1)	70.5
Net increase (decrease) in cash and cash equivalents . . . . .	71.5	64.8	80.1	(11.0)
Free Cash Flow <sup>(3)(4)</sup> . . . . .	207.0	148.0	166.9	121.2

**As adjusted covenant information:**

	As of September 30, 2010
Consolidated Annualized EBITDA <sup>(5)</sup> . . . . .	€681.1 million
Net Total Debt . . . . .	€1,907.8 million
Leverage ratio <sup>(6)</sup> . . . . .	2.8x

- (1) EBITDA represents profit before net finance expense, income taxes, depreciation, amortization and impairment. Adjusted EBITDA represents EBITDA before share 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 include (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 Telenet's efforts to acquire or divest controlling interests in businesses. Adjusted EBITDA is an additional measure used by management to demonstrate Telenet's underlying performance and should not replace the measures in accordance with IFRS as an indicator of the Telenet's performance, but rather should be used in conjunction with the most directly comparable IFRS measure.
- (2) The following table presents a reconciliation of Adjusted EBITDA to total comprehensive income (loss) for the period, attributable to equity owners of Telenet Group Holding for the indicated periods:

	For the nine months ended September 30, 2010	For the nine months ended September 30, 2009	For the year ended December 31, 2009	For the year ended December 31, 2008
	In millions of EUR			
Adjusted EBITDA . . . . .	505.6	461.1	607.7	506.4
Share based compensation . . . . .	(3.6)	(3.8)	(5.1)	(4.6)
Operating charges related to acquisitions or divestitures . . . . .	0.0	(1.5)	(1.3)	(0.8)
EBITDA . . . . .	502.0	455.8	601.3	501.0
Depreciation, amortization and impairment . . . . .	(233.9)	(223.0)	(302.8)	(262.2)
Net Finance expense. . . . .	(178.1)	(120.0)	(153.6)	(191.3)
Share of the loss of equity accounted investees . . . .	(0.4)	(0.5)	(0.5)	(0.4)
Income tax benefit (expense) . . . . .	(42.4)	(39.6)	88.7	(62.3)
<b>Total comprehensive income (loss) for the period, attributable to equity owners of Telenet Group Holding . . . . .</b>	<b>47.2</b>	<b>72.7</b>	<b>233.1</b>	<b>(15.2)</b>

- (3) Free Cash Flow is defined as net cash provided by the operating activities of Telenet's continuing operations less capital expenditures of its continuing operations, each as reported in its consolidated statements of cash flows.



- (4) The following table presents a reconciliation of net cash provided by operating activities to Free Cash Flow for the indicated periods:

	For the nine months ended September 30,		For the year ended December 31,	
	2010	2009	2009	2008
	In millions of EUR			
Net cash provided by operating activities . . . . .	379.9	351.1	440.8	352.0
Purchases of property and equipment . . . . .	(136.8)	(174.8)	(233.7)	(200.4)
Purchases of intangibles . . . . .	(36.1)	(28.3)	(40.2)	(30.4)
<b>Free Cash Flow . . . . .</b>	<b>207.0</b>	<b>148.0</b>	<b>166.9</b>	<b>121.2</b>

- (5) Consolidated Annualized EBITDA is calculated by multiplying Consolidated EBITDA (as defined in the Senior Credit Facility) for the two most recent reported quarters by two.
- (6) Leverage ratio is calculated under the Senior Credit Facility as Net Total Debt to Consolidated Annualised EBITDA. Net Total Debt is calculated as set out in the Senior Credit Facility and excludes, among other things, any capitalized element of finance leases.

	As of September 30,		As of December 31,	
	2010	2009	2009	2008
<b>Other Operating Information</b>				
<b>Footprint:</b>				
Homes passed <sup>(1)</sup> . . . . .	2,812,600	2,787,600	2,793,800	2,768,800
<b>RGUs:</b>				
Total cable television . . . . .	2,288,200	2,363,100	2,342,500	2,402,500
Analog cable television <sup>(2)</sup> . . . . .	1,119,400	1,446,900	1,341,600	1,728,900
Digital cable television <sup>(3)</sup> . . . . .	1,168,800	916,200	1,000,900	673,600
Broadband internet <sup>(4)</sup> . . . . .	1,196,800	1,085,00	1,115,900	985,300
Fixed telephony <sup>(5)</sup> . . . . .	794,800	714,900	740,900	628,700
Mobile telephony . . . . .	182,200	104,500	128,700	87,100
Triple-play customers <sup>(6)</sup> . . . . .	697,300	627,100	651,000	538,900
Services per relationship <sup>(7)</sup> . . . . .	1.87	1.76	1.79	1.67
<b>Penetration<sup>(8)</sup>:</b>				
Total cable television . . . . .	81.4%	84.8%	83.8%	86.7%
Analog cable television . . . . .	39.8%	51.9%	48.0%	62.4%
Digital cable television . . . . .	41.6%	32.9%	35.8%	24.3%
Broadband internet . . . . .	42.6%	38.9%	39.9%	35.6%
Fixed telephony . . . . .	28.3%	25.6%	26.5%	22.7%
Triple-play customers <sup>(9)</sup> . . . . .	30.5%	26.5%	27.8%	22.4%

- (1) Homes passed represents Telenet's estimate of the number of potential residential, SoHo and SME subscribers to whom it can offer its services.
- (2) Analog cable television is the sum of analog cable television subscribers on the Combined Network and the pay television subscribers on the Partner Network. The remaining 6,000 subscribers on the latter platform were migrated to Telenet's interactive digital television platform in the course of the fourth quarter of 2009. Hence, the latter represents a discontinued service going forward.
- (3) Digital cable television comprises both subscribers to Telenet's interactive digital television platform (Telenet Digital television) as well as subscribers to the INDI digital television platform it acquired through the Interkabel Acquisition in October 2008.
- (4) Total broadband internet represents both residential and business broadband internet when provided via coaxial cable.
- (5) Total fixed telephony represents both residential and business fixed telephony when provide via coaxial cable.
- (6) Triple-play is defined as television, broadband internet and telephony. Dual-play is defined as any two of the three products. Mobile telephony subscribers are not used as part of the calculation of dual-play or triple-play statistics.
- (7) Customer relationships are equal to the sum of analog and digital basic cable television subscribers on the Combined Network.
- (8) Number of RGUs at the end of the relevant period as a percentage of the number of homes passed by the Combined Network at the end of the relevant period.
- (9) Number of triple-play subscribers relative to the total number of customer relationships.

## RISK FACTORS

*An investment in the Notes involves risks. Before purchasing the Notes, you should consider carefully the specific risk factors set forth below, as well as the other information contained in this offering memorandum. If any of the events described below, individually or in combination, were to occur, this could have a material adverse impact on Telenet's business, prospects, results of operations and financial condition and Telenet's ability to pay all or part of the interest or principal on the Finco Loan, and in turn, would have an adverse effect on the Issuer's ability to make payments on the Notes and could therefore have a negative effect on the trading price of the Notes. Described below and elsewhere in this document are the risks considered to be the most material, although there may be other unknown or unpredictable economic, business, competitive, regulatory or other factors that also could have material adverse effects on Telenet's results of operations, financial condition, business or operations in the future. In addition, its past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods.*

*This offering memorandum also contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this offering memorandum See "Forward-Looking Statements".*

### **Risks Relating to Telenet's Financial Profile**

***Telenet's substantial leverage could adversely affect its business, financial condition and results of operations and prevent it from fulfilling its obligations under the Finco Loan, and in turn, prevent the Issuer from fulfilling its obligations under the Notes.***

Telenet has significant debt and debt service requirements and may incur additional debt in the future. As of September 30, 2010, Telenet had total long-term debt (including short-term maturities) of €2,460 million on a consolidated basis (excluding €175 million of available capacity under the revolving portion of Telenet's Senior Credit Facility). Telenet's Senior Credit Facility, which had €2,125 million of debt outstanding as of September 30, 2010 is secured by (i) pledges over the shares of Telenet 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 Telenet Group Holding, Telenet NV and certain other subsidiaries.

Telenet's significant level of debt could have important consequences, including, but not limited to, the following:

- making it more difficult for Telenet International Finance to satisfy its obligations under the Finco Loan and in turn make it more difficult for the Issuer to satisfy its obligations under the Notes;
- requiring that a substantial portion of Telenet's cash flows from operations be dedicated to servicing debt, thereby reducing the funds available to it to finance its operations, capital expenditures, research and development and other business activities, including maintaining the quality of its network;
- impeding Telenet's ability to obtain additional debt or equity financing, including financing for capital expenditures, and increasing the cost of any such borrowing, particularly due to the financial and other restrictive covenants contained in the agreements governing its debt;
- impeding Telenet's ability to compete with other providers of cable television, internet and data and telephony services in Flanders or elsewhere in Belgium;
- adversely affecting public perception of Telenet and its brand; and
- making Telenet more vulnerable to economic downturns and adverse developments and giving it less flexibility to react to changes in its business.

Any of these or other consequences or events could have a material adverse effect on Telenet International Finance's ability to satisfy its debt obligations, including the Finco Loan, and in turn, the Issuer's ability to satisfy its obligations under the Notes.

The terms of the Indenture and the terms of Telenet's Senior Credit Facility restrict, but do not prohibit, Telenet from incurring additional debt. Telenet may refinance its Senior Credit Facility and/or its other debt, and it may increase its consolidated debt for various business reasons which might include, among other things, to finance acquisitions, or to fund the prepayment premiums, if any, on debt it refinances, to

fund distributions to its shareholders or for general corporate purposes. If new debt is added to Telenet's consolidated debt described above, the related risks that it now faces will intensify.

***Telenet may not generate sufficient cash flow to fund its capital expenditures, ongoing operations and debt obligations, and may be subject to certain tax liabilities.***

Telenet's ability to service its debt and to fund its ongoing operations will depend on Telenet's ability to generate cash. Telenet cannot assure you that its businesses will generate sufficient cash flow from operations or that future debt or equity financing will be available to it in an amount sufficient to enable it to pay its debt obligations when due. Telenet's ability to generate cash flow is dependent on many factors, including:

- its future operating performance;
- the demand and price levels for its current and planned products and services;
- its ability to maintain the required level of technical capability in its network and in the subscriber equipment and other relevant equipment connected to its network;
- general economic conditions and other conditions affecting customer spending;
- competition;
- its ability to make use of its carry-forward tax losses;
- distributions to shareholders;
- the outcome of certain litigation in which Telenet is involved; and
- legal, tax and regulatory factors affecting its business.

Some of these factors are beyond Telenet's control. If Telenet is unable to generate sufficient cash flow, it may not be able to repay its debt, grow its business, respond to competitive challenges or fund its other liquidity and capital needs, including capital expenditures. If Telenet is unable to meet its debt service obligations, it may have to sell assets, attempt to restructure or refinance its existing indebtedness or seek additional funding in the form of debt or equity capital. Telenet may not be able to do so on satisfactory terms, if at all.

Belgian tax law does not allow for group-wide consolidation. Each group member is deemed a separate entity for tax purposes and intercompany transactions must be executed under arm's-length conditions. Mismatches between taxable income and deductible expenses (including interest on Telenet's debt) could adversely influence Telenet's ability to generate cash flow. Likewise, changes in Belgian tax law or the interpretation of permitted transactions could adversely affect Telenet's tax position and ability to utilize its carry-forward tax losses. As is standard practice in Belgium, Telenet is subject to audits of its tax returns by the Belgian tax authorities. As a result of such audits, Telenet may be presented with adverse conclusions regarding expenses it had deducted from its taxable earnings which could result in reducing its carry forward tax losses or could give rise to taxes which are due immediately. Although Telenet would retain the right to appeal any such adverse conclusions, it cannot provide assurance that these audits would not result in a reduction of its carry-forward tax losses or in the immediate payment of taxes.

The Belgian tax authorities may challenge whether any restructuring for which Telenet or Telenet's subsidiaries did not seek an official tax ruling meets the business purpose test, and may also challenge Telenet's tax treatment of such restructuring on other grounds. If successful, the authorities could require that taxes due under a different tax treatment be paid and such liability could be significant. Such a claim could adversely affect Telenet's business and financial position and cause a diversion of its resources and management time.

***The agreements and instruments governing Telenet's debt contain restrictions and limitations that could adversely affect its ability to operate Telenet's business.***

The terms of the Senior Credit Facility and the terms of Telenet's other outstanding debt contain a number of significant covenants or other provisions that could adversely affect its ability to operate its business. These covenants restrict Telenet's ability, and the ability of its subsidiaries, to, among other things:

- pay dividends or make other distributions;
- make certain investments or acquisitions, including participating in joint ventures;

- make capital expenditures;
- engage in transactions with affiliates and other related parties;
- dispose of assets other than in the ordinary course of business;
- merge with other companies;
- incur additional debt and grant guarantees;
- repurchase or redeem equity interests and subordinated debt or issue shares of subsidiaries;
- grant liens and pledge assets; and
- change its business plan.

Furthermore, the Senior Credit Facility requires it to maintain specified financial ratios and meet financial tests. Telenet's ability to comply with these provisions may be affected by events beyond its control. If Telenet cannot comply with these tests or are otherwise in default, the Telenet Group may not be able to borrow under the Senior Credit Facility, which could have a material adverse effect on Telenet's ability to operate its business and to make payments under its debt instruments.

In addition to limiting Telenet's flexibility in operating its business, the breach of any covenants or obligations under the agreements and instruments governing its debt will result in a default under the applicable debt agreement or instrument and could trigger acceleration of the related debt, which in turn could trigger defaults under other agreements governing Telenet's debt. In addition, the lenders under the Senior Credit Facility could foreclose on their collateral, which includes equity interests in Telenet's operating subsidiaries, exercise other rights of secured creditors and deny Telenet access to any unused amounts under the facility. A default under the Senior Credit Facility or under the agreements governing Telenet's other debt could materially adversely affect its growth, its financial condition and results of operations.

***Telenet is exposed to interest rate risks. Shifts in such rates may adversely affect its debt service obligations.***

The majority of Telenet's debt, including all of its debt under the Senior Credit Facility, bears interest at variable rates. An increase in the interest rates on Telenet's debt will reduce the funds available to repay its debt and to finance its operations, capital expenditures and future business opportunities and, as a result, will intensify the consequences of its leveraged capital structure. In addition, under the terms of Telenet's existing interest rate hedging arrangements, Telenet's effective interest rates may be higher than actual interest rates, resulting in increased costs for Telenet. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations of Telenet—Quantitative and qualitative disclosures about market risk*".

Through Telenet's Senior Credit Facility, Telenet is exposed to changes in interest rates primarily as a result of the underlying fluctuations of the three month EURIBOR rate. Although Telenet enters into various derivative transactions to manage exposure to movements in interest rates, there can be no assurance that it will be able to continue to do so at a reasonable cost.

***Telenet is subject to increasing operating costs and inflation risks which may adversely affect its earnings.***

While Telenet attempts to increase its subscription rates to offset increases in operating costs, there is no assurance that it will be able to do so. Therefore, operating costs may rise faster than associated revenue, resulting in a material negative impact on Telenet's cash flow and net earnings (loss). Telenet is also impacted by inflationary increases in salaries, wages, benefits and other administrative costs in certain markets.

***Currency fluctuations and hedging risks could adversely affect Telenet's earnings and cash flow.***

Telenet's business is exposed to fluctuations in currency exchange rates. Telenet's functional currency is the euro. However, Telenet conducts, and will continue to conduct, transactions in currencies other than the euro, particularly the U.S. dollar. Telenet has U.S. dollar obligations with respect to the contracts it is party to for the supply of premium content. While less than 5% of its costs of operations (including costs of network hardware equipment and software and premium cable television rights) in the year ended December 31, 2009 were denominated in U.S. dollars, the percentage of Telenet's operational costs that are denominated in U.S. dollars may increase in the future. The exchange rate between the U.S. dollar and

the euro has fluctuated significantly in recent years and may continue to fluctuate significantly in the future. See “*Exchange Rate Information*”. Telenet has historically covered a portion of its U.S. dollar cash outflows arising on anticipated and committed purchases through the use of foreign exchange derivative instruments. There can be no guarantee that Telenet’s hedging strategies will adequately protect its operating results from the effects of exchange rate fluctuation, or that these hedges will not limit any benefit that it might otherwise receive from favorable movements in exchange rates.

### **Risks Relating to Telenet’s Business, Technology and Competition**

*The Belgian internet, data and telephony industries are highly competitive and the television industry has become more competitive, which could have a material adverse effect on Telenet’s business.*

Telenet faces significant competition from established and new competitors who provide television, internet, data and telephony services using digital subscriber lines (“DSL”), public switched telephone network (“PSTN”) or fiber connections. In some instances, Telenet competes against companies with easier access to financing, more comprehensive product ranges, greater personnel resources, wider geographical coverage, greater brand name recognition and experience or longer established relationships with regulatory authorities and customers. These companies may in some cases have fewer regulatory burdens with which they are required to comply because, among other reasons, they use different technologies to provide their services, do not own their own direct access network, or are not subject to obligations applicable to operators with “significant market power” as defined in Directive 2002/21/EC of the European Parliament and of the Council of 7 March 2002 on a common regulatory framework for electronic communications networks and services (“SMP”). Such obligations may include pricing restrictions or the obligation to provide access to the network. Other emerging technologies include broadcasts that are delivered “over the top” of an existing broadband network, which allows content providers to directly reach consumers through media such as the broadcaster’s website or online aggregators of content. The full extent to which these alternative technologies will compete effectively with Telenet’s cable television system may not be known for several years.

Telenet’s largest competitor is Belgacom, the incumbent telephony provider in Belgium, which offers its residential and business customers a suite of products and services that is comparable to those offered by Telenet. This competition can make it difficult for Telenet to attract new customers and retain existing customers, thereby increasing Telenet’s churn levels. Increased competition, tiered offerings that include lower priced entry level products, and special promotions and discounts for customers who subscribe for multiple services from Telenet may contribute to increased average revenue per unique customer, but will likely reduce Telenet’s average revenue per user on a per-service basis for each of its telephony, broadband internet and premium cable television services.

Telenet expects competition to continue to increase amid the growing exploitation of legislation in Belgium that permits certain service providers to market a combination of television, internet and telephony products and services (a “bundle”) for an aggregate price which is lower than the price of the individual products and services in the bundle. In addition, Telenet expects additional competitive pressure to result from the convergence of broadcasting and communication technologies, as a result of which other participants in the Belgian media and telecommunications industries may seek to offer a package of fixed and mobile voice, internet and video broadcast services in competition with Telenet. Separately, Belgacom has recently started offering certain of its services at a substantial discount when subscribing to multiple services, thereby reducing the cost of subscribing to its individual services. These competitive forces may create further downward pressure on prices, which may result in a decrease of Telenet’s average revenue per subscriber. These forces could also increase the rate at which Telenet lose subscribers, and increase its cost of providing content for its cable television subscribers. In addition, Telenet may bear higher costs if it introduces new products or services to maintain or improve its competitive positioning and reduce subscriber churn. In combination with difficult economic environments, these competitive pressures could adversely impact Telenet’s ability to increase, or in certain cases, maintain its ARPU, RGUs, operating cash flows and liquidity.

*Internet.* Telenet’s residential high-speed broadband internet service competes with companies including Belgacom, that provide high-speed broadband access over DSLs, as well as companies that provide lower-cost (or even free), slower connections to the internet over traditional telephone lines. Belgium has recently seen the development of more sophisticated product and pricing tiers in the internet market, with competitors offering a range of products with different download speeds, data transfer limits and other value added services. Continued upgrades to the quality of DSL-based broadband internet service to



very-high-bitrate DSL (“VDSL”) and potentially even faster DSL variants and the possibility of widespread fiber-to-the-home installations, while time consuming and expensive, would have a negative impact on Telenet’s competitive position in the broadband internet market. Certain fixed and mobile voice operators in Belgium offer DSL services and there can be no guarantee that others may seek to also compete with Telenet’s broadband internet services using DSL in the near future. Moreover, mobile operators are increasingly able to utilize a combination of increasingly powerful handsets and high bandwidth technologies such as universal mobile telecommunications system and long-term-evolution (“LTE”) technology. Additional competition may come from satellite technologies and operators that use WiMax technologies. As a result, Telenet expects competition, including price competition, from current providers, new startups and other companies to increase in the future. Telenet cannot assure you that the tiered offerings and other measures that it has introduced in response to these developments will be successful in attracting and retaining customers.

*Fixed-Line Telephony.* Competition in providing fixed-line residential telephony service is intense, with providers introducing substantial price reductions over the years. Belgacom, Telenet’s principal competitor in the Flemish residential market, has an extensive telephone network throughout Belgium, strong market knowledge, high brand recognition and substantial capital resources. As of December 31, 2009, Telenet estimates that Belgacom had approximately 72% of the residential fixed-line telephony market in Flanders (based on number of fixed-line subscribers excluding wholesale). In addition, although Belgacom is Telenet’s major competitor, Telenet depends on Belgacom to provide certain services to its customers, including number portability, and to connect calls made by Telenet’s customers to customers of Belgacom. Telenet’s current proceedings against Belgacom, or future proceedings between Telenet and Belgacom, or other factors may adversely affect Telenet’s relations with Belgacom and negatively impact its competitive position. See “*Description of Telenet’s Business—Legal Proceedings.*” Belgacom has also applied resources to “win-back” activities that can entice Telenet’s existing telephony customers, as well as prospective telephony customers, to return or remain with Belgacom by offering certain economic incentives. Although Telenet’s market share in this segment is increasing, it may not have the resources of, or benefit from the economies of scale available to Belgacom.

Mobile telephony services, including those offering advanced higher speed, higher bandwidth technologies and mobile virtual network operators (“MVNOs”), contribute to the competitive pressures that Telenet faces. In the past, Belgian mobile operators have engaged in “cut the line” campaigns and used attractive mobile calling tariffs to encourage customers with both fixed-line and mobile services to retain only their mobile services. According to Telenet’s analysis, as of September 30, 2010, approximately 35% of households in Belgium used only a mobile telephone line, and did not pay for a fixed-line service. This substitution, in addition to the increasing use of alternative communications technologies, may negatively affect Telenet’s fixed-line call usage volumes and subscriber growth.

The ongoing unbundling of the Belgacom “local loop”, the network element used to connect a subscriber to the nearest switch or concentrator on the network, the use of carrier preselect services that allow entities to provide telephony services over the networks of other operators and the introduction of new technologies, including variations of the voice-over-internet-protocol (“VoIP”) standard, such as voice-over-internet (“VON”), may also increase the number of competitors, as it has done in other countries. As new competitors and new technologies enter the market and prices decrease in line with the downward pressure on telephony prices experienced elsewhere in Europe, Telenet’s telephony business may become less profitable and experience a decline in revenues and market share. In addition, Telenet may be forced to respond to such developments by investing resources into its own product development initiatives, which may be costly and ultimately unsuccessful.

*Mobile Telephony.* Telenet’s mobile telephony service, which it offers on an MVNO basis, competes with three principal mobile network operators in Belgium, who between them are currently estimated to directly represent over 90% of the total market for mobile telephony services in Belgium. As such, their brand names are better recognized as mobile telephony providers than Telenet’s brand, they have better established sales, marketing and distribution, and are more experienced in the provision of mobile telephony services. Telenet began operating as a full mobile virtual network operator (a “Full-MVNO”) in the fourth quarter of 2010, but expects that it will continue to face the challenge that the brand names of its competitors are better recognized as mobile telephony providers and that these competing providers are part of larger, more established companies than Telenet. In addition, the Full-MVNO Agreement that Telenet has entered into in this respect with Mobistar NV (“Mobistar”), a Belgian mobile network operator, contains a minimum volume commitment. This implies that Telenet will have to pay minimum



fees to Mobistar regardless of whether it is able to maintain or increase the number of subscribers to its mobile telephony services.

*Cable Television.* The Belgian television market is characterized by very high penetration rates and an increasing emphasis on new television technology, in particular digital, HD and interactive television services such as video-on-demand (“VoD”), requiring high-bandwidth and bi-directional distribution platforms. The DSL-networks use IP-protocol to deliver the digital television service (“IPTV”). Belgium was one of the first European countries to deploy cable networks, doing so as early as the 1970s, and, as a result, other means of television delivery such as satellite and terrestrial broadcasters are less popular in Belgium than they are in other European countries. Cable is the most commonly used transmission medium for television services in Belgium. The advent of new technology in the provision of cable television has given rise to new competitors seeking to offer varied and enhanced offerings and Telenet cannot assure you that it will be able to remain competitive.

With the acquisition of the cable television activities of the pure intermunicipalities (the “PICs”) and Interkabel Vlaanderen CVBA (“Interkabel”) in October 2008, Telenet has offered cable services across all Flanders and part of Brussels since the end of 2008 via a traditional cable network. Because Telenet’s footprint now includes Brussels, which is a predominantly French-speaking area, Telenet must offer services in French as well as Dutch in order to appeal to customers in this area. Although Telenet has negotiated rights to a range of French content, it believes that it is perceived as a Flemish company and that this may induce subscribers in this area to consider alternative providers of television programming.

Telenet therefore expects increasing competition in the provision of television services in the future. In this respect, Telenet cannot exclude that competitors will seek to try any and all means, including lobbying, to obtain access rights to Telenet’s cable network (see “—*Telenet may become subject to more extensive regulation if it is deemed to possess significant market power in any of the markets in which it operates*”). For example, Mobistar recently announced that it will start offering television services starting in October 2010. In order to remain competitive, Telenet is focused on developing new services for its subscribers and on updating and developing its products. Such new developments may involve substantial cost and Telenet cannot be certain that it will achieve a return on such investments. Telenet recently introduced HD programming to its subscribers, which required investments in new set top box technology, distribution technology and the negotiation of appropriate content contracts. Telenet recently began offering set-top boxes on a rental basis, whereas previously it had only sold set-top boxes. Despite these developments it is introducing, Telenet expects to face continued competition from DSL, multi channel satellite, digital terrestrial and other means of delivering multiple programming. If demand for Telenet’s products were to shift, it might not be able to reach certain minimum requirements set out in some contracts with broadcasters and studios pursuant to which it has to pay minimum fees regardless of the number of subscribers.

*Bundled offerings.* Customers of video and telecommunications services are increasingly expecting service providers to offer high quality bundles of television, broadband internet and telephony services at discounted prices. Many of Telenet’s competitors, including Belgacom and Mobistar, offer bundled packages of services. Several of these bundles include mobile phone services, which Telenet does not yet offer in a bundled package of services. If Telenet’s bundled products are not able to compete effectively in the marketplace, its business, financial condition and results of operations could be materially adversely affected.

*Business Services.* Competition in the provision of internet, data and voice products to business customers is intense. With Belgacom, several local telephony operators and several international telephony operators among Telenet’s competitors. In addition to competitive activity, Telenet continues to see challenges in this segment of the market as a result of price erosion in existing products and the need to invest in new product development to satisfy the evolving preferences of prospective customers.

Competition can make it difficult to attract new customers and retain existing customers, thereby increasing churn levels, and may lead to increased price pressure. There can be no assurance that Telenet will be able to compete successfully against its current or future competitors in any of its businesses. Telenet’s failure to do so could have a material adverse effect on its business, financial condition and results of operations.

***Telenet's growth prospects depend on a continued demand for cable and telecommunications products and services and an increased demand for bundled offerings, as well as economic developments in Belgium.***

The use of internet, television and telephony services in Belgium has increased sharply in recent years. Telenet has benefited from this growth in recent years and its growth and profitability depend, in part, on a continued demand for these services in its franchise area in the coming years. In particular, if demand for multiple-play products does not increase as expected, this could have a material adverse effect on Telenet's business, financial condition and results of operations.

Moreover, within Belgium Telenet operates exclusively in Flanders and part of Brussels and its success is therefore closely tied to general economic developments in those areas and cannot be offset by developments in other markets. Negative developments in, or the general weakness of, the Belgian economy, in particular increasing levels of unemployment, may have a direct negative impact on the spending patterns of retail consumers, both in terms of the products they subscribe for and usage levels. Because a substantial portion of Telenet's revenue is derived from residential subscribers who may be impacted by these conditions, it may be (i) more difficult to attract new subscribers, (ii) more likely that certain of its subscribers will downgrade or disconnect their services and (iii) more difficult to maintain ARPUs at existing levels. In addition, Telenet can provide no assurances that a further deterioration of the economy will not lead to a higher number of non-paying customers or generally result in service disconnections. Therefore, a weak economy and negative economic development may jeopardize Telenet's growth targets and may have a material adverse effect on its business, financial condition and results of operations.

***Customer churn, or the threat of customer churn, may adversely affect Telenet's business.***

Customer churn is a measure of the number of customers who stop subscribing for one or more of Telenet's products or services. Churn arises mainly as a result of competitive influences, relocation of subscribers, personal financial circumstances deteriorating and price increases. In addition, Telenet's customer churn rate may also increase if it is unable to deliver satisfactory services over Telenet's network. For example, any interruption of its services or the removal or unavailability of programming, which may not be under Telenet's control, could contribute to increased customer churn. Increased customer churn may have a material adverse effect on Telenet's business, financial condition and results of operation.

***Telenet may not report net profit.***

Telenet reported net profit of €47.2 million and €72.7 million during the nine months ended September 30, 2010 and 2009, respectively, a net profit of €233.1 million for the year ended December 31, 2009, and a net loss of €15.2 million during the year ended December 31, 2008. In light of Telenet's historical financial performance, Telenet cannot assure you that it will report net profit in future years.

***Telenet's business is capital intensive and its capital expenditures may not generate a positive return or it may be unable or unwilling to make additional capital expenditures.***

The television, broadband internet and telephony businesses in which Telenet operates are capital intensive. Significant capital expenditures are required to add customers to Telenet's networks, including expenditures for equipment and labor costs. No assurance can be given that Telenet's future capital expenditures will generate a positive return or that it will have adequate capital available to finance such future upgrades. If Telenet is unable to, or elect not to, pay for costs associated with adding new customers, expanding or upgrading its networks or making its other planned or unplanned capital expenditures, Telenet's growth and its competitive position could be materially adversely affected.

***If Telenet fails to successfully introduce new technologies or services, or to respond to technological developments, its business and level of revenue may be adversely affected and it may not be able to recover the cost of investments that it has made.***

Telenet's business is characterized by rapid technological change and the introduction of new products and services. If any new or enhanced technologies, products or services that Telenet introduces, fail to achieve broad market acceptance or experience technical difficulties, its revenue growth, margins and cash flows may be adversely affected. As a result, Telenet may not recover investments that it makes in order to deploy these technologies and services. In addition, enhanced television, telephony, internet and data services provided by competing operators may be more appealing to customers, and new technologies such as voice over internet telephony may enable Telenet's competitors to offer not only new services, but to

also offer existing standard services at lower prices. See “—*The Belgian internet, data and telephony industries are highly competitive and the television industry has become more competitive, which could have material adverse effects on Telenet’s business*”. Telenet may not be able to fund the capital expenditures necessary to keep pace with technological developments. Telenet’s inability to obtain the funding or other resources necessary to expand or further upgrade its systems and provide advanced services in a timely manner, or successfully anticipate the demands of the marketplace, could adversely affect its ability to attract and retain customers and generate revenue.

As the number of Telenet’s customers and the services that it offers its customers increases, the complexity of its product offerings and network architecture also increases, as does network congestion. A failure to manage the growth and complexity of Telenet’s network could lead to a degradation of service and network disruptions that could harm its reputation and result in a loss of subscribers. For example, while Telenet continues to promote a rapid take up of its iDTV service, it faces potential risks in securing the required customer set-top box equipment to maintain this roll out. Although Telenet is in the process of securing additional suppliers of set-top boxes, it currently relies on a single provider of set-top boxes to provide it equipment that is compatible with the conditional access software and related security features that have been deployed on Telenet’s network. Currently, Telenet has a sufficient supply of these boxes available, but a future shortage may involve significant delays in seeking an alternative supply, may constrain its ability to meet customer demand and may result in negative customer reactions. Telenet is also dependent on other suppliers who are contributing products and services which are required for the implementation and operation of its iDTV service, and on the performance of partners with whom it expects to work. Although many of Telenet’s iDTV products and services are built on standardized platforms, they have been adapted or tailored to Telenet’s network and the offering it has designed, as a result of which it faces the risk of any newly implemented technology that there may be unexpected operational issues that arise. If Telenet was to experience a breakdown of equipment or technology that it cannot timely repair, it might lose subscribers. In addition, some studios or broadcasters would be entitled to terminate their content supply agreements with Telenet in case of a continuing breakdown of its equipment.

Telenet anticipates that over time, new products and services it may introduce will require upgraded or new customer premise equipment, which may therefore constrain Telenet’s ability to market and distribute such new services. For example, Telenet does not expect that previously installed internet modems or set top boxes will be able to support all the enhancements it may introduce to its internet or iDTV services over time. A portion of Telenet’s subscribers will therefore require some form of upgrade or potentially a replacement of their customer premise equipment. Implementing such upgrades may entail additional costs to Telenet and therefore reduce its cash flow and profitability, particularly where customers rent such customer premise equipment from Telenet.

Telenet is in the process of migrating from the existing MVNO service arrangement that it has with Mobistar towards one that involves greater involvement and control of the service on Telenet’s part, a Full-MVNO. Since Telenet has limited experience in mobile network operations and, even under the Full-MVNO, will not have overall responsibility for the mobile network infrastructure, problems may arise which either Telenet can not control or which it is not able to remedy for other reasons, which may have material adverse financial, operational and reputational effects for Telenet.

Telenet also bears the risk of not fulfilling all or part of its contractual objectives in terms of its migration to the Full-MVNO. Pursuant to the Full-MVNO agreement, this would result in the application of the pricing conditions under its existing MVNO arrangement to the subscribers not yet migrated until full completion of the migration. Moreover, Telenet would have to negotiate new conditions under the existing MVNO Agreement with Mobistar after its expiration.

In case Telenet fails to successfully migrate to Full-MVNO, it would also remain more dependent than under the Full-MVNO Agreement on Mobistar for mobile network access and other related services provided and would bear the risk of not being able to recover the costs of investments it made to transition to Full-MVNO, and of experiencing network quality or other service problems that may arise on matters such as billing, provisioning, activation and packaging. Service issues of this nature, which are the responsibility of Telenet’s mobile partner, may also adversely affect its operations, reputation and profitability.

Under both the existing MVNO and the Full-MVNO, Telenet’s ability to comply with applicable regulatory requirements for electronic communications providers may also in some cases depend on Mobistar’s compliance.

In addition, the Full-MVNO Agreement contains a minimum volume commitment, pursuant to which Telenet will have to pay minimum fees to Mobistar regardless of whether or not Telenet is able to maintain or increase the number of subscribers to its mobile telephony services.

Telenet has entered into a number of long-term supply agreements in support of its proposed Full-MVNO offering which exceed the duration of its Full-MVNO Agreement. Therefore, if the Full-MVNO Agreement is terminated early or not extended at the expiry of its five-year term, Telenet may incur costs that are not offset by any corresponding revenue.

If Telenet is not successful in developing a high quality mobile offering, it may not be competitive compared to operators such as Belgacom who are able to offer customers an integrated suite of mobile and fixed-line telephony, internet and television services. Other than the acquisition of a spectrum license or the acquisition of, or business combination with, an existing network provider, only the Full-MVNO allows Telenet to enjoy the advanced control of a mobile telecommunications network necessary to have full control over pricing and therefore be competitive in the mobile market.

Based on the limited experience Telenet has had offering mobile telephony services, Telenet cannot assure you that mobile services will have a positive financial impact on its business.

***If Telenet is unable to obtain attractive programming or necessary equipment and software on satisfactory terms for its digital cable television services, the demand for these services could be reduced, thereby lowering revenue and profitability.***

Telenet relies on digital programming suppliers for the bulk of its programming content. Telenet may not be able to obtain sufficient high-quality programming for its digital cable television services on satisfactory terms or at all in order to offer compelling digital cable television services. This may also limit Telenet's ability to migrate customers from lower tier programming to higher tier programming, thereby inhibiting its ability to execute its business plans. Furthermore, Telenet may not be able to obtain attractive French language programming for video services in the parts of Brussels that its network includes. In addition, "must carry" requirements may consume channel capacity otherwise available for other services. Any or all of these factors could result in reduced demand for, and lower revenue and profitability from, Telenet's digital cable television services. Further, Telenet may not be able to obtain the equipment, software and services required for its businesses on a timely basis or on satisfactory terms. Telenet depends on third-party suppliers and licensors to supply its equipment, software and certain services. If demand exceeds these suppliers' and licensors' capacities or if they experience financial difficulties, Telenet's ability to provide some services may be materially adversely affected, which in turn could affect its ability to attract and retain customers.

The success of Telenet's basic and premium cable television services depends on access to an attractive selection of television programming from content providers. The ability to provide movie, sports and other programming, including soccer broadcast rights, is a major factor that attracts subscribers to television services, especially premium services. Historically, as the principal supplier of television broadcast services in Flanders, Telenet has negotiated transportation and distribution agreements with various broadcasters and other providers of content over its broadband cable network. Several of Telenet's competitors, however, including Belgacom and Mobistar, have launched their digital television services in Belgium, which may well make it more difficult for it to procure content for both its premium and basic cable service on favorable terms, or at all.

Moreover, some of Telenet's programming contracts require it to pay prices for the programming based on a guaranteed minimum number of subscribers, even if that number is larger than the number of actual subscribers. As a result, if Telenet misjudges anticipated demand for the programming, the profitability of Telenet's service may be impaired.

***Failure in Telenet's technology or telecommunications systems could significantly disrupt its operations, which could reduce Telenet's customer base and result in lost revenue.***

Telenet's success depends, in part, on the continued and uninterrupted performance of its information technology and network systems as well as its customer service centers. The hardware supporting a large number of critical systems for Telenet's cable network is housed in a relatively small number of locations. Telenet's systems are vulnerable to damage from a variety of sources, including telecommunications failures, power loss, malicious human acts and natural disasters. Moreover, despite security measures, Telenet's servers are potentially vulnerable to physical or electronic break-ins, computer viruses and similar



disruptive problems. Despite the precautions Telenet has taken, unanticipated problems affecting its systems could cause failures in its information technology systems or disruption in the transmission of signals over Telenet's network. Sustained or repeated system failures that interrupt Telenet's ability to provide service to its customers or otherwise meet its business obligations in a timely manner would adversely affect Telenet's reputation and result in a loss of customers and net revenue. Moreover, if Telenet does not succeed in remedying these failures, certain studios and broadcasters would be entitled to terminate their content supply agreements with Telenet.

If any part of Telenet's network, including the Telenet Group's information technology systems, is subject to a flood, fire or other natural disaster, terrorism, a computer virus, a power loss, other catastrophe or unauthorized access, Telenet's operations and customer relations could be materially adversely affected. Although Telenet's network is built in resilient rings to ensure the continuity of network availability in the event of any damage to its underground fibers, if any ring is cut twice in different locations, transmission signals will not be able to pass through, which could cause significant damage to Telenet's business. In the event of a power outage or other shortage, Telenet does not have a back-up or alternative supply source for all of its network components.

Additionally, Telenet's business is also dependent on certain sophisticated critical systems, including Telenet's switches, billing and customer service systems, which could be damaged by any of the aforementioned risks. For example, if Telenet experiences problems in the operation of its billing systems, it may be difficult to resolve the issue in a timely and cost effective manner. In addition, the hardware that supports Telenet's switches, billing and customer service systems is housed in a relatively small number of locations and if damage were to occur to any of such locations, or if those systems develop other problems, it could have a material adverse effect on Telenet's business. Moreover, Telenet may incur liabilities and reputational damages to the extent that any accident or security breach results in a loss of or damage to customers' data or applications, or inappropriate disclosure of confidential information.

Telenet is not insured against war, terrorism (except to a limited extent under its general property insurance) and cyber-risks and does not insure the coaxial portion of its network. Any catastrophe or other damage that affects Telenet's coaxial network could result in substantial uninsured losses. In addition, disaster recovery, security and service continuity protection measures that Telenet has or may in the future undertake, and its monitoring of network performance from its network operating center in Mechelen, may be insufficient to prevent losses.

In addition, although so far no incidents have occurred in numbers that are statistically significant, Telenet's technical equipment has been and may continue to be subject to occasional malfunctioning due to technical shortcomings or imperfect interfaces with equipment in private homes, the networks of other operators or Telenet's own network or with other surrounding equipment. Telenet might incur liabilities or reputational damages as a result thereof.

***Telenet's owned network prior to its acquisition of the television business of the PICs and Interkabel in October 2008 combined with the Partner Network (the "Combined Network") and related systems depend on equipment and service suppliers that may discontinue their products provide poor services or seek to charge Telenet prices that are not competitive, all of which may adversely affect its business and profitability.***

Telenet has important relationships with several suppliers of hardware and services that it uses to operate its network. Telenet is also dependent on suppliers for equipment installed at its subscribers' premises and for services it offers its customers. In many cases, Telenet has made substantial investments in the equipment or software of a particular supplier, making it difficult for it to change supply and maintenance relationships in the event that Telenet's initial supplier refuses to offer it favorable prices or ceases to produce equipment or provide the support that Telenet's network requires. For example, Telenet historically experienced delays and increased costs as a result of issues with one of its network equipment suppliers, which required it to select an alternative supplier. See *"—If Telenet fails to successfully introduce new technologies or services, or to respond to technological developments, its business and level of revenues may be adversely affected and it may not be able to recover the cost of investments that it has made."* Telenet cannot assure you that future shortages will not arise. Several of Telenet's supply agreements contain minimum volume commitments. If Telenet fails to purchase products in accordance with these commitments it may have to pay damages to its suppliers. Furthermore, if Telenet engages in a dispute with one of these suppliers, its services could be disrupted. Most of Telenet's supply agreements, such as its supply agreement for set-top boxes, are concluded for unlimited duration, entitling its suppliers to terminate their contract with Telenet at any time with reasonable prior notice.

Telenet depends on the supplier to which it outsourced certain services, including the management and content supply of PRIME, adult channels and Video on Demand, for the delivery of those services. The outsourcing agreement does not provide for a minimum volume commitment as such, but Telenet has to pay minimum fees to that supplier regardless of the number of services purchased by its clients. If the demand for those services were to drop, those minimum fees would still be due to the outsourcee. Moreover, if the outsourcing agreement were to be terminated, it is likely that Telenet could not restart offering the relevant services independently without some delay, given the assets, agreements and employees transferred in the framework of the outsourcing process.

Telenet also depends on subcontractors to install a substantial majority of its iDTV, internet and telephony equipment in customer homes, and rely on sales forecasts and supply chain management processes to ensure that it has the necessary levels of equipment and staffing to meet customer demands. If Telenet subcontractors do not satisfy Telenet's quality standards or if Telenet's forecasting and other logistics systems prove erroneous, Telenet may have difficulty obtaining needed equipment and staffing within required periods, which could have a material adverse effect on Telenet's ability to attract and retain customers and generate revenue.

***Third parties may claim that Telenet infringes their intellectual property rights.***

The fact that Telenet has received ownership of, and licenses under, certain intellectual property rights from its contract partners is no guarantee that its activities do not infringe the intellectual property rights of third parties. The various Belgian laws relating to intellectual property, the international treaties valid in Belgium, and the Belgian code of civil procedures, all contain provisions allowing the proprietor of an intellectual property right to request the Belgian courts to grant various enforcement measures. Examples include (i) measures relating to the gathering and protection of evidence (such as the unilateral appointment by the courts of an expert with a mission to (amongst others) describe the alleged infringing goods), (ii) provisional and precautionary measures (such as a court order to provisionally stop the commercialization of the alleged infringing goods, under a penalty), (iii) corrective measures (such as a recall from the channels of commerce) or (iv) damages. In addition, the Belgian laws also provide for penal sanctions (fines and even imprisonment) for certain specific infringements (e.g. malicious or fraudulent copyright infringement). If a third party claims that Telenet has infringed its intellectual property rights, this may have an adverse effect on its ability to market certain of its products or specific parts thereof. In addition, Telenet might incur liabilities or reputational damages as a result thereof.

***Telenet may experience capacity constraints on the Partner Network, which could adversely affect its business operations and provision of services to its customers.***

Before Telenet acquired the usage rights on the Partner Network through the PICs Agreement, each of the PICs was responsible for the development and maintenance of its own part of the Partner Network. Telenet has determined that not all parts of the Partner Network were equally developed, which could lead to capacity constraints on certain parts of the Partner Network in the event of increased network usage. Telenet will exercise its contractual rights under the PICs Agreement to require the relevant PICs to take the relevant improvement actions in order to avoid a possible future degradation of service that may arise as a result of increased network usage resulting in congestion. To the extent that the relevant PICs cannot successfully or in a timely manner take such actions and Telenet has exhausted its other means to resolve network congestion issues, Telenet expects that certain areas on the Partner Network would begin to experience congestion, resulting in a deterioration in the quality of service that it is able to provide its customers and possibly damaging Telenet's reputation and constraining its ability to add new customers in the affected areas.

***Telenet may pursue acquisitions that, if consummated, may adversely affect its business if it cannot integrate these new operations.***

Historically, Telenet's business has grown, in part, through selective acquisitions that enabled it to take advantage of existing networks, service offerings and management expertise. Telenet expects to continue growing its business through acquisitions of businesses that it believes will present opportunities to realize synergies and strengthen its market position, among other perceived benefits. Any acquisition Telenet may undertake in the future could result in the incurrence of debt and contingent liabilities and an increase in interest expense and amortization expenses related to goodwill and other intangible assets or in the use by Telenet of available cash on hand to finance any such acquisitions. Telenet may experience difficulties in integrating acquired operations into its business, incur higher than expected costs and not realize all the



benefits of these acquisitions, if any. In addition, Telenet's management may be distracted by such acquisitions and the integration of the acquired businesses. Thus, if Telenet consummates any further acquisitions, there could be a material adverse effect on its business, financial condition or results of operations. In addition, Telenet's debt burden may increase if it borrows funds to finance any future acquisition, which could have a negative impact on its cash flows and its ability to finance its overall operations. Telenet cannot also assure you it will be successful in completing business acquisitions.

***Disruptions in the credit and equity markets could increase the risk of default by the counterparties to Telenet's financial instruments, undrawn debt facilities and cash investments and may impact its future financial position.***

Although Telenet seeks to manage the credit risks associated with its financial instruments, cash and cash equivalents and undrawn debt facilities, disruptions in credit and equity markets could increase the risk that its counterparties could default on their obligations to Telenet. As of September 30, 2010, Telenet's exposure to credit risk included (i) derivative financial instrument liabilities with a fair value of €89.5 million, (ii) cash and cash equivalent balances of €217.2 million and (iii) aggregate undrawn debt facilities of €175.0 million. Were one or more of Telenet's counterparties to fail or otherwise be unable to meet its obligations to Telenet, Telenet's cash flows, results of operations and financial condition could be adversely affected. It is not possible to predict how disruptions in the credit and equity markets and the associated difficult economic conditions could impact Telenet's future financial position. In this regard, (i) the financial failures of any of Telenet's counterparties could (a) reduce amounts available under committed credit facilities and (b) adversely impact Telenet's ability to access cash deposited with any failed financial institution and (ii) sustained or further tightening of the credit markets could adversely impact Telenet's ability to access debt financing on favorable terms, or at all. In addition, sustained or increased competition, particularly in combination with weak economics, could adversely impact Telenet's cash flows and liquidity.

***Difficult economic conditions may reduce subscriber spending for Telenet's video, internet and telephony services and reduce Telenet's rate of growth of subscriber additions.***

The areas in which Telenet operates are experiencing difficult economic conditions. Because a substantial portion of Telenet's revenue is derived from residential subscribers who may be impacted by these conditions, it may be (i) more difficult to attract new subscribers, (ii) more likely that certain of Telenet's subscribers will downgrade or disconnect their services and (iii) more difficult to maintain ARPUs at existing levels. Accordingly, Telenet's ability to increase, or in certain cases, maintain the revenue, ARPU, RGUs, operating cash flow, operating cash flow margins and liquidity could be adversely affected to the extent that relevant economic environments remain weak or decline further. Telenet is currently unable to predict the extent of any of these potential adverse effects.

***Telenet's brand is subject to reputational risks.***

Telenet is a well-recognized brand in Telenet's franchise area. Telenet has developed its brand through extensive marketing campaigns, website promotions, customer referrals, and the use of a dedicated sales force and dealer networks. Telenet's brand represents a material and valuable asset to Telenet.

Although Telenet tries to manage its brand, it cannot guarantee that its brand will not be damaged, notably by circumstances that are outside its control or by third parties (e.g., hackers, sponsorees, or interfaces with its clients, such as subcontractors' employees or sales forces) with a resulting negative impact on Telenet's activities.

**Risks Relating to Legislative and Regulatory Matters**

***Telenet is subject to significant government regulation and supervision, which could require it to make additional expenditures or limit its revenues and otherwise adversely affect its business.***

Telenet's activities as a cable television and telephony operator in Flanders and part of Brussels are subject to regulation and supervision by various regulatory bodies, including local, Flemish and national authorities and the EU. These regulations may increase Telenet's administrative and operational expenses and limit its revenues. Telenet's digital cable television, internet and data business may also become subject to increasing risks and regulations. See "Description of Telenet's Business—Regulation".

Telenet is subject to, among other things:

- price regulation for certain services that it provides;

- rules governing the interconnection between different telephone networks and the interconnection rates that it can charge and that it pays;
- rules and remedies imposed on electronic communications services providers with SMP;
- risk of regulatory authorities granting third parties access to its network;
- requirements that, under specified circumstances, a cable system carry certain broadcast stations or obtain consent to carry a broadcast station;
- rules for authorizations, licensing, acquisitions, renewals and transfers of licenses;
- rules and regulations relating to subscriber privacy;
- requirements that it provide or contribute to the provision of certain universal services, including requirements to provide certain “social” tariffs;
- taxes imposed on its public rights of way; and
- other requirements covering a variety of operational areas such as land use and environmental protection, moving the cables in its network underground, equal employment opportunity, technical standards and subscriber service requirements.

Telenet also offers new products in emerging areas, such as mobile broadband, that are not currently subject to extensive regulation. Changes in applicable law, regulations or government policy (or in the interpretation of existing laws or regulations) could greatly influence Telenet’s viability and how it operates its business and introduce new products and services. Telenet’s business could be materially and adversely affected by any changes in relevant laws or regulations (or in their interpretation) regarding, for example, licensing requirements, access and price regulation, interconnection arrangements or the imposition of universal service obligations, or any change in policy allowing more favorable conditions for other operators. Some Belgian politicians have suggested that special “social” tariffs be extended to certain categories of internet users, in addition to telephony users (as is currently required). Although social tariffs for internet services have not been identified as a universal service by relevant EU directives as yet, the European Commission has recently consulted the industry on a possible extension of universal services obligations to broadband internet. Telenet cannot assure you that the provision of its internet services will not be subject to greater regulation in the future. In addition, pursuant to the 2005 Electronic Communications Law (defined below), all providers are as a rule required to contribute to the funding of universal services. Contribution is made to a universal service fund managed by the Belgian Institute for Postal Services and Telecommunications (*Belgisch Instituut voor Postdiensten en Telecommunicatie/Institut belge des services postaux et des télécommunications*) (“BIPT”). When requested to do so, Telenet expects that it could be required to contribute up to €1.6 million annually for the part of the universal service fund relating to social tariffs (fixed and mobile telephony) and €0.6 million annually for the part of the universal service fund relating to public pay phones. No payments have been made to the fund with respect to social tariffs (fixed and mobile telephony) until now as part of the relevant Belgian legislation was contested by the European Commission before the European Court of Justice following a challenge of the 2005 Electronic Communications Law filed by Base (part of the KPN group), KPN Belgium, Mobistar and others. The Belgian legislation was also the subject of a request for preliminary ruling by the Belgian Constitutional Court to the European Court of Justice. On October 6, 2010, the European Court of Justice issued the decisions in both matters with respect to the Belgian universal service legislation. The Court found that the Belgian legislation fails to provide a proper methodology for calculating the net costs of providing social tariffs. In particular, the Belgian legislation does not take into account the intangible benefits which may be derived from providing social tariffs, nor does it provide for the requirement to first specifically assess the net costs borne by the operators providing those universal services before finding that there is an unfair burden. The Belgian Constitutional Court, relying on the decision of the European Court of Justice, annulled the provisions of the law of April 25, 2007 regarding the methodology for calculating those net costs. The Belgian universal services legislation will have to be amended in this respect, taking into account that the assessment of “unfair burden” should be performed on a case-by-case basis. A related question is whether, once Belgium adopts modified legislation, such legislation will apply retroactively. The exposure from a retroactive application of the law would amount to €7.2 million for the period between mid 2005 and the end of 2009. No clear ruling was made on the potential retroactive application of the legislation by the European Court of Justice. See “*Description of Telenet’s Business—Regulation—Telephony Regulation—Universal Service*”. Telenet’s ability to introduce new products and

services may also be affected if it cannot predict how existing or future laws, regulations or policies would apply to such products or services.

***Current legislation has significantly altered the regulatory regime applicable to Telenet, which could adversely affect its competitive position and profitability.***

As of June 30, 2005, the Belgian law of June 13, 2005 (*Wet betreffende de elektronische communicatie/Loi relative aux communications électroniques*) (the “2005 Electronic Communications Law”), made significant changes to the regulatory regime applicable to the provision of telephony, internet and certain interactive communication features in Telenet’s iDTV services. Similarly, the Flemish decree of May 7, 2004, on certain aspects of radio and television (*Decreet houdende wijziging van sommige bepalingen van de decreten betreffende de radio-omroep en de televisie, gecoördineerd op 25 januari 1995, en van sommige andere bepalingen betreffende de radio-omroep en de televisie*) (the “2004 Framework Decree”) made significant changes to the regulations governing Telenet’s broadcasting activities. Both of these measures were adopted to implement the EU Framework Directive and the related EU Universal Service Directive, the EU Access Directive, the EU Authorization Directive, the EU Data Protection Directive on Privacy and Electronic Communications and the EU Competition Directive (collectively, the “EU Framework”). See “*Description of Telenet’s Business—Regulation—The EU Framework*”. Under the EU Framework, as implemented in Belgium, the BIPT and the Flemish media regulator (*Vlaamse Regulator voor de Media*) (the “VRM”) may impose pricing restrictions and other requirements on entities which they deem to have SMP in any non-competitive relevant market in which those entities operate. This additional requirement could force Telenet to follow certain principles of transparency and non-discrimination, to grant others access to the networks that it uses and to apply cost allocation mechanisms and accounting separation between the different electronic communications services that Telenet provides. See “*—Telenet may become subject to more extensive regulation if it is deemed to possess significant market power in any of the markets in which Telenet operates*” and “*Description of Telenet’s Business—Regulation—Broadcast Regulation—Draft Decisions of the BIPT, the VRM, the CSA and the Medienrat*”.

The Flemish government implemented EU Directive 2007/65/EC on audiovisual media services into Flemish legislation on March 27, 2009. This directive amends the former EU Directive 89/552/EEC on television without frontiers, and this directive has since been codified in EU Directive 2010/13/EU of the European Parliament and of the Council of March 10, 2010 on the coordination of certain provisions laid down by law, regulation or administrative action in EU member states concerning the provision of audiovisual media services (codified version) (the “AVMS Directive”). The most relevant changes are the extension of the scope of the previous 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). As VoD services were already regulated by Belgian media law, especially in Flanders, the transposition of AVMS Directive has not caused a significant change in regulation of VoD services. 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 AVMS Directive lifts certain advertisement restrictions such as product placement advertising. See “*Description of Telenet’s Business—Broadcasting Regulation—Overview*”.

Directive 2009/140/EC, to be implemented into Belgian legislation at the latest by May 2011, provides that national regulators for telecommunications, such as the BIPT, are required to promote net neutrality principles. The latter provide that internet service providers may not block data transmissions traffic on the internet. Such net neutrality principles might have the effect of reducing Telenet’s ability to manage its network’s resources in an effective manner and might possibly cause congestion or prevent it from using its bandwidth in ways that would generate maximum revenue. Furthermore, in the latest Flemish government coalition agreement a reference is made to the establishment of a local audiovisual media contribution by distribution platforms, such as cable, satellite and IPTV. Although nothing has been initiated yet, Telenet expects a government initiative in this context in the course of 2011.

All of these changes may have a material adverse effect on Telenet’s business, prospects, results of operations and financial condition.

*Telenet may become subject to more extensive regulation if it is deemed to possess significant market power in any of the markets in which it operates.*

The EU Framework, as implemented in Belgium, imposes pricing and other potential requirements on entities deemed to have SMP in non-competitive relevant markets in which they operate. Among other markets, the European Commission has identified “wholesale broadband access” and “the termination on an individual fixed network and relevant markets”. Although the “broadcasting transmission services to deliver broadcast content to end-users” market has been deleted from the European Commission list of relevant markets, national regulators can analyze the wholesale broadcast market subject to such market meeting certain conditions set out by the European Commission. There is a risk that Telenet could be found to have SMP in these markets if the Belgian regulators identify these areas as relevant markets in which there is not sufficient competition. The risk of such a determination would be heightened if those regulators focused their market analysis on Flanders instead of the entire country. In that case, it could apply particularly to broadcasting activities because that activity is already regulated at the regional level. This is illustrated by the draft decisions, dated December 21, 2010, of the BIPT, the VRM, the CSA and the Medienrat. See “*Description of Telenet’s Business—Regulation—Broadcasting Regulation—Draft Decisions of the BIPT, the VRM, the CSA and the Medienrat*”.

Following the BIPT’s analysis of the broadband access market, the regulator confirmed that the relevant market is national rather than regional, and that cable networks, including the Telenet Network, are not an effective equivalent market substitute on that market. Telenet cannot assure you that any potential future market analysis may not reach a different conclusion. See “*Description of Telenet’s Business—Regulation—Provisions Applicable to All Electronic Communications—Entities with Significant Market Power*”.

The designation of Telenet as an SMP provider could result in requiring Telenet to provide other service providers access to its network for purposes of providing competing broadband and broadcasting services at regulated prices, and impose other restrictions on how it operates its network and markets its services. Granting such access would limit the bandwidth available for Telenet to provide other products and services to the customers served by its network. Such regulation could:

- impair Telenet’s ability to use its bandwidth in ways that would generate maximum revenue;
- create a shortage of capacity on its network, which could limit the types and variety of services Telenet could provide its customers;
- strengthen Telenet’s competitors by granting them access in Telenet’s network and lowering their costs to offer competing products and services; and
- have a significant adverse impact on Telenet’s profitability.

In December, 2010, the BIPT, the VRM, the CSA and the Medienrat published their respective draft decisions reflecting the results of their joint analysis of the retail television market in Belgium. For Telenet, only the draft decisions of the BIPT, the VRM and the CSA are relevant. In addition, the BIPT published an analysis of the wholesale broadband market in Belgium.

These draft decisions, if adopted and implemented in their current form, would impose regulatory obligations both on cable operators, based on the retail television market analysis, and on the incumbent telecom operator, Belgacom, based on the wholesale broadband market analysis.

For cable operators, the remedies in their respective footprints would include (1) an obligation to make a resale offer at “retail minus” (as described below) of the cable analog package available to third party operators, (2) an obligation to grant third party operators access to the digital television platforms, and (3) an obligation to make a resale offer at “retail minus” of broadband internet access available to beneficiaries of a resale television or digital television access obligation that wish to offer bundles to their customers.

For Belgacom, the remedies would include (1) an obligation to provide wholesale access to the local loop, (2) an obligation to provide wholesale internet access at bitstream level and (3) an obligation to provide wholesale multicast access for distribution of television channels.

If these draft decisions would be adopted and implemented in their current form, they would imply that access must be granted against a wholesale tariff, capped at the tariff computed on the basis of the “retail-minus” method (calculated as the retail price for the offered service, excluding VAT and copyrights, and further deducting the retail costs it avoids by offering the wholesale service (such as, for example, costs for billing, franchise, consumer service, marketing, and sales)). No further guidance is provided in the draft



decisions. The regional regulator would have to approve the wholesale tariff so determined by Telenet before Telenet could apply it in its reference-offer (*i.e.*, the offer that it has to apply in a non-discriminatory manner to each service provider). The reference-offer would also be subject to public consultation and publication before it could take effect.

The competent regulators are currently holding a public consultation on the proposed measures. The draft decisions are subject to a number of subsequent steps before becoming final, including coordination of the decisions between the federal and regional regulators, non-binding advice by the Belgian Competition Council (*Raad voor de Mededinging/Conseil de la Concurrence*) (the “Competition Council”) and subsequent binding input from the European Commission.

Telenet believes that there are serious grounds to challenge the findings of the regulators’ retail television market analysis and the resulting regulatory remedies. It cannot be ruled out, however, that this process could eventually lead to one or more regulatory obligations being imposed upon Telenet. The draft decisions aim to, and in their potential application may, strengthen Telenet’s competitors by granting them access to Telenet’s network and lowering their costs to offer competing products and services. At the moment it is unclear exactly what effect these draft decisions, if adopted and implemented in their current form, would have on the competition landscape and Telenet’s relative position therein. See “*Description of Telenet’s Business—Regulation—Broadcasting Regulation—Draft Decisions of the BIPT, the VRM, the CSA and the Medienrat*”.

The European Commission has also identified the termination of calls “on a separate public network to a fixed location” as a market to be regulated by the BIPT. Under this defined market, whether a network operator would have SMP in terminating calls on its own network depends, among other things, on the relative market position of the operator and the other operators seeking to interconnect to its network. If an operator is found to have significant power in this market, it can be required to charge interconnection termination rates that reflect its cost of providing the service. In August 2006, the BIPT issued its decision on the fixed termination market, imposing a linear glide path on all the alternative operators over three years towards near reciprocity of interconnection rates, starting in January 2007. In August 2010, the BIPT issued a decision aimed at correcting certain aspects of its decision of August 2006, which was partially annulled by the Brussels Court of Appeal in June 2009, particularly as regards the maximum mobile termination rates to be charged by operators having SMP from November 2006 to April 2008.

In the context of the implementation by Telenet of its Full-MVNO Agreement, and due to Telenet’s ensuing increased control over the termination rates it charges for call termination on its virtual network, the market for “call termination on individual mobile networks” could potentially be identified by the BIPT as a relevant market where Telenet has SMP. Following the latest market analysis dated June 2010, the BIPT imposed a sharp declining glide path, resulting in mobile termination rates capped at €1.08 cent/ per minute starting January 2013, a 79% decline compared to the current average rate. In the same decision, the BIPT indicated that Full-MVNOs will in principle have to apply the termination rates of their host operator (*i.e.* Mobistar rates for Telenet).

***Telenet may be subject to conflicting regulations, inconsistent court judgments and regulatory rulings.***

Telenet’s networks and related operations are subject to regulation by national, regional and local authorities. The national regulator has principal authority over regulating Telenet’s broadband internet and telephony operations, and the regional regulator has principal responsibility for regulating its broadcasting activities. Local authorities may also pass regulations that affect Telenet’s operations from time to time, including issuing orders that require Telenet to move its cables underground. Issues may arise with respect to conflicting regulations applying to the networks Telenet operates and for the services it provides. Aspects of iDTV, for example, e-mail functions, may be subject to regulation by the national regulator, whereas the broadcasting features of iDTV are regulated by the regional regulator. Decisions of the Belgian Constitutional Court (*Grondwettelijk Hof/Cour constitutionnel*, formerly named *Arbitragehof/Cour d’Arbitrage*) (the “Constitutional Court”) resulted in cooperation agreements signed by all parties. Notwithstanding the existence of the cooperation agreements, the structure of the bodies that regulate Telenet may generate situations where progress is hindered by the requirement to coordinate among the parties to the cooperation agreements. See “*Description of Telenet’s Business—Regulation—The EU Framework*,” “*—Telephony Regulation—The Belgian Institute for Postal Services and Telecommunications*,” and “*—Broadcasting Regulation—Overview*”.

In addition, the Competition Council has been given authority to resolve disputes between telecommunication operators regarding, among other things, interconnection. The BIPT may still

intervene in such disputes on the basis of its general power to enforce relevant legislation. Belgian courts also have jurisdiction with respect to certain aspects of general competition law. These overlapping powers may result in Telenet being forced to litigate competitors' complaints in more than one forum on the same issue. There can be no assurance that the Competition Council, the BIPT and the Belgian courts will always reach the same or consistent conclusions on identical or similar issues. Such uncertainty can lead to potentially conflicting compliance obligations being imposed on Telenet and forum shopping by potential litigants. These overlapping powers may have a material adverse effect on Telenet's financial condition.

***Telenet does not have complete control over the prices that it charges or the programming that it provides, which exposes it to third-party risks and may adversely affect its business and results of operations.***

The Belgian Ministry for Economic Affairs must consent to any increase in the prices that Telenet charges its subscribers for providing basic cable television. Telenet may not receive approval for additional cable television subscription price increases in the future, especially if it further reduces the number of channels included in its basic cable television package, which may have an adverse impact on its revenues, profitability of new products and services and ability to respond to market changes.

Telenet is also required to carry certain broadcast and other channels on its cable system that it would not necessarily carry voluntarily. Following the implementation of the EU Framework by the Flemish legislature, these "must carry" obligations apply to eight of the television channels that Telenet delivers to any specific end user. Telenet must carry the channels from the regional public broadcasters for no fee and also do not charge a carriage fee to the other public broadcasters, but can charge commercial rates to other channels it is required to carry. See "*Description of Telenet's Business—Regulation—Broadcasting Regulation—Must Carry*". Telenet cannot guarantee that the remuneration that it receives for providing these required channels will cover its actual costs of broadcasting these channels, or provide the return that it would otherwise receive if Telenet was allowed to freely choose the programming Telenet offer on its system. Under the "must carry" regulations currently in force, it is possible that Telenet may be required to carry additional channels in the future. Increasing the number of channels that it must carry on its network would use valuable network capacity that it could otherwise use to deliver alternative channels or services that may be profitable.

***Telenet may incur significant costs to comply with city planning laws.***

Approximately 46% of Telenet's local loop is located above ground. Local municipal governments have the authority to require Telenet to move these network lines underground. Usually, Telenet is able to coordinate with other utility suppliers to share the costs associated with moving lines underground but it cannot assure you that it will always be able to do so. To date, the annual cost of this obligation has amounted to approximately €9.5 million. Nevertheless, the costs of complying with municipal orders can be substantial, and may require Telenet to incur significant costs in the future.

## **Litigation Risks**

***Telenet is involved in a significant dispute with Belgacom relating to the price it has charged to interconnect to its telephony network, and an unfavorable outcome may result in a substantial liability.***

Telenet has been involved in regulatory and court proceedings with Belgacom related to the increased interconnection fees that it 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 Telenet were the same as the interconnection termination rates Telenet charged Belgacom. This fee arrangement made it difficult for Telenet to provide telephony services at a profitable level, because Telenet did not have the benefit of scale to be able to achieve the same unit cost as Belgacom. Telenet requested permission from the BIPT to increase its 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 Telenet's 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, Telenet's request to increase the rates it charges other telephone operators to terminate domestic calls on the Combined Network. Telenet raised its 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 Belgian Council of State, the highest administrative court in Belgium.



On July 3, 2002, the Belgian 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 Belgian 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 (*Rechtbank van Eerste Aanleg/Tribunal de première instance*) in Brussels. A hearing was held on January 26, 2009 and the final judgment by the Belgian Council of State is to be expected in 2011.

Separately, Belgacom challenged the higher rates before the Commercial Court (*Rechtbank van Koophandel/Tribunal de commerce*) 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 (*Hof van Beroep/Cour d'appel*) 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/Cour de cassation*). The Belgian Supreme Court annulled the decision of the Court of Appeal of Antwerp on May 29, 2006. The case was referred to the Court of Appeal in Gent. Telenet does not 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 it has collected since August 2002, which would result in a substantial liability.

Following the adoption 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 of Brussels arguing for a faster reduction in its interconnection rates. Telenet has also launched an appeal with the Court of Appeal of Brussels arguing that the reduction in its interconnection rates should be cost oriented. If Belgacom should be successful in this appeal, Telenet could be required to pay back part of its interconnection revenues, leading to a substantial liability. However independent legal advice obtained by Telenet has concluded that the probability of a retroactive claim is remote. In addition, a new article has been included into the 2005 Electronic Communications Law, allowing the Regulator to repair annulled BIPT decisions retroactively, 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.

#### **Risks Relating to Telenet's Employees, Management, Principal Shareholders and Related Parties**

***The loss of certain key personnel could harm Telenet's business and a failure to sustain a good working relationship with employee representatives could harm its business.***

Telenet's key employees possess substantial knowledge of its business and operations. Telenet cannot assure you that it will be successful in retaining their services or that it would be successful in hiring and training suitable replacements without undue costs or delays. As a result, the loss of any of these key employees could cause significant disruptions in Telenet's business operations, which could materially adversely affect its results of operations.

In its business, Telenet relies on sales forces and call center employees to interface with the major part of its residential customers. Their reliability is key as is Telenet's relationship with employee representatives and unions, and Telenet's business could suffer reputational or financial harm, as a result of their strikes or other (collective) actions.

***Telenet may have conflicts of interest with its principal shareholders, which could adversely affect its business and the value of its shares.***

LGI is Telenet's largest shareholder owning a 50.17% stake in Telenet as at February 7, 2011. When business opportunities, or risks and risk allocation arise, the interests of LGI (or other LGI controlled entities) may be different from, or in conflict with, Telenet's interests on a stand-alone basis. Because Telenet is indirectly controlled by the parent entity, LGI may allocate certain or all of its risks to Telenet and Telenet cannot assure you that LGI will permit it to pursue certain business opportunities.

Telenet may also have conflicts of interest if it engages in commercial transactions with other entities controlled by its principal shareholder, LGI, or if there are business opportunities that both Telenet and another entity controlled by Telenet's principal shareholder would like to pursue. The Syndicate

Agreement between Telenet Group Holding and its principal shareholder requires Telenet to grant its principal shareholder preferential treatment when Telenet's contracts out certain services, provided that all agreements between Telenet and the shareholder are concluded on an arm's-length basis and equivalent in all material respects to the best offers received from third parties. Such agreements may be deemed to be less favorable than agreements Telenet otherwise would have entered into with unaffiliated third parties, and may violate the terms of certain of the agreements governing Telenet's outstanding indebtedness if they were subsequently found not to be on arm's-length terms. Telenet currently has management and technical service contracts with LGI or its affiliates. Telenet cannot guarantee that conflicts will not in some instances arise.

When business opportunities, or risks and risk allocation arise, the interests of LGI (or other LGI controlled entities) may be different, or in conflict with Telenet Group Holding's interests on a stand-alone basis. Because Telenet Group Holding is indirectly controlled by the parent entity, LGI may allocate certain or all of its risks to Telenet Group Holding and Telenet cannot assure you that LGI will permit Telenet Group Holding to pursue certain business opportunities.

In addition, LGI may cause Telenet to make acquisitions that may increase the amount of Telenet's indebtedness (including secured indebtedness) or cause Telenet to sell assets. Furthermore, LGI may also pursue acquisition opportunities that may be complementary to Telenet's business and, as a result, those acquisition opportunities may not be available to Telenet. So long as LGI continues to own a significant amount of Telenet's capital stock, even if such amount is less than 50%, LGI will continue to be able to strongly influence or effectively control Telenet's decisions. The interests of LGI may not coincide with Telenet's interests.

### **Risks Relating to the Notes and the Structure**

***The Issuer is an unaffiliated special purpose financing company which will depend on payments under the Finco Loan to provide it with funds to meet its obligations under the Notes.***

The Issuer has been formed as a special purpose financing company for the primary purpose of facilitating the offering of the Notes. The Issuer is a special purpose financing company that has no material business operations, no direct subsidiaries and no employees, and, upon completion of the offering of the Notes, its only material assets will be the Finco Loan and its rights under certain related agreements. Furthermore, the Indenture governing the Notes will prohibit the Issuer from engaging in any activities other than certain limited activities permitted under the heading "*Description of the Notes—Certain Covenants—Limitations with Respect to Business Activities of the Issuer*". As such, the Issuer will be wholly dependent upon payments from Telenet International Finance which payments are guaranteed by Telenet NV under the Finco Loan, other than certain amounts due on the Notes (such as prepayment premiums and additional amounts following certain tax events), which will be financed by Telenet International Finance pursuant to the Telenet Fee Letter or the Telenet Service Agreement, in order to service its obligations under the Notes.

***Telenet International Finance conducts no business operations of its own. Telenet International Finance will depend on payments from the other members of the Telenet Group to make payments on the Finco Loan.***

Telenet International Finance conducts no business operations of its own. The ability of any of Telenet Group Holding's direct or indirect subsidiaries to pay dividends or to make other payments or advances to Telenet International Finance depends on their individual operating results and any statutory, regulatory or contractual restrictions to which they may be or may become subject and in some cases Telenet International Finance's receipt of such payments or advances may be subject to onerous tax consequences. Most of Telenet Group Holding's operating subsidiaries are subject to the limitations and restrictions in the Senior Credit Facility and/or other debt facilities that restrict sales of assets and prohibit or limit the payment of dividends or the making of distributions, loans or advances to stockholders and partners, including Telenet International Finance. In addition, because these subsidiaries are separate and distinct legal entities they have no obligation to provide Telenet International Finance funds for payment obligations, whether by dividends, distributions, loans or other payments, except Telenet NV which is a guarantor under the Senior Credit Facility.

There can be no assurance that arrangements with Telenet Group Holding's subsidiaries and the funding permitted by the agreements governing existing and future indebtedness of Telenet Group Holding's subsidiaries will provide Telenet International Finance with sufficient dividends, distributions or loans to fund payments under the Finco Loan, and in turn, fund payments by the Issuer under the Notes, when due.

***The Notes may be treated as issued with original issue discount for U.S. federal income tax purposes.***

The Notes may be treated as having been issued with original issue discount for U.S. federal income tax purposes. An obligation generally is treated as having been issued with original issue discount if its stated redemption price at maturity exceeds its issue price by at least a defined de minimis amount. If a Note is treated as issued with original issue discount, U.S. investors will be subject to tax on that original issue discount as ordinary income as it accrues, in advance of the receipt of cash payments attributable to that income (and in addition to qualified stated interest). See “*Tax Considerations—U.S. Federal Income Taxation of the Notes*”.

***Your ability to recover under the collateral securing the Notes may be limited.***

The holders of the Notes will benefit from security interests in the Note Collateral.

The Note Collateral securing the Notes will be subject to any and all exceptions, defects, encumbrances, liens and other imperfections as may be set forth in the documents evidencing the security interests granted over the Note Collateral. The Initial Purchasers have neither analyzed the effect of, nor participated in any negotiations relating to, such exceptions, defects, encumbrances, liens and other imperfections. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Note Collateral securing the Notes as well as the ability of the Trustee to realize or foreclose on such Note Collateral.

The security interests in the Note Collateral will be subject to practical problems generally associated with the realization of security interests in Note Collateral. Under Luxembourg law the enforcement of the General Partner Pledge Agreement and the Issuer Pledge Agreement, whether by means of a sale or an amalgamation, is subject to certain specific requirements. For example, the Trustee may need to obtain the consent of a third party to obtain or enforce a security interest in a contract. The Issuer cannot assure you that the Trustee will be able to obtain any such consent. It also cannot assure you that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. Accordingly, the Trustee may not have the ability to foreclose upon those assets and the value of the Note Collateral may significantly decrease. The Trustee is not obliged to take any action to enforce the security interests or foreclose on any assets unless directed to do so by the applicable percentage of holders of the Notes in accordance with the Indenture and indemnified and/or secured to its satisfaction.

In addition, although Telenet International Finance has agreed pursuant to the Telenet Service Agreement to reimburse the Issuer for certain ongoing obligations of the Issuer, including in respect of the payment of Additional Amounts pursuant to the Indenture following certain tax events and the payment of additional interest required to be paid under the Notes on overdue principal and interest, such reimbursement obligations are limited so that the maximum amount owed at any one time does not exceed the greater of €10 million and the unused portion at that time of the basket described in paragraph (p) of the definition of Permitted Financial Indebtedness in the Senior Credit Facility. As a result, the amount that Telenet International Finance is obligated to pay to the Issuer in respect of such additional amounts or default interest may not be sufficient to enable the Issuer to pay the corresponding amounts due under the Notes and the Indenture. Any failure by the Issuer to pay of such additional amounts or default interest will constitute a default under the Indenture.

***The security interest in the collateral securing the Finco Loan will not be granted directly to the holders of the Notes.***

The appointment of a foreign security agent will be recognized under Luxembourg law, (i) to the extent that the designation is valid under the law governing such appointment and (ii) subject to possible restrictions depending on the type of the security interests. Generally, according to paragraph 2(4) of the Luxembourg Act dated August 5, 2005 concerning financial collateral arrangement (the Collateral Act 2005), a security (financial collateral) may be provided in favour of a person acting on behalf of the collateral taker, a fiduciary or a trustee in order to secure the claims of third party beneficiaries, whether present or future, provided that these third party beneficiaries are determined or may be determined. Without prejudice to their obligations vis-à-vis third party beneficiaries of the security, persons acting on behalf of beneficiaries of the security, the fiduciary or the trustee benefit from the same rights as those of the direct beneficiaries of the security aimed at by such law.

The security interests in the collateral securing the Finco Loan will not be granted directly to holders of the Notes. Instead, they will be granted in favor of the security agent in respect of the Senior Credit Facility for the benefit of the lenders under the Senior Credit Facility, including the Issuer under the Finco Loan, and the Issuer's interest in the Finco Loan will in turn serve as collateral for the obligations of the Issuer under the Notes.

As a result, upon the occurrence of an event of default under the Notes, the Trustee on behalf of the holders of the Notes will not have the right to enforce the collateral for the Finco Loan directly but, instead, would only have the right to (a) enforce the security interest in the Issuer's interest in the Finco Loan (in each case, subject always to the Trustee being directed by the holders of the Notes and indemnified and/or secured to its satisfaction against any liabilities it may incur). The security agent under the Senior Credit Facility is only obliged to take enforcement action where it is directed by the requisite amount of creditors under the Senior Credit Facility. This indirect claim over the collateral could delay or make more costly any realization of such collateral.

***Creditors under the Senior Credit Facility are entitled to be repaid with the proceeds of the collateral sold in any enforcement sale on a pari passu basis with the Finco Loan, and the value of the collateral may not be sufficient to satisfy the obligations of Telenet International Finance under the Finco Loan.***

The security granted in favor of the Finco Loan also secures all other indebtedness existing under the Senior Credit Facility as a whole on a *pari passu* basis. In the event of a foreclosure on the liens securing the Finco Loan, any proceeds received by the security agent in respect of the Senior Credit Facility, as a whole, from the sale of the collateral would be distributed to repay on a *pari passu* basis all of the creditors under the Senior Credit Facility.

No appraisals of any collateral securing the Senior Credit Facility have been prepared in connection with this offering. The value of such collateral at any time will depend on market and other economic conditions, including the availability of suitable buyers, the jurisdiction in which the enforcement action or sale is completed and the ability to readily liquidate the collateral. Each of these factors or any challenge to the validity of any arrangements governing creditors' rights under the Senior Credit Facility could reduce the proceeds realized upon enforcement of the collateral. Consequently, there can be no assurance that the proceeds from the sale of the collateral will be sufficient to satisfy the obligations of Telenet International Finance under the Finco Loan. In addition, there can be no assurance that the collateral could be sold in a timely manner, if at all.

***The Issuer's ability to enforce its rights under the Senior Credit Facility (including the right to accelerate payments under the Finco Loan on the occurrence of an event of default under the Senior Credit Facility) is limited.***

The occurrence of an event of default under the Senior Credit Facility may not automatically result in the Notes becoming due and payable. Only the facility agent under the Senior Credit Facility may take enforcement steps upon the occurrence of such an event of default. The facility agent may, and must if so instructed by the Majority Lenders under and as defined in the Senior Credit Facility accelerate amounts due under the Senior Credit Facility (including under the Finco Loan) following the occurrence of such an event of default. The Issuer's share in outstanding loans and undrawn commitments under the Senior Credit Facility is likely to contribute significantly less than the threshold required for such Majority Lender definition, which is generally two thirds of the aggregate of all outstanding loans and undrawn commitments under the Senior Credit Facility, from time to time. Accordingly, there can be no assurance that the Issuer will be able to require an acceleration of its rights under the Finco Loan following the occurrence of an event of default under the Senior Credit Facility.

***Luxembourg law may affect the validity of security granted over certain of our assets.***

The enforceability of the Telenet Loan Collateral, the Telenet Fee Letter Collateral and the Telenet Service Agreement Collateral (each as defined in "Description of the Notes") (collectively, the "Assignment") is uncertain in light of Luxembourg insolvency provisions. In particular, while the Luxembourg Collateral Act 2005 recognizes the validity and enforceability of outright transfers of title to "assets" (which are defined as financial instruments and claims, together, the "Collateral Act 2005 Assets") against third parties, administrators, insolvency receivers, liquidators and other similar persons notwithstanding the existence of a reorganization measure liquidation proceedings or the occurrence of any competing claims between creditors, whether located in Luxembourg or not, it is untested and legally questionable whether assets (other than the Collateral Act 2005 Assets) transferred by way of security (as contemplated by the Assignment) would benefit from the provisions of the Collateral Act 2005.

***Telenet International Finance may not have the ability to raise the funds necessary to finance required prepayments of the Senior Credit Facility (including prepayment of the Finco Loan) in the event of a change of control thereunder.***

Upon the occurrence of a Change of Control (as defined in the Senior Credit Facility) and if the Majority Lenders thereunder (and as defined therein) so require, Telenet NV and Telenet International Finance will



be required to prepay the Senior Credit Facility (including the Finco Loan) and to make a payment to the Issuer equal to 1% of the principal amount of the Finco Loan. The ability of Telenet International Finance to prepay the Finco Loan upon a Change of Control would be limited by its access to funds at the time of the prepayment and the terms of its other debt agreements, which agreements could restrict or prohibit such a prepayment. Upon a Change of Control and/or illegality, Telenet NV and Telenet International Finance may be required immediately to repay the outstanding principal, any accrued interest on and any other amounts owed by either of them under one or more of its other bank facilities. The source of funds for these repayments would be their available cash or cash generated from other sources. However, there can be no assurance that Telenet NV and Telenet International Finance will have sufficient funds available upon a Change of Control and/or illegality to make these repayments. If Telenet NV and Telenet International Finance are not able to make the required prepayment of the Senior Credit Facility (including the Finco Loan), the Issuer will not be able to redeem the Notes.

***Holders of the Notes have limited recourse to the Issuer, as payments under the Notes are limited to the amount of certain payments received by the Issuer under the Senior Credit Facility and the Related Agreements.***

The obligations of the Issuer under the Indenture, the Notes and the Notes Security Documents (as defined under “*Description of the Notes*”) will be limited as set forth in the Indenture. All payments to be made by the Issuer under the Indenture, the Notes and the Notes Security Documents will be made only from and to the extent of such sums received or recovered by or on behalf of the Issuer under the Senior Credit Facility, the Facility O Accession Agreement, the Telenet Fee Letter and the Telenet Service Agreement, and other than under the limited circumstances described below under “*Description of the Notes—Events of Default and Remedies*”, none of the Trustee, the Principal Paying Agent, the Registrar or the holders of Notes will have any further recourse to the Issuer in respect thereof in the event that the amount due and payable by the Issuer under the Indenture, the Notes and the Notes Security Documents exceeds the amounts so received under the Senior Credit Facility, the Facility O Accession Agreement, the Telenet Fee Letter and the Telenet Service Agreement.

The Trustee and the holders of the Notes will not be permitted to take any action, commence any proceeding or petition a court for the liquidation of the Issuer, nor will they be permitted to enter into any arrangement, reorganization or insolvency proceeding in relation to the Issuer, whether under the laws of Luxembourg or other applicable bankruptcy laws. The obligations of the Issuer are solely obligations of the Issuer, and the Trustee and the holders of the Notes will not have any recourse against any of the directors, officers or employees of the Issuer for any claims, losses, damages, liabilities, indemnities or other obligations whatsoever in connection with any transactions contemplated by the Indenture, the Notes Security Documents and the related documents. Having realized the collateral securing the Notes and distributed the net proceeds thereof, in each case in accordance with the Indenture, none of the Trustee, the Principal Paying Agent, the Registrar and the holders of the Notes may take any further steps to recover any sum still unpaid in respect of the Notes, the Indenture or any of the Notes Security Documents or otherwise and all claims against the Issuer in respect of any such sum due but still unpaid shall be extinguished.

***Holders of the Notes have limited direct recourse to Telenet International Finance.***

Except for the specific interests of the Issuer as a Telenet Lender under the Senior Credit Facility or as otherwise expressly provided in the terms of the Indenture, no proprietary or other direct interest in the Issuer’s rights under or in respect of the Senior Credit Facility exists for the benefit of the holders of the Notes. Further, subject to the terms of the Indenture, no holder of Notes can enforce any provision of the Senior Credit Facility or have direct recourse to Telenet International Finance as borrower, or any member of the Telenet Group except through an action by the Issuer, itself acting as directed by the Trustee pursuant to the rights granted to the Trustee under the Indenture and the Notes Security Documents. Under the Indenture, the Trustee shall not be required to take proceedings to enforce payment under the Senior Credit Facility unless it has been indemnified or secured by the holders of the Notes to its satisfaction. In addition, neither the Issuer nor the Trustee is required to monitor Telenet International Finance’s, or any member of the Telenet Group’s, financial performance.

***United States securities laws restrict the circumstances under which you can transfer the Notes.***

The Issuer is offering the Notes in reliance upon exemptions from registration under the U.S. Securities Act and applicable state securities laws. Therefore, the Notes may be transferred or resold only in transactions registered under, exempt from or not subject to the registration requirements of the U.S. Securities Act and all applicable state securities laws. In addition, transfer restrictions with respect to

the Notes which relate to exceptions provided for under the U.S. Investment Company Act of 1940, as amended, prohibit transfer except as provided by the transfer restrictions under “*Plan of Distribution*” and “*Transfer Restrictions*”. You should read the discussions under “*Plan of Distribution*” and “*Transfer Restrictions*” for further information about these and other transfer restrictions. It is your obligation to ensure that your offers and sales of Notes comply with applicable law.

***The Issuer cannot assure you that an active trading market will develop for the Notes in which case your ability to sell the Notes will be limited.***

The Notes will be new securities for which there is no market. The Issuer cannot assure you as to:

- the liquidity of any market that may develop for the Notes;
- your ability to sell your Notes; or
- the prices at which you would be able to sell your Notes.

Future trading prices of the Notes will depend on many factors, including, among other things, prevailing interest rates, Telenet’s operating results and the market for similar securities. Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities and is subject to disruptions that may cause volatility in prices. It is possible that the market for the Notes will be subject to disruptions. Any such disruption may have a negative effect on you, as a holder of the Notes, regardless of Telenet Group Holding’s prospects and financial performance. The Initial Purchasers of the Notes have advised the Issuer that they currently intend to make a market in the Notes. However, the Initial Purchasers are not obliged to do so, and they may discontinue any market making activities at any time without notice. As a result, there is no assurance that an active trading market will develop for the Notes. If no active trading market develops, you may not be able to resell your Notes at a fair value, if at all.

Although the Issuer, in the Indenture, agreed to use all reasonable efforts to have the Notes listed and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange within a reasonable period after the issue date of the Notes and to maintain such listing as long as the Notes are outstanding, the Issuer cannot assure you that the Notes will remain listed. If the Issuer is unable or can no longer maintain the listing on the Luxembourg Stock Exchange or it becomes unduly burdensome to make or maintain such listing (for the avoidance of doubt, preparation of financial statements in accordance with IFRS or any other accounting standard pursuant to which the Issuer prepares its financial statements shall be deemed unduly burdensome), the Issuer may cease to make or maintain such listing on the Luxembourg Stock Exchange, provided that it will use reasonable best efforts to obtain and maintain the listing of the Notes on another stock exchange although there can be no assurance that the Issuer will be able to do so. Although no assurance is made as to the liquidity of the Notes as a result of listing on the Luxembourg Stock Exchange or another recognized listing exchange for high yield issuers in accordance with the Indenture, failure to be approved for listing or the delisting of the Notes from the Luxembourg Stock Exchange or another listing exchange in accordance with the Indenture may have a material adverse effect on a holder’s ability to resell Notes in the secondary market.

***Credit ratings may not reflect all risks.***

The credit ratings assigned to the Notes are an assessment by the relevant rating agencies of the Issuer’s ability to pay its debts when due, which is, in respect of payment obligations under the Notes, dependent upon the ability of the obligors under the Senior Credit Facility to pay their debts when due. Consequently, real or anticipated changes in Telenet’s or the Notes’ credit ratings may generally affect the market value of the Notes. Ratings may not reflect the potential impact of all risks relating to structure, market, additional factors discussed in this offering memorandum, and other factors may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. An explanation of the significance of such rating may be obtained from the applicable rating agency. There is no assurance that such credit ratings will be issued or remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the applicable rating agency’s judgment, circumstances so warrant. It is also possible that such ratings may be lowered in connection with the application of the proceeds of this offering or in connection with future events, such as future acquisitions. Holders of Notes will have no recourse against Telenet or any other parties in the event of a change in or suspension or withdrawal of such ratings. Any lowering, suspension or withdrawal of such ratings may have an adverse effect on the market price or marketability of the Notes.



***Luxembourg insolvency laws may not be as favorable as insolvency laws in other jurisdictions.***

The insolvency laws of Luxembourg may not be as favorable to holders of Notes as insolvency laws of jurisdictions with which investors may be familiar. The Issuer is incorporated and has its centre of main interests in Luxembourg. Accordingly, insolvency proceedings with respect to the Issuer may proceed under, and be governed by, Luxembourg insolvency laws. The following is a brief description of certain aspects of insolvency laws in Luxembourg. Under Luxembourg insolvency laws, the following types of proceedings (together referred to as insolvency proceedings) may be opened against the Issuer to the extent that the Issuer has its registered office or centre of main interest in Luxembourg:

- bankruptcy proceedings (*faillite*), the opening of which may be requested by the Issuer, by any of its creditors or by the Luxembourg public prosecutor. Following such a request, the courts having jurisdiction may open bankruptcy proceedings, if the Issuer (a) is in default of payment (*cessation de paiements*) and (b) has lost its commercial creditworthiness (*ébranlement de crédit*). If a court considers that these conditions are met, it may open bankruptcy proceedings, absent a request made by the Issuer or a creditor. The main effect of such proceedings is the suspension of all measures of enforcement against the Issuer, except, subject to certain limited exceptions, for secured creditors, and the payment of creditors in accordance with their rank upon the realization of assets;
- controlled management proceedings (*gestion contrôlée*), the opening of which may only be requested by the Issuer and not by its creditors; and
- composition proceedings (*concordat préventif de la faillite*), the opening of which may only be requested by the Issuer (having received prior consent of a majority of its creditors) and not by its creditors. The court's decision to admit a company to the composition proceedings triggers a provisional stay on enforcement of claims by unsecured creditors.

In addition to these proceedings, the ability of the holders of Notes to receive payment on the Notes may be affected by a decision of a court to grant a reprieve from payments (*sursis de paiements*) or to put the Issuer into judicial liquidation (*liquidation judiciaire*). Judicial liquidation proceedings may be opened at the request of the public prosecutor against companies pursuing an activity violating criminal laws or that are in serious violation of the commercial code or of the Luxembourg law dated August 10, 1915 on commercial companies, as amended. The management of such liquidation proceedings will generally follow similar rules as those applicable to bankruptcy proceedings.

The Issuer's liabilities in respect of the Notes will, in the event of a liquidation of the Issuer following bankruptcy or judicial liquidation proceedings, rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and those of the concerned Issuer's debts that are entitled to priority under Luxembourg law. Preferential debts under Luxembourg law for instance include, among others:

- certain amounts owed to the Luxembourg Revenue;
- value-added tax and other taxes and duties owed to the Luxembourg Customs and Excise;
- social security contributions; and
- remuneration owed to employees.

Assets over which a security interest has been granted will in principle not be available for distribution to unsecured creditors (except after enforcement and to the extent a surplus is realised).

During insolvency proceedings, all enforcement measures by unsecured creditors are suspended. The ability of secured creditors to enforce their security interest may also be limited in the event of controlled management proceedings automatically causing the rights of secured creditors to be frozen until a final decision has been taken by the court as to the petition for controlled management, and may be affected thereafter by a reorganization order given by the court. A reorganization order requires the prior approval by more than 50% of the creditors representing more than 50% of the Issuer's liabilities in order to take effect.

The Collateral Act 2005 expressly provides that all financial collateral arrangements (including pledges) including enforcement measures are valid and enforceable even if entered into during the pre-bankruptcy period, against all third parties including supervisors, receivers, liquidators and any other similar persons or bodies irrespective of any bankruptcy, liquidation or other situation, national or foreign, of composition with creditors or reorganization affecting anyone of the parties, save in the case of fraud.

Generally, Luxembourg insolvency laws may also affect transactions entered into or payments made by the Issuer during the pre-bankruptcy hardening period (*période suspecte*) which is a maximum of six months

and the days preceding the judgment declaring bankruptcy, except that in certain specific situations the court may set the start of the suspect period at an earlier date. In particular:

- pursuant to article 445 of the Luxembourg code of commerce, some specific transactions (in particular, the granting of a security interest for antecedent debts, save in respect of financial collateral arrangements within the meaning of the Collateral Act 2005; the payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set-off or by any other means; the payment of debts which have fallen due by any means other than in cash or by bill of exchange; the sale of assets without consideration or with substantially inadequate consideration) entered into during the suspect period (or the ten days preceding it) must be set aside or declared null and void, if so requested by the insolvency receiver;
- pursuant to article 446 of the Luxembourg code of commerce payments made for matured debts as well as other transactions concluded for consideration during the suspect period are subject to cancellation by the court upon proceedings instituted by the insolvency receiver if they were concluded with the knowledge of the bankrupt's cessation of payments;
- pursuant to article 21 (2) of the Collateral Act 2005 concerning financial collateral arrangements, notwithstanding the suspect period as referred to in articles 445 and 446 of the Luxembourg code of commerce, where a financial collateral arrangement has been entered into on the date of the commencement of a reorganization measure or winding-up proceedings, but after the opening of liquidation proceedings or the coming into force of reorganization measures or the entry into force of such measures, that agreement is enforceable and binding against third parties, administrators, insolvency receivers, liquidators and other similar organs if the collateral taker proves that it ignored the fact that such proceedings had been opened or that such measures had been taken or that it could not reasonably be aware of it; and
- pursuant to article 448 of the Luxembourg code of commerce and article 1167 of the civil code (*action paulienne*) gives the insolvency receiver (acting on behalf of the creditors) has the right to challenge any fraudulent payments and transactions, including the granting of security with an intent to defraud, made prior to the bankruptcy, without any time limit.

In principle, a bankruptcy order rendered by a Luxembourg court does not result in automatic termination of contracts except for *intuitu personae* contracts, that is, contracts for which the identity of the company or its solvency were crucial. The contracts, therefore, subsist after the bankruptcy order. However, the insolvency receiver may choose to terminate certain contracts. However, as of the date of adjudication of bankruptcy, no interest on any unsecured claim will accrue *vis-à-vis* the bankruptcy estate. The bankruptcy order provides for a period of time during which creditors must file their claims with the clerk's office of the Luxembourg district court sitting in commercial matters. After having converted all available assets of the company into cash and after having determined all the company's liabilities, the insolvency receiver will distribute the proceeds of the sale, on a pro rata basis, to the creditors after deduction of the receiver fees and the bankruptcy administration costs.

***The various insolvency and administrative laws to which Telenet is subject may not be favorable to creditors, including the Issuer as lender under the Finco Loan and may limit the Issuer's ability to enforce its rights under the Finco Loan and, as a result, the ability of holders of Notes to enforce their rights under the Notes.***

Each member of the Telenet Group (except for Telenet International Finance, Telenet Solutions Luxembourg S.A. and Telenet Luxembourg Finance Center S.à r.l.) is organized under the laws of Belgium and has its center of main interests within the meaning of the Council Regulation (EC) No 1346/2000 of May 29, 2000 on insolvency proceedings (each a "Telenet Belgian Company"). Consequently, in the event of a bankruptcy or insolvency event with respect to a Telenet Belgian Company, primary proceedings would likely be initiated in Belgium while secondary proceedings could be initiated in one or more EU jurisdictions (with the exception of Denmark) in which the Telenet Belgian Companies then conduct operations. While, currently, none of the Belgium Companies conducts operations in any EU jurisdiction other than Belgium, such multi jurisdictional proceedings would likely be complex and costly for creditors and otherwise may result in greater uncertainty and delay regarding enforcement of your rights.

Belgian insolvency laws may make it difficult or impossible to effect a restructuring. There are two primary insolvency regimes under Belgian law: the first, judicial reorganization (*gerechtelijke reorganisatie/reorganisation judiciaire*), is intended to facilitate the reorganization of a debtor's debts and enable the debtor to continue as a going concern. The second, bankruptcy (*faillissement/faillite*), is designed to liquidate and distribute the assets of a debtor to its creditors.

Secured lenders with a first-ranking priority over financial collateral as defined in, and pursuant to the Belgian law of December 15, 2004 on financial collateral (including cash collateral and pledges in respect of shares and other financial instruments (“Financial Collateral”)) have the right to foreclose on their security despite the occurrence of a bankruptcy or judicial reorganization.

### *Judicial Reorganization*

The judicial reorganization procedure is a voluntary procedure, for which the debtor, as a rule, can apply if its continuity is threatened, in the short or longer term. The board of the debtor, and its management, remain as a rule in charge of the company while the procedure is ongoing. Upon accepting the debtor’s request for judicial reorganization, the court will set the duration of the stay for a period of up to six months, extendable in certain circumstances of up to 18 months. During the stay, as a rule, the debtor cannot be judicially dissolved or declared bankrupt, and, generally, no enforcement measures (e.g., attachment, foreclosure) can be taken. Debts, including those preceding the judicial reorganization, may however be paid to creditors on a voluntary basis. In addition, while the stay affects secured and unsecured creditors alike, there is an exception for secured creditors benefiting from a receivables pledge, or from Financial Collateral, which are entitled to foreclose during the stay. The stay will not suspend guarantees or security granted by third parties for the debtor. Termination, suspension and acceleration clauses in agreements, such as the Senior Credit Facility, to which the debtor is a party that are triggered by the fact of the judicial reorganization itself are null and void (with the exception of close-out netting clauses).

If a creditor continues to perform a contract despite the debtor’s judicial reorganization, its claims that come to exist as a result thereof in the period following the judicial reorganization (such as, as a rule, interest payments) will not be suspended and will be enforceable. In case of a subsequent bankruptcy, such claims will have priority over the claims of unsecured creditors (and secured creditors, if the continuation of the contract has contributed to the preservation of the secured assets). Claims for reimbursement of principal would as a rule be suspended by the stay.

The stay can result in: (a) an in-court agreement with two or more creditors; (b) a collective agreement among the creditors on a reorganization plan; or (c) a court-organized auction leading to the transfer of part or all of the assets of the undertaking as a going concern to one or more third parties.

- (a) An in-court agreement requires unanimity among the creditors concerned. The debtor may petition the court to grant a grace period in respect of its payment obligations, e.g., in relation to interest payments, pending the negotiation of the agreement.
- (b) The reorganization plan may provide a broad range of measures, including, without limitation, (i) a rescheduling of debts, (ii) partial or total debt waivers (principal sum and/or interest), (iii) the conversion of debt into equity, and (iv) a differentiated treatment for certain categories of claims (e.g., based on nature or size). The performance period of the plan may extend to five years from the date of court approval. The plan cannot impose any of these measures to secured creditors unless they individually agree. The reorganization plan must be approved by the majority of the creditors participating in the vote (including the secured creditors) and such majority must represent at least half of the outstanding debt in principal sum. The court must also approve the plan, and can only refuse it in limited circumstances. Consequently, these majorities and consent requirements could preclude or inhibit the ability of the holders of the Notes to effect a restructuring of Telenet Group Holding and could reduce the holders’ recovery in a Belgian insolvency proceeding. The court-approved reorganization plan is binding for all creditors in the stay. The plan cannot suspend the enforcement rights of secured creditors for a period in excess of 24 months (extendable with 12 months if the debtor can prove that it will be able to fully reimburse the secured creditors) from the initial filing for judicial reorganization, and the debtor must continue to pay interest on the secured obligations during the period of the reorganization plan.
- (c) A debtor also has the possibility to file for a judicial reorganization with the objective to transfer part or all of the assets (but not its liabilities) to an acquirer, in which case the auction will be organized by a court-appointed expert (*gerechtsmandataris/mandataire de justice*). In this case, the proceeds of the sale of the pledged assets will be paid in priority to the relevant secured creditors. The judicial expert leading the auction, however, has no obligations as to minimum sales price, neither does it have to consult an expert to confirm that the sales price is reasonable. Consequently, this procedure could result in the sale of certain assets for less than their going

concern value. The assets will be transferred free from any existing security, and the liabilities will remain with the debtor.

### *Bankruptcy*

A debtor which, on a sustained basis, ceases to make payments and whose credit is impaired, will be deemed to be in a state of bankruptcy. Within one month after the cessation of payments, the debtor must file for bankruptcy. Bankruptcy procedures may also be initiated on the request of unpaid creditors or on the initiative of the public prosecutor. A bankruptcy trustee will be appointed to assume the operation of the business and to organize a sale of the debtor's assets, the distribution of the proceeds thereof to creditors and the liquidation of the debtor.

The assets of a debtor are generally liquidated and the proceeds distributed to the debtor's creditors on a pari passu basis, and certain creditors (such as secured creditors and preferential creditors) will have special rights that may adversely affect the interests of the Issuer as a lender under the Senior Credit Facility.

The grant of collateral security for the Senior Credit Facility, or any payment of debt not yet due, may be held ineffective if entered into or granted within specified hardening periods in advance of a bankruptcy event and/or if this is found to be detrimental to the creditors.

In addition, certain of Telenet's agreements with its suppliers, content providers or others entitle the counterparty to terminate the agreement in case of its bankruptcy.

### *The Issuer is incorporated under and subject to Luxembourg law.*

The Issuer is a corporate partnership limited by shares, *société en commandite par actions*, incorporated under the laws of Luxembourg. The rights of holders of Notes and the responsibilities of the Issuer to the holders of Notes under Luxembourg law may be materially different from those with regard to equivalent instruments under the laws of the jurisdiction in which the Notes are offered.

Insolvency proceedings may be brought against the Issuer and such proceedings may proceed under, and be governed by, Luxembourg insolvency laws (see “—*Luxembourg insolvency laws may not be as favorable as insolvency laws in other jurisdictions*”).

### *Employee benefit plan considerations.*

Each acquirer or transferee of a Note or any interest therein will be deemed to have represented, warranted and agreed that (1) either (a) it is not, and is not acting on behalf of (and for so long as such acquirer or transferee holds such Notes or any interest therein will not be, and will not be acting on behalf of), a Benefit Plan Investor (as defined under “*Transfer Restrictions*”) or a governmental, church or non-U.S. plan which is subject to any Similar Laws (as defined under “*Transfer Restrictions*”), and no part of the assets used by it to acquire or hold the Note or any interest herein constitutes the assets of any Benefit Plan Investor or such a governmental, church, or non-U.S. plan, or (b) its acquisition, holding and disposition of such Notes does not and will not constitute or otherwise result in a non-exempt prohibited transaction under the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and/or Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”) (or, in the case of a governmental, church or non-U.S. plan a non-exempt violation of any Similar Laws); and (2) neither the Issuer nor any of its affiliates is a “fiduciary” (within the meaning of Section 3(21) of ERISA or, with respect to a governmental, church or non-U.S. plan, any definition of “fiduciary” under Similar Laws) (a “Fiduciary”) with respect to the purchaser or holder in connection with any purchase or holding of the Notes, or as a result of any exercise by the Issuer or any of its affiliates of any rights in connection with the Notes, and no advice provided by the Issuer or any of its affiliates has formed a primary basis for any investment decision by or on behalf of the purchaser and holder in connection with the Notes and the transactions contemplated with respect to the Notes; and (3) it will not sell or otherwise transfer any Note or any interest therein otherwise than to a purchaser or transferee that is deemed to make these same representations, warranties and agreements with respect to its acquisition, holding and disposition of such Note.

See “*Certain Employee Benefit Plan Considerations*” herein for a more detailed discussion of certain ERISA and related considerations with respect to an investment in the Notes.



***Transfers of the Notes are restricted, which may adversely affect the value of the Notes.***

The Notes are being offered and sold pursuant to an exemption from registration under the U.S. Securities Act and applicable state securities laws of the United States. The Notes have not been and will not be registered under the U.S. Securities Act or any U.S. state securities laws. Therefore you may not transfer or sell the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws, or pursuant to an effective registration statement, and you may be required to bear the risk of your investment in the Notes for an indefinite period of time. The Notes and the Indenture governing the Notes contain provisions that restrict the Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S under the U.S. Securities Act, or other exemptions under the U.S. Securities Act. In addition, by acceptance of delivery of any Notes, the holder thereof agrees on its own behalf and on behalf of any investor accounts for which it has purchased the Notes that it shall not transfer the Notes in an aggregate principal amount of less than €100,000. Furthermore, the Issuer has not registered the Notes under any other country's securities laws. It is your obligation to ensure that your offers and sales of the Notes within the United States and other countries comply with applicable securities laws. See “*Notice to Investors*”.

***You may be unable to recover in civil proceedings for U.S. securities laws violations.***

The Issuer is organized under the laws of Luxembourg and does not have any assets in the United States. It is anticipated that some or all of the directors and executive officers of the Issuer will be non-residents of the United States and that all or a majority of their assets will be located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer or its directors and executive officers, or to enforce any judgments obtained in U.S. courts predicated upon civil liability provisions of the U.S. securities laws. In addition, the Issuer cannot assure you that civil liabilities predicated upon the federal securities laws of the United States will be enforceable in Luxembourg. See “*Enforcement of Judgments*”.

***The Notes will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.***

The Notes will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the global notes will trade in book-entry form only, and the Notes in definitive registered form, or definitive registered notes, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners of the Notes. The common depositary, or its nominee, for Euroclear and Clearstream will be the sole registered holder of the global-notes representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the global notes representing the Notes will be made to The Bank of New York Mellon, as Principal Paying Agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to participants' accounts that hold book-entry interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to the common depositary for Euroclear and Clearstream, Telenet will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear and Clearstream, and if you are not a participant in Euroclear or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the Notes under the Indenture. Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon Telenet's solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear or Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis. Similarly, upon the occurrence of an event of default under the Indenture, unless and until definitive registered Notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes. See “*Book-Entry, Delivery and Form*”.



## USE OF PROCEEDS

The gross proceeds from the sale of the Notes will be €300 million and will be used by the Issuer to fund the Finco Loan, denominated in euro, in an aggregate principal amount equal to the aggregate principal amount of the Notes offered hereby under a new additional facility (Facility O) borrowed by Telenet International Finance under the Senior Credit Facility. Telenet International Finance intends to use the proceeds from the Finco Loan to repay in full or in part outstanding amounts under tranches J, K and L1 of the Senior Credit Facility, and to service certain payments to the Issuer under the Related Agreements. Initial Purchasers' commissions and certain estimated fees and expenses incurred in connection with this offering are expected to be approximately €2.5 million. Under the Fee Letter, Telenet International Finance will pay the Issuer an upfront fee in an amount equal to the Initial Purchaser's commissions. In addition, an amount equal to the original issue discount, if any, on the Notes will be paid by Telenet International Finance to the Issuer as an upfront fee in connection with the Finco Loan. As Telenet Group Holding will consolidate the Issuer following the issuance of the Notes, the Finco Loan and Telenet International Finance's payment of the upfront fees to the Issuer will be eliminated in consolidation. The net proceeds from the sale of the Notes offered hereby will be approximately €297.5 million. For a description of the Telenet Fee Letter, see "*Description of the Notes—Certain Transaction Documents*" and "*Description of the Senior Credit Facility and Related Agreements—Description of the Related Agreements*".

## CAPITALIZATION OF TELENET AND THE ISSUER

The following table sets forth, as of September 30, 2010, (i) the actual consolidated capitalization of Telenet Group Holding and (ii) the consolidated capitalization of Telenet Group Holding on an as adjusted basis after giving effect to (a) the offering of the Notes and the use of the proceeds as set forth in “*Use of Proceeds*”, (b) the issuance of the Telenet Finance Luxembourg Notes and the Telenet Finance Luxembourg II Notes and the application of the proceeds from each issuance and (c) the consolidation of the Issuer, Telenet Finance Luxembourg and Telenet Finance Luxembourg II by Telenet Group Holding. This information should be read in conjunction with, *inter alia*, the information contained in “*Use of Proceeds*”, “*Summary Condensed Consolidated Historical Financial and Other Data of Telenet*”, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations of Telenet*”, “*Description of the Notes*” and the September 30, 2010 Selected Condensed Consolidated Interim Financial Statements and the December 31, 2009 Consolidated Financial Statements included elsewhere in this offering memorandum.

	September 30, 2010	
	Actual	As Adjusted
	In millions of EUR	
<b>Total cash and cash equivalents</b> . . . . .	217.2	594.5 <sup>(1)</sup>
<b>Debt:</b>		
Telenet Finance III Luxembourg (the Issuer) . . . . .	0.0	300.0 <sup>(2)</sup>
Telenet Finance Luxembourg . . . . .	0.0	500.0 <sup>(3)</sup>
Telenet Finance Luxembourg II . . . . .	0.0	100.0 <sup>(4)</sup>
Senior Credit Facility . . . . .	2,125.0	1,616.3 <sup>(1)(5)</sup>
Other long term obligations . . . . .	334.5	334.5
<b>Total debt</b> . . . . .	<b>2,459.5</b>	<b>2,850.8</b>
<b>Total equity</b> . . . . .	<b>164.6</b>	<b>164.6<sup>(6)</sup></b>
<b>Total capitalization</b> . . . . .	<b>2,624.1</b>	<b>3,015.4</b>

- (1) Assumes all of the net proceeds from the issuance of the Notes will be used to reduce outstanding indebtedness under the Senior Credit Facility and reflects (i) the use of approximately €202 million of net proceeds from the issuance of the Telenet Finance Luxembourg Notes reduce outstanding indebtedness under the Senior Credit Facility, (ii) the use of €7 million of cash and cash equivalents to repay Facility B1 and Facility F under the Senior Credit Facility on October 29, 2010 and (iii) the use of approximately €14 million of cash and cash equivalents to pay fees and expenses related to the issuance of the Notes, the Telenet Finance Luxembourg Notes and the Telenet Finance Luxembourg II Notes.
- (2) Reflects the issuance of the Notes by the Issuer and the making of the Finco Loan. As further described under “*Description of the Issuer*”, the Issuer is a special purpose vehicle that will be consolidated by Telenet Group Holding following the issuance of the Notes.
- (3) Reflects the issuance of the Telenet Finance Luxembourg Notes by Telenet Finance Luxembourg and the making of the loan under Facility M under the Senior Credit Facility. Telenet Finance Luxembourg is a special purpose financing entity that, following the issuance of the Telenet Finance Luxembourg Notes, is, and will continue to be for so long as the loan made under Facility M under the Senior Credit Facility remains outstanding, consolidated by Telenet Group Holding.
- (4) Reflects the issuance of the Telenet Finance Luxembourg II Notes by Telenet Finance Luxembourg II and the making of the loan under Facility N under the Senior Credit Facility. Telenet Finance Luxembourg II is a special purpose financing entity that, following the issuance of the Telenet Finance Luxembourg II Notes, is, and will continue to be for so long as the loan made under Facility N under the Senior Credit Facility remains outstanding, consolidated by Telenet Group Holding.
- (5) Facility M, Facility N and Facility O of the Senior Credit Facility were, or will be, funded through the issuance of the Telenet Finance Luxembourg Notes, Telenet Finance Luxembourg II Notes and the issuance of the Notes, respectively. The amounts outstanding under Facility M, Facility N and Facility O are, or will be, eliminated through the consolidation of Telenet Finance Luxembourg, Telenet Finance Luxembourg II and the Issuer within Telenet Group Holding’s consolidated financial statements and are not reflected in this table.
- (6) As adjusted total equity has not been reduced for any deferred financing fees that will be written off in connection with the repayments of borrowings under the Senior Credit Facility.

The following table sets forth, in each case as of January 28, 2011 (the date of incorporation of the Issuer), (i) the actual capitalization of the Issuer and (ii) the capitalization of the Issuer on an as adjusted basis after giving effect to the issuance of the Notes together with any cash received from Telenet International Finance under the Fee Letter, and the related advance of the €300 million of proceeds therefrom to

Telenet International Finance pursuant to the Finco Loan, as set forth in “*Use of Proceeds*”. The Finco Loan will be reflected as an asset on the Issuer’s balance sheet.

	January 28, 2011	
	Actual	As Adjusted
	In thousands of EUR	
<b>Total cash and cash equivalents</b> . . . . .	€ 31	€ 31
Other long term obligations . . . . .	—	—
<b>Total debt</b> . . . . .	—	300,000
<b>Total equity</b> . . . . .	31	31
<b>Total capitalization</b> . . . . .	€ 31	€ 300,031

## DESCRIPTION OF THE ISSUER

### Incorporation

The Issuer is currently incorporated under the name of Telenet Finance III Luxembourg S.C.A. as a corporate partnership limited by shares company, *société en commandite par actions*, incorporated under the laws of Luxembourg on January 28, 2011. Copies of the Issuer's constitutional documents are filed with the Luxembourg Trade and Companies Register on February 8, 2011 and are in the process of publication in the *Mémorial C, Recueil des Sociétés*. The registered office of the Issuer is at 65, Boulevard Grande-Duchesse Charlotte, 1331 Luxembourg. The Issuer's telephone number is +352 26 4491. The Issuer is registered with the Luxembourg Trade and Companies Register under number B-158666.

### Business

The Issuer was incorporated under the laws of the Grand Duchy of Luxembourg on January 28, 2011, as a special purpose financing company for the primary purpose of facilitating the offering of the Notes. Its share capital is €31,000 divided into 999 Ordinary Shares and one GP Share, all of which have been subscribed and fully paid-up. The Ordinary Shares are held by the Foundation, the GP Share is held by the GP and all shares in the GP are held by the Foundation. None of Telenet Group Holding or any of its subsidiaries has any direct or indirect interest in the Issuer, the Foundation or the GP. The Noteholders will not have a direct claim against the cash flow or assets of any member of the Telenet Group, and no member of the Telenet Group will have any direct obligation to holders of the Notes to pay amounts due under the Notes. The Foundation will, under the Issuer Pledge Agreement and the General Partner Pledge Agreement, grant security over the issued ordinary shares of the Issuer and the issued shares of the GP in favor of the Trustee for the benefit of the Trustee, and the holders of the Notes.

The Issuer has no material business operations and upon completion of this offering will have no material assets other than the Finco Loan advanced in connection with the offering of the Notes and its rights under certain related agreements. The Issuer has not engaged in any business activities or incurred any material liabilities since the date of its incorporation, other than relating to this offering and transactions related thereto. The Issuer is dependent on payments by Telenet International Finance under the Finco Loan in order to service its obligations under the Notes. The proceeds from the offering of the Notes will be loaned by the Issuer to Telenet International Finance pursuant to the Finco Loan. Although Telenet International Finance has no equity or voting interest in the Issuer, the Finco Loan creates a variable interest in the Issuer for which Telenet International Finance is the primary beneficiary, as contemplated by IFRS. As such, Telenet International Finance and its parent entities, including Telenet Group Holding, will be required by the provisions of IFRS to consolidate the Issuer following the issuance of the Notes. See “*Risk Factors—Risks Relating to the Notes and the Structure—Holders of the Notes have limited recourse to the Issuer, as payments under the Notes are limited to the amount of certain payments received by the Issuer under the Senior Credit Facility and the Related Agreements*”.

The Issuer was incorporated as a special purpose vehicle, for the purpose of issuing the Notes and using the proceeds of this offering to finance a secured loan, the Finco Loan, to Telenet International Finance. The Issuer is dependent on payments by Telenet International Finance under the Finco Loan in order to service its obligations under the Notes. The Finco Loan will be made pursuant to the existing Senior Credit Facility of the Telenet Group, to which the Issuer will accede as an additional lender. The Finco Loan will be effected by an additional tranche under the Senior Credit Facility (Facility O), and its terms will be documented in a Facility O Accession Agreement. The payment obligations under the Notes will not be guaranteed by any member of the Telenet Group. The Finco Loan, however, will be guaranteed by Telenet NV, and the Finco Loan will rank *pari passu* with the other terms loans under the Senior Credit Facility and will be secured by the same security interests under the Senior Credit Facility, which comprise security over substantially all of the material assets of the Telenet Group. See “*Description of the Senior Credit Facility and the Related Agreements*”.

The Notes will be offered by the Issuer on a limited recourse basis. The Noteholders will not have a direct claim against the cash flow or assets of any member of the Telenet Group, and no member of the Telenet Group will have any direct obligation to Noteholders to pay amounts due under the Notes. The Issuer will also be dependent on payments by Telenet International Finance under the Telenet Fee Letter and the Telenet Service Agreement intended to cover non-recurring and recurring expenses and fees of the Issuer in connection with the offering of the Notes and subsequent Finco Loan. Telenet International Finance's payment obligations under the Telenet Fee Letter and the Telenet Service Agreement will be guaranteed by Telenet NV to the Issuer. See “*Description of the Senior Credit Facility and the Related Agreements*”.

The Issuer's only material liabilities will be under the Notes, and the Issuer has no material business operations, no direct subsidiaries and no employees.

Since the date of the incorporation of the Issuer, the Issuer is not and has not been involved in any governmental, legal or arbitration proceedings that may have, or have had in the recent past, a significant effect on the Issuer's financial position or profitability, nor is the Issuer aware that any such proceedings are pending or threatened.

### **Management**

The Issuer is managed by the GP, under the supervision of a supervisory board currently consisting of three members. The Issuer is unaware of any conflicts of interest between the duties that the GP or any member of the supervisory board owes to the Issuer and its private interests or other duties. The members of the supervisory board of the Issuer at present are:

- Mr. Pietro Longo, a private employee of Intertrust Luxembourg, having his professional address at 65, Boulevard Grande-Duchesse Charlotte L-1331 Luxembourg;
- Mr. Jonathan Lepage, a private employee of Intertrust Luxembourg, having his professional address at 65, Boulevard Grande-Duchesse Charlotte L-1331 Luxembourg; and
- Mr. Cédric Carnoye, a private employee of Intertrust Luxembourg, having his professional address at 65, Boulevard Grande-Duchesse Charlotte L-1331 Luxembourg.

### **Share Capital**

The Issuer has a share capital of €31,000 comprised of 999 Ordinary Shares and one GP Share, all of which have been subscribed and fully paid-up. The Ordinary Shares have been held by the Foundation since the incorporation of the Issuer. Copies of the Foundation's constitutional documents were filed with the Chamber of Commerce for Amsterdam on January 26, 2011. The registered office of the Foundation is at Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands. The Foundation is registered with the Chamber for Commerce for Amsterdam under number 33144202. The Foundation is managed by a director, which is at present, Intertrust (Netherlands) B.V., a private limited liability company incorporated under the laws of The Netherlands with principal place of business at Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands. The Foundation has been incorporated for the primary purpose of holding the shares of the Issuer.

The GP Share has been held by the GP since the incorporation of the Issuer, and is not yet registered with the Luxembourg Register of Commerce and Companies. The deed of incorporation of the GP is in the process of being published on the *Mémorial C, Recueil des Sociétés*. The registered office of the GP is at 67 boulevard Grand Duchesse Charlotte, L-1331 Luxembourg. The GP is managed by three managers, currently:

- Ms. Nancy Bleumer, a private employee of Intertrust Luxembourg, having her professional address at 65, Boulevard Grande-Duchesse Charlotte L-1331 Luxembourg;
- Mr. Oliver Wolf, a private employee of Intertrust Luxembourg, having his professional address at 65, Boulevard Grande-Duchesse Charlotte L-1331 Luxembourg; and
- Ms. Virginie Dohogne, a private employee of Intertrust Luxembourg, having her professional address at 65, Boulevard Grande-Duchesse Charlotte L-1331 Luxembourg.

The GP corporate object is the holding of participation in the Issuer and the management of the Issuer as its general partner.



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF Telenet

*The following discussion and analysis is intended to assist in providing an understanding of Telenet's financial condition, changes in financial condition and results of operations and should be read together with the September 30, 2010 Condensed Consolidated Financial Statements and the December 31, 2009 Consolidated Financial Statements, including the accompanying notes, included elsewhere in this offering memorandum. Some of the information in this discussion and analysis includes forward-looking statements that involve risks and uncertainties. See "Forward-Looking Statements" and "Risk Factors" for a discussion of important factors to be evaluated in connection with a prospective purchase of Notes. The capitalized terms used below have been defined in the notes to the September 30, 2010 Condensed Consolidated Financial Statements and the December 31, 2009 Consolidated Financial Statements. Unless otherwise indicated, convenience translations into euros are calculated as of September 30, 2010 or December 31, 2009, as applicable.*

### Overview

Telenet is the largest cable television operator in Belgium. Telenet's HFC cable network spans the Flanders region, covers 61% of Belgium by homes passed and includes the metropolitan centers of Antwerp and Ghent and approximately one-third of Brussels. Telenet's shares are listed on the Euronext Brussels Stock Exchange under the ticker symbol TNET and it is part of the BEL20 stock market index. As of 6:00 p.m. London time on February 7, 2011, Telenet's market capitalization amounted to €3,414 million.

Telenet offers analog and digital cable television and digital pay television, including HD and on-demand television, high-speed broadband internet and fixed and mobile telephony services to residential subscribers who reside in Telenet's network area. Telenet also combines its services into packages, or bundles, which offer subscribers the convenience of being able to purchase television, broadband internet and telephony services from a single provider at an attractive and discounted price. In addition, Telenet offers voice and data services to small and medium-sized businesses throughout Belgium and parts of Luxembourg.

Basic cable television is the principal medium for the provision of television services in Flanders. Almost all Flemish television households are passed by the bi-directional Hybrid Fiber Coaxial cable network. As of September 30, 2010, Telenet served 2,288,200 basic cable television subscribers comprising 1,119,400 analog cable television subscribers and 1,168,800 digital television subscribers through both its own interactive digital television platform and the INDI platform, which it acquired as part of the Interkabel Acquisition in October 2008. As of September 30, 2010, approximately 51% of Telenet's basic cable television subscribers received Telenet's digital television programming compared to 39% as of September 30, 2009. Telenet remains focused on continuing to grow the proportion of digital television subscribers by converting its analog television customer base to digital, through which Telenet believes it will be able to obtain an ARPU which is approximately twice the level of the analog television ARPU driven by recurring rental fees for its set-top boxes, the use of premium and thematic channel packs, pay television services marketed under its PRIME brand as well as video-on-demand usage.

Telenet is the leading provider of residential broadband internet services in Flanders. Through its HFC upgraded network, it offers its residential subscribers a broadband internet service at a downstream data transfer speed of up to 100 Mbps. Telenet's current residential offerings include multiple tiers, which range from "Basicnet", which allows end users to receive data from the internet at a downstream data transfer speed of up to 4 Mbps, to "Fibernet 100", which offers end users a downstream speed of up to 100 Mbps. In February 2010, Telenet unveiled its next generation broadband internet line-up rendered around its new Fibernet product suite. Relying on the latest EuroDocsis 3.0 technology, Telenet is able to offer high-speed internet services across its entire footprint with download speeds of up to 100 Mbps. In July, 2010, Telenet further increased the data volume on its existing broadband products after a first upgrade in March of 2010 and it moved to unlimited data volume based on a fair use policy for its high-end tiers. In January 2011, Telenet introduced additional Fibernet products as a response to today's growing need for powerful, high-speed internet, enabling the whole family to connect seamlessly through multiple devices simultaneously. As of September 30, 2010, the total number of broadband internet customers amounted to 1,196,800, an increase of 10% compared to the nine months ended September 30, 2009. As of September 30, 2010, broadband internet reached a penetration of 42.6% (as a percentage of homes passed) compared to 38.9% as of September 30, 2009.

Telenet offers its residential subscribers local, national and international long distance fixed-line telephony services, mobile telephony services and a variety of value-added features. In Flanders, Telenet believes that

it is currently the largest competitor to Belgacom, the Belgian incumbent, due in part to its emphasis on customer service and innovative tariff plans. Telenet had 794,800 fixed telephony customers as of September 30, 2010 compared to 714,900 as of September 30, 2009, representing an increase of 11%. Consequently, the penetration of its fixed telephony service (as a percentage of homes passed) reached 28.3% as of September 30, 2010 compared to 25.6% as of September 30, 2009.

As of September 30, 2010, Telenet recorded 182,200 active postpaid mobile telephony subscribers, an increase of 74% compared to the nine months ended September 30, 2009.

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

Consumers are increasingly seeking to combine their media and communication services at one provider. Telenet believes that it is well placed to capture the value of this trend given the historically dense cable penetration in its service area, its product leadership and network superiority as well as its relentless focus on customer service. The conversion towards multiple play directly drives the ARPU per customer relationship as customers increasingly subscribe to two or more products, while at the same time the propensity to churn decreases significantly. ARPU per customer relationship amounted to €38.4 for the nine months ended September 30, 2010, an increase of 12% compared to the nine months ended September 30, 2009. As of September 30, 2010, 57% of Telenet's customer base subscribed to either dual or triple play service combinations.

At the end of 2009, Telenet completed the upgrade of its network bandwidth capacity from 450 MHz to 600 MHz and the deployment of EuroDocs 3.0 technology across its entire footprint, which has resulted in a new set of broadband products which Telenet launched during the first half of 2010 and at the beginning of 2011. The completion of Telenet's 600 MHz bandwidth upgrade of its core network has set the foundation for the future development of Telenet's Hybrid Fiber Coaxial network. Under Telenet's "Digital Wave 2015" investment program, Telenet has the ambition to bring its network and services offering to the next level as it believes that a fiber-rich and flexible network provides unmatched capacity for future growth. One of the cornerstones remains Telenet's "Pulsar" node splitting project which will allow Telenet to build a next-generation network capable of capturing the changing consumer needs, new internet applications and future services and technology.

### **Key Factors Affecting Telenet's Businesses**

Telenet's operations and the operating metrics discussed below have been, and may continue to be, affected by certain key factors as well as certain historical events and actions. The key factors affecting the ordinary course of Telenet's business and its results of operations include, among others, the introduction of new products and services, including new digital television pay services, higher broadband internet access speeds and the roll-out of Telenet's Full-MVNO through which it seeks to enhance its mobile product offerings and market positioning, changes in its pricing, network upgrades and maintenance, its cost structure, customer churn and acquisitions and dispositions. Each of these factors is discussed in more detail below.

#### ***New products and services***

##### ***Successful introduction of multiple-play bundles***

In October 2008, Telenet successfully launched its multiple-play bundles marketed under the Shakes brand. By "shaking" any chosen mix of individual products, customers not only realize savings on their monthly invoice, but also effectively obtain an upgrade since Telenet offers improved product specs and features within a multiple play bundle compared to its stand-alone products. In July 2009, Telenet further enhanced its multiple-play offers through the inclusion of additional channels in HD. As of September 30, 2010, 57% of Telenet's customer base subscribed to two or three products as compared to 50% as of September 30, 2009.

### *Updated digital television experience*

In May 2010, Telenet gradually introduced a new interface for its interactive digital television platform, offering an updated and enhanced user experience for its digital television customers. Telenet believes that these latest improvements, including faster and easier navigation, improved presentation in its video-on-demand library and easier access to value-added services, will further drive the uptake of its digital platform as well as the use of additional paying services on the platform.

During the same month, Telenet also launched a web-PVR feature (Digiprogrammer) feature which enables its digital television customers to program their set-top box through the internet whenever and wherever they want. Telenet also successfully completed its first trials of 3D television on its existing set-top boxes, which are fully capable of broadcasting 3D television programming.

### *Unique positioning in mobile telephony market*

In October 2009, Telenet initiated its first mobile telephony-focused marketing campaigns comprising a whole new range of postpaid tariff plans including the option of a subsidized handset for subscribers taking a two-year contract. As of September 30, 2010, together with the acquisition of BelCompany NV, Telenet was able to attract 52,500 net new mobile customers since the beginning of 2010, of which, 12,600 were in the third quarter of 2010. For the nine months ended September 30, 2010, Telenet's mobile telephony revenue showed robust growth driven by both a higher number of RGUs and a noticeable ARPU improvement from customers subscribing to any of its mid to high-tier mobile rate plans. For the nine months ended September 30, 2010, Telenet's mobile telephony revenue amounted to €28.7 million compared to €13.5 million for the nine months ended September 30, 2009. Telenet plans to make further inroads into the mobile market through the implementation of its Full-MVNO, which it started operating in the fourth quarter of 2010, while maintaining a balance between subscriber growth and profit margin preservation.

### *Launch of Fibernet*

In February 2010, Telenet unveiled its next generation broadband internet line-up centered around its new Fibernet product suite. Relying on the latest EuroDocsis 3.0 technology, Telenet is able to offer high-speed internet services across its entire footprint with unprecedented download speeds of up to 100 Mbps. Hence, Telenet believes it is offering the most advanced broadband internet product available in its market. In July of 2010, Telenet further increased the data volume on its existing broadband products after a first upgrade in March of 2010 and it moved to unlimited data volume based on a fair use policy for its high-end tiers.

Pivotal in Telenet's next generation broadband internet line-up is the launch of Fibernet. Relying on the latest EuroDocsis 3.0 technology, Telenet is able to offer high-speed internet services with download speeds of up to 100 Mbps. Telenet believes the roll-out of EuroDocsis 3.0 across its entire footprint will provide it with a marketing advantage to help further increase its subscriber base, while enabling it to grow individual broadband ARPUs as it seeks to migrate customers to higher broadband product tiers which are priced at a premium as compared to Telenet's previous product offering.

In January 2011, Telenet added two additional tiers to its Fibernet product catalog, further emphasizing its speed leadership over competing technologies.

### *Launch of Yelo*

In December 2010, Telenet launched Yelo, a revolutionary new multimedia platform enabling digital TV consumers to watch their favourite television programs and video throughout and around their home, as well as on certain other wired and wireless devices, including on their iPad™, iPhone™, laptop and personal computer.

### *Pricing*

Telenet regularly reviews its pricing policy. In the beginning of 2009, Telenet increased the subscription price for its basic cable television service by approximately €6.00 per annum. In the past, it has increased the subscription fees for its basic cable television service in response to inflation by an average of between 3% and 4% per year and have from time to time adjusted the prices Telenet charges for its other services in response to changes in market conditions.

### *Cost structure*

Certain of Telenet's total operating expenses, such as a proportion of its network operating, programming and payroll costs, are relatively fixed, while a proportion of its marketing, content, interconnect, customer care, billing and subscriber acquisition costs are relatively variable and hence directly driven by subscriber growth. Telenet's most significant expense items include payroll costs, programming costs, copyright costs, customer care and interconnection fees. Telenet pays interconnection fees to other network operators when it connects to its networks in order to terminate its voice and data services. Voice interconnection fees in Belgium are regulated and the amount Telenet pays in interconnection fees in any period will depend on the level of usage of its services.

Telenet's payroll costs relate to the number and salary levels of its full-time staff and external personnel. The number of full time equivalents employed by Telenet for the year ended December 31, 2009 amounted to 1,887 compared to 1,597 for the year ended December 31, 2008. Employee benefits amounted to €123.1 million for the year ended December 31, 2009, a decline of 3% compared to the year ended December 31, 2008. The mandatory inflation-led wage adjustment of 4.5% in early 2009 was compensated by the outsourcing of Telenet's video editing unit, which appears under "Network operating and service costs", and a one-off positive impact for compensation benefits resulting from a reduction of certain accruals during the first half of 2009.

Telenet also outsources a portion of its call center customer care and sales functions. The fees that Telenet is charged by the operators of its external call centers generally depend on the level of its customer care call volume. The level of Telenet's customer care call volume may fluctuate during any given period as a result of, among other things, the introduction of new products and services that are unfamiliar to its customers or difficult to install, the quality and reliability of its services and the quality of its alternative customer support options, including its automated customer care functions on its website.

Telenet also intends to maintain a number of its call centers in-house, which it believes will result in higher employee costs, but will be offset through lower network operating and service costs. Moreover, Telenet believes that the superior efficiency and effectiveness of insourced call centers will continue to contribute to improved results for both sales and care.

Telenet does not produce its own content and is dependent on broadcasters and other content providers for programming. Telenet pays copyright royalties to various copyrights societies in Belgium that represent content producers from various countries around Europe. Telenet also pays signal costs to broadcasters in order to carry their signal on its network. Telenet generally pays author copyright royalties and signal costs on a per subscriber basis. Telenet also pays royalties to its third-party content providers for its digital pay television programming. Telenet generally pays royalties on a per subscriber basis for subscription content and pay fixed amounts for on demand content that is purchased by its subscribers. As a result, Telenet expects that its content costs will increase along with increased sales of its digital pay television content. However, some of Telenet's content supply agreements require it to pay prices for the programming based on a guaranteed minimum number of subscribers, even if that number is larger than the number of actual subscribers.

Telenet also incurs costs related to the purchase of mobile handsets and its offering of subsidized handsets to existing Telenet customers subscribing to a two-year postpaid contract. The subscriber acquisition costs Telenet incurs are fully expensed within the relevant sales period.

### *Churn*

Revenue growth from Telenet's residential businesses is driven primarily by ARPU and net subscriber growth, which in turn is a function of gross subscriber additions and churn. 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.

The cable television, broadband internet and telephony industries exhibit churn as a result of high levels of competition. Specifically for Telenet's cable television business, churn is also driven by the historically dense cable penetration in its footprint and customers now enjoying a wider variety of alternative television platforms. In addition to competitive alternatives, churn levels may be affected by changes in Telenet's or its competitors' prices, Telenet's level of customer satisfaction and the relocation of subscribers. Increases in churn may lead to increased costs and reduced revenue.



Except for basic cable television, where Telenet has seen an increase in churn, from 6.5% as of September 30, 2009 to 8.6% as of September 30, 2010, driven by increased competition in the residential television market and the historically dense cable penetration in its service footprint, Telenet's churn rates have exhibited a declining trend and have remained at moderate levels. Telenet believes that its relatively low churn rates reflect the attractiveness of its product offering, the success of its multiple play strategy and its continued focus on service delivery and customer care. As of September 30, 2010, annualized churn for Telenet's broadband internet service was 7.8% compared to 7.4% as of September 30, 2009. For fixed telephony, Telenet's annualized churn remained broadly flat from 6.4% as of September 30, 2009 to 6.9% as of September 30, 2010.

#### ***Network upgrades and maintenance***

Telenet's ability to provide new high-definition and on-demand digital television services, broadband internet access at ever higher speeds and telephony services to additional subscribers depends in part on its ability to upgrade its network. At the end of 2009, Telenet completed the upgrade of its network bandwidth capacity from 450 MHz to 600 MHz and the deployment of EuroDocsis 3.0 technology across its entire footprint. Through Telenet's Fibernet broadband products, offering download speeds of up to 100 Mbps, Telenet believes it is offering the most advanced broadband internet product available in its market.

The completion of Telenet's 600 MHz bandwidth upgrade of its core network provides the foundation for the future development of its Hybrid Fiber Coaxial network. Under its "Digital Wave 2015" investment program, Telenet seeks to further upgrade its network and services as it believes that a fiber-rich and flexible network will provide capacity for future growth which its competitors will have difficulty matching. One of the cornerstones of Telenet's upgrade strategy is its "Pulsar" node splitting project which will allow it to build a next-generation network capable of capturing the changing consumer needs, new internet applications and future services and technology.

#### ***Acquisitions and divestitures***

In October 2008, Telenet successfully finalized the acquisition of Interkabel from the PICs. As a result of this agreement, all analog and digital television activities of Interkabel and INDI were transferred from the PICs to Telenet, while the PICs remain the legal owners of the network. As a result, Telenet has expanded its service footprint to the entire region of Flanders whereas previously it was only able to sell its multiple play bundles and television services to roughly two-thirds of Flanders. Hence, 2009 represented the first full year of delivering a unified multiple play service across all Flanders and it has enjoyed the marketing, installation and customer service efficiencies that this provides. In January 2008, Telenet also completed the acquisition of Hostbasket, Belgium's largest hosting and domain name specialist. In December of the same year, Telenet also incorporated T-VGAS NV which aims at, on the one hand, publicizing its products through its media and on the other hand, rentabilizing such medias by building a bridge between advertisers and young adults. In order to achieve this objective, T-VGAS NV displays cross-media products with a focus on teenagers and interests of their generation.

In June 2009, Telenet acquired BelCompany NV, the second largest independent supplier of mobile telecommunications and related products in Belgium. The acquisition of BelCompany has provided Telenet with improved access in the marketing of its mobile products to its target audience, and it believes this has been a significant driver in the recent increases observed in the activation rate of its SIM-cards, which in turn has driven higher levels of net additions for its mobile products.

On May 31, 2010, Telenet acquired 100% of the shares of C-CURE NV, a local internet security specialist. C-CURE NV, which was founded in 1998, provides advice and integrates and develops advanced products related to internet and network security for corporate customers. Through this acquisition, Telenet aims to integrate security solutions into its portfolio of corporate internet services while making managed security services a substantial part of its product offering.

#### **Key Operating Measures**

Telenet uses several key operating measures, including RGUs and ARPU, to track the performance of its business. Neither of these terms is a measure of financial performance under IFRS, nor have these measures been reviewed by an outside auditor, consultant or expert. Each of these measures is derived from management estimates. As defined by Telenet's management, these terms may not be comparable to similar terms used by other companies. See "Glossary".



## RGUs

Telenet classifies its customers based on its main subscription-based business activities. The following table summarizes Telenet's RGUs for its basic cable television services, both in analog and digital formats, broadband internet and telephony businesses as of December 31, 2009 and 2008 and for the nine months ended September 30, 2010 and 2009.

	As of September 30,		As of December 31,	
	2010	2009	2009	2008
<b>Footprint:</b>				
Homes passed <sup>(1)</sup>	2,812,600	2,787,600	2,793,800	2,768,800
<b>RGUs:</b>				
Total cable television	2,288,200	2,363,100	2,342,500	2,402,500
Analog cable television <sup>(2)</sup>	1,119,400	1,446,900	1,341,600	1,728,900
Digital cable television <sup>(3)</sup>	1,168,800	916,200	1,000,900	673,600
Broadband internet <sup>(4)</sup>	1,196,800	1,085,00	1,115,900	985,300
Fixed telephony <sup>(5)</sup>	794,800	714,900	740,900	628,700
Mobile telephony	182,200	104,500	128,700	87,100
Triple-play customers <sup>(6)</sup>	697,300	627,100	651,000	538,900
Services per relationship <sup>(7)</sup>	1.87	1.76	1.79	1.67
<b>Penetration<sup>(8)</sup>:</b>				
Total cable television	81.4%	84.8%	83.8%	86.7%
Analog cable television	39.8%	51.9%	48.0%	62.4%
Digital cable television	41.6%	32.9%	35.8%	24.3%
Broadband internet	42.6%	38.9%	39.9%	35.6%
Fixed telephony	28.3%	25.6%	26.5%	22.7%
Triple play customers <sup>(9)</sup>	30.5%	26.5%	27.8%	22.4%

(1) Homes passed represents Telenet's estimate of the number of potential residential, SoHo and SME subscribers to whom it can offer its services.

(2) Analog cable television is the sum of analog cable television subscribers on the Combined Network and the pay television subscribers on the Partner Network. The remaining 6,000 subscribers on the latter platform were migrated to Telenet's interactive digital television platform in the course of the fourth quarter of 2009. Hence, the latter represents a discontinued service going forward.

(3) Digital cable television comprises both subscribers to its interactive digital television platform (Telenet Digital television) as well as subscribers to the INDI digital television platform it acquired through the Interkabel Acquisition in October 2008.

(4) Total broadband internet represents both residential and business broadband internet when provided via coaxial cable.

(5) Total fixed telephony represents both residential and business fixed telephony when provide via coaxial cable.

(6) Triple-play is defined as television, broadband internet and telephony. Dual-play is defined as any two of the three products. Mobile telephony subscribers are not used as part of the calculation of dual-play or triple-play statistics.

(7) Customer relationships are equal to the sum of analog and digital basic cable television subscribers on the Combined Network.

(8) Number of RGUs at the end of the relevant period as a percentage of the number of homes passed by the Combined Network at the end of the relevant period.

(9) Number of triple play subscribers relative to the total number of customer relationships.

As of September 30, 2010, Telenet's total services reached 4,279,800 customers, an increase of 3% compared to the prior year's level of 4,163,000 customers (excluding mobile telephony in both cases). The number of triple play customers amounted to 697,300 as of September 30, 2010, an increase of 11% compared to the prior year period. In line with Telenet's strategy and expectations, the number of customers only subscribing to one of its products continued to contract as Telenet seeks to convert the bulk of its customer base into multiple-play. As of September 30, 2010, the proportion of single customers, expressed as a percentage of Telenet's total customer base, amounted to 43% compared to 50% a year earlier. Given the historically high level of cable penetration in Flanders, Telenet continues to serve a substantial number of single play analog television customers, thereby diluting the proportion of multiple play subscribers relative to Telenet's total customer relationships. The growing uptake of Telenet's multiple play bundles can also be derived from the number of services per customer relationship. This ratio continued to increase and rose 6% to 1.87 services per customer relationship as of September 30, 2010, compared to 1.76 services per customer relationship as of September 30, 2009.

Subscribers to both basic analog and digital television services totaled 2,288,200 as of September 30, 2010 compared to 2,363,100 as of September, 2009. This implied a net decrease of 74,900 basic cable television subscribers compared to the prior year period. This decrease excluded migrations to Telenet's digital television platform and represents customers churning to competitors' platforms, such as other digital television providers and satellite operators, customers terminating their television service or having moved out of Telenet's service footprint. Given the historically high level of cable penetration in Telenet's footprint and the limited expansion of the number of homes passed, Telenet believes that the number of cable television subscribers will continue to show a steadily decreasing trend. However, Telenet believes this trend will be more than offset by the continued migration of its existing customer base to both digital television and multiple play and new customers directly subscribing to two or more products, thereby resulting in a higher ARPU per customer relationship.

As of September 30, 2010, Telenet served 1,196,800 broadband subscribers compared to 1,085,000 as of September 30, 2009. Consequently, Telenet's broadband internet as of September 30, 2010 reached a penetration of 42.6% (as a percentage of homes passed) compared to 38.9% as of September 30, 2009. Telenet's broadband customers are amongst the most advanced in Belgium given that as of September 30, 2010, 74% of its total broadband subscriber base enjoyed download speeds of at least 20 Mbps.

The total number of fixed telephony customers amounted to 794,800 as of September 30, 2010 compared to 714,900 as of September 30, 2009, an increase of 11% over the period. Consequently, the penetration of Telenet's fixed telephony service (as a percentage of homes passed) reached 28.3% as of September 30, 2010 compared to 25.6% as of September 30, 2009.

Telenet's mobile telephony offer was launched in August 2006 under the Telenet Mobile brand name. Since Telenet does not have its 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, Telenet signed a Full-MVNO agreement with Mobistar, which will provide Telenet with greater flexibility in terms of product offers and which will enable it to roll out fixed-mobile convergent products. As of September 30, 2010, Telenet recorded 182,200 active postpaid subscribers, an increase of 74% compared to the nine months ended September 30, 2009.

#### *ARPU per customer relationship*

ARPU per customer relationship is a measure Telenet uses to assess how effectively it is realizing potential revenue from customers. Telenet defines ARPU per customer relationship as average total recurring revenue (including revenue earned from carriage fees and set-top box rentals and excluding interconnection revenue, installation fees, mobile telephony revenue and set-top box sales) for the indicated period, divided by the average of the opening and closing RGU base or customer relationships, as applicable, for the period.

The following table summarizes the ARPU per customer relationship for the different periods.

	For the nine months ended September 30,		For the year ended December 31,	
	2010	2009	2009	2008
	(in € per month)			
<b>ARPU:</b>				
Per customer relationship . . . . .	38.4	34.4	35.0	32.5

For the nine months ended September 30, 2010, ARPU per unique customer amounted to €38.4, an increase of 12% compared to the nine months ended September 30, 2009 when Telenet recorded ARPU per customer relationship of €34.4. The absolute increase of €4 is the highest year-on-year growth Telenet has ever achieved. While individual product ARPUs continue to trend down because of a growing proportion of bundle and other discounts and competitive pressures, Telenet has succeeded in growing the overall ARPU per unique customer. This ARPU increase is a direct result of a growing proportion of newly acquired customers opting for a multiple play bundle, the continued uptiering of Telenet's existing subscriber base to multiple play and finally the continued migration from analog to digital television. The migration of Telenet's subscribers from analog to digital television results in an approximate doubling of revenue compared to the basic cable television ARPU.

## Results of Operations

The following table depicts, for the periods indicated, statistics relating to Telenet's results of operations:

	For the nine months ended September 30,		For the year ended December 31,	
	2010	2009	2009	2008
	In millions of EUR			
<b>Revenue</b>				
Basic cable television . . . . .	244.8	240.0	322.3	244.3
Premium cable television . . . . .	110.0	82.5	115.4	78.0
Distributors/Other . . . . .	42.3	38.0	56.5	29.8
Residential broadband internet . . . . .	321.0	298.7	402.0	375.1
Residential telephony . . . . .	188.6	165.1	224.3	214.9
Business services . . . . .	60.3	57.6	76.9	76.8
<b>Total revenue . . . . .</b>	<b>967.0</b>	<b>881.9</b>	<b>1,197.4</b>	<b>1,018.8</b>
<b>Expenses</b>				
Cost of services provided . . . . .	(545.4)	(505.5)	(688.9)	(589.3)
<b>Gross Profit . . . . .</b>	<b>421.6</b>	<b>376.4</b>	<b>508.5</b>	<b>429.6</b>
Selling, general and administrative expenses . .	(153.5)	(143.6)	(210.0)	(190.8)
<b>Operating profit . . . . .</b>	<b>268.1</b>	<b>232.7</b>	<b>298.5</b>	<b>238.7</b>
Finance income . . . . .	1.3	0.9	1.2	5.6
Finance expenses . . . . .	(179.4)	(120.9)	(154.8)	(196.9)
Net Finance expenses . . . . .	(178.1)	(120.0)	(153.6)	(191.3)
Share of loss of equity accounted investees . . .	(0.4)	(0.5)	(0.5)	(0.4)
<b>Profit before income tax . . . . .</b>	<b>89.6</b>	<b>112.3</b>	<b>144.4</b>	<b>47.1</b>
Income tax benefit (expense) . . . . .	(42.4)	(39.6)	88.7	(62.3)
<b>Profit (loss) for the period . . . . .</b>	<b>47.2</b>	<b>72.7</b>	<b>233.1</b>	<b>(15.2)</b>
<b>Other financial information</b>				
Adjusted EBITDA <sup>(1)</sup> . . . . .	505.6	461.1	607.7	506.4

- (1) EBITDA represents profit before net finance expense, income taxes, depreciation, amortization and impairment. Adjusted EBITDA represents EBITDA before stock-based compensation and restructuring charges, and before operating charges or credits related to successful or unsuccessful acquisitions or divestures. Operating charges or credits related to acquisitions or divestures 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 Telenet's efforts to acquire or divest controlling interests in businesses. Adjusted EBITDA is an additional measure used by management to demonstrate Telenet's underlying performance and should not replace the measures in accordance with IFRS as an indicator of Telenet's performance, but rather should be used in conjunction with the most directly comparable IFRS measure.

## Discussion and Analysis of Telenet's Consolidated Operating Results

### *Nine Months Ended September 30, 2010 compared to Nine Months Ended September 30, 2009*

**Total Revenue.** For the nine months ended September 30, 2010, Telenet generated revenue of €967.0 million representing an increase of 10% compared to €881.9 million for the nine months ended September 30, 2009. Apart from BelCompany, which was consolidated into its results since June 30, 2009, and the recent acquisition of Mechelen-based internet security specialist C-CURE NV on May 31, 2010, Telenet's revenue growth was organic and predominantly driven by sustained growth in its subscriber base for its core residential products of digital television, broadband internet and fixed telephony, a growing contribution from its mobile activities and overall a higher ARPU per customer relationship resulting from customers increasingly subscribing to two or more products and a higher penetration of digital television across its customer base. Excluding the impact of the acquisitions, Telenet's revenue for the nine months ended September 30, 2010 increased by 8% compared to the nine months ended September 30, 2009.

**Basic cable television.** Basic cable television revenue, which comprises the basic cable television subscription fee paid by both Telenet's analog and digital (both iDTV and INDI) subscribers, remains an important contributor to Telenet's revenue and represents a steady source of cash flow. Basic cable television revenue for the nine months ended September 30, 2010 was €244.8 million, an increase of 2% compared to the nine months ended September 30, 2009. A higher net loss of analog cable subscribers

relative to the corresponding prior year period was offset by an increase of approximately 6% in the basic cable subscription fee which had a deferred benefit on a portion of Telenet's revenue until February 2010 because it only applied the higher subscription fee to analog cable television customers upon sending their annual invoice.

***Premium cable television.*** Telenet's premium cable television revenue includes the revenue generated by its digital television subscribers in addition to the basic cable television revenue as described above. In addition to video-on-demand revenue, Telenet's premium cable television revenue is driven by the strong uptake in rentals of the high-end HD and PVR-enabled set-top boxes, which provide a boost to its recurring monthly set-top box rental fees. The other contributors to Telenet's premium cable television revenue include subscription fees to its thematic and premium channel packages, the latter marketed under the brand name PRIME, and interactive services on its platform.

Digital television customers typically generate an ARPU which is approximately twice as high as the basic cable television ARPU, through the use of on-demand content, the uptake of Telenet's thematic and premium channel packages, payTV as well as recurring rental fees. Telenet's premium cable television revenue for the nine months ended September 30, 2010 amounted to €110.0 million, an increase of 33% compared to €82.5 million for the nine months ended September 30, 2009.

***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 Telenet's portal and community websites. Furthermore, this revenue line also includes the contribution from the multi-brand mobile telephony distribution channel, BelCompany, which Telenet acquired on June 30, 2009.

Distributors/Other revenue amounted to €42.3 million in the nine months ended September 30, 2010, representing an increase of 11% compared to €38.0 for the nine months ended September 30, 2009. The majority of this growth directly related to the acquisition of BelCompany as of June 30, 2009. For the nine months ended September 30, 2010, BelCompany generated revenue of €16.3 million. The sale of set-top boxes and other customer premise equipment yielded revenue of €3.5 million in the nine months ended September 30, 2010, a decrease of 20% compared to €4.4 million for the nine months ended September 30, 2009. This decrease is predominantly attributable to the shift to set-top box rentals, which generates recurring revenue in the form of a monthly rental fee, as opposed to the one-time revenue from set-top box sales.

***Residential Broadband Internet.*** Revenue generated by Telenet's nearly 1.2 million broadband subscribers grew 7% from €298.7 million in the nine months ended September 30, 2009 to €321.0 million in the nine months ended September 30, 2010.

The increase was due to the continuing growth in Telenet's broadband subscriber base, partially offset by a growing proportion of bundle discounts as a result of a higher concentration of sales in bundles and a growing representation of lower-tier customers in the overall mix of net additions resulting from a growing broadband penetration.

***Residential Telephony.*** Residential telephony, which includes both Telenet's fixed and mobile telephony businesses, generated revenue of €188.6 million for the nine months ended September 30, 2010, representing a 14% increase compared to the €165.1 million generated in the nine months ended September 30, 2009.

Revenue growth was primarily driven by Telenet's mobile telephony business following sustained growth in the number of net new subscribers and further improvement in Telenet's mobile ARPU as the newly acquired customers on Telenet's segmented tariff plans generate a superior ARPU relative to the legacy base. Telenet's fixed telephony revenue also showed steady growth as a higher number of RGUs was only partially offset by a further decline in the individual fixed telephony ARPU as a result of an increase in the proportion of customers on flat fee rate plans and a sustained high concentration of bundle sales.

***Business Services.*** Telenet Solutions, Telenet's business services division, generated revenue of €60.3 million in the nine months ended September 30, 2010, an increase of 5%, compared to €57.6 million in the nine months ended September 30, 2009.

**Total Expenses.** Total operating expenses amounted to €698.9 million for the nine months ended September 30, 2010, an increase of 8% compared to €649.2 million for the nine months ended September 30, 2009. This increase was primarily driven by the underlying growth in Telenet's subscriber

base, a further increase in the total number of services and selective mobile investments and the costs associated with the acquisitions of BelCompany and C-CURE NV. Excluding the impact of the acquisitions, total operating expense for the nine months ended September 30, 2010 increased by 5% from the nine months ended September 30, 2009.

*Personnel Expenses.* Personnel expenses amounted to €98.6 million for the nine months ended September 30, 2010, an increase of 10% compared to the nine months ended September 30, 2009. The increase in Telenet's personnel expenses is primarily attributable to the 5% growth in the total number of employees compared to the prior year period, reaching 1,945 full-time equivalents at the end of September 2010. Telenet's deliberate strategy to further increase the proportion of insourced call centers and the acquisitions of BelCompany and C-CURE NV were the main factors behind the 5% increase in the number of employees.

*Depreciation, amortization and impairment.* Depreciation, amortization and impairment increased by 5% to €233.9 for the nine months ended September 30, 2010 compared to €223.0 million for the nine months ended September 30, 2009. This increase reflects the impact of capital expenditures that was only partially offset by the impact of certain assets becoming fully depreciated.

*Network operating and service costs.* Network operating and service costs increased to €280.2 million for the nine months ended September 30, 2010, an increase of 11% compared to €252.8 million for the nine months ended September 30, 2009. This result reflects the BelCompany acquisition, as well as the purchase costs of Telenet's mobile handsets which Telenet started offering as of the end of October 2009. Furthermore, Telenet saw an increase in direct expenses such as call centre costs, content costs and interconnect termination fees, which are correlated to the growth in its subscriber base.

*Advertising, sales and marketing expenses.* Advertising, sales and marketing expenses which amounted to €46.3 million for the nine months ended September 30, 2010, an increase of 3% compared to €45.0 million for the nine months ended September 30, 2009 when Telenet were still benefiting from demand for its core residential products resulting from the Interkabel Acquisition. A decline in sales commissions following a lower level of net new subscriber additions compared to an exceptionally strong period last year was offset by the inclusion of BelCompany and the overall impact of Telenet's new mobile-focused marketing campaigns.

*Other costs.* Other costs, including operating charges (credits) related to acquisitions or divestitures, amounted to €36.3 million for the nine months ended September 30, 2010, an increase of 3% compared to €35.2 million for the nine months ended September 30, 2009. This particular cost line predominantly reflects business-supporting corporate advisory and legal fees.

**Finance Income and Expenses.** Net finance expenses were €178.1 million for the nine months ended September 30, 2010 compared to €120.0 million for the nine months ended September 30, 2009. The increase primarily reflects a higher negative impact of changes in the fair value of Telenet's interest rate hedges and the upfront premiums related to the restructuring of some of Telenet's derivative instruments in the first quarter of 2010 through which Telenet improved the hedged interest levels and extended the maturity dates of its hedges, which are generally consistent with the maturity dates of its Senior Credit Facility.

*Interest income and foreign exchange gain.* Interest income and foreign exchange gain for the nine months ended September 30, 2010 was €1.3 million, compared to the €0.9 million for the nine months ended September 30, 2009, primarily reflecting an increase in foreign exchange gains.

*Interest expenses and foreign exchange loss.* Telenet's net interest expense and foreign exchange loss for the nine months ended September 30, 2010 totaled €107.7 million, an increase of 5% compared to the €102.4 million for the nine months ended September 30, 2009. This increase was the result of a further decrease in the EURIBOR interest rate, which sets the basis for Telenet's total interest expenses carried on Telenet's Senior Credit Facility, and the higher interest margin on Telenet's Senior Credit Facility as a result of the maturity extension it implemented in August 2009.

*Net gains or losses on derivative financial instruments.* Telenet has entered into various derivative instruments to significantly reduce its exposure to interest rate increases through the maturity date of its Senior Credit Facility. During the nine months ended September 30, 2010, Telenet further optimized its portfolio of interest rate hedges to lower the average interest rates and extended its maturities as described above. At September 30, 2010, Telenet's derivative instruments comprised a combination of interest rate



swaps, caps and collars that provide for an average pay interest rate under Telenet's swaps of 3.9%, an average cap interest rate under its caps of 3.8%, an average floor interest rate under its collars of 1.1% and an average cap interest rate under its collars of 4.1%.

In line with IFRS, Telenet's interest rate derivatives are valued on a mark-to-market basis, *i.e.* at fair value, and differences in fair value are reflected in its income statement. Changes in fair value do not have any direct impact on Telenet's cash flows until such time as the derivatives are fully or partially settled. For the nine months ended September 30, 2010, the change in fair value of Telenet's interest rate derivatives yielded a loss of €71.7 million, an increase of 288%, compared to a loss of €18.5 million in the nine months ended September 30, 2009. To the extent the underlying EURIBOR rates rise (fall), Telenet expect the mark-to-market valuation of these instruments to increase (decrease) and to have a positive (negative) impact on its net result.

**Income Taxes.** For the nine months ended September 30, 2010, Telenet recorded an income tax expense of €42.4 million, an increase of 7% compared to €39.6 million for the nine months ended September 30, 2009. The increase is primarily due to the increased profitability of the operational entity. The liquidation gain of Telenet Communications realized by Telenet Group Holding during the second quarter of 2010 was offset by previously unrecognized net operating losses.

**Net income.** Telenet recorded net income of €47.2 million for the nine months ended September 30, 2010, including a loss on its interest rate derivatives of €71.7 million, without which Telenet would have recorded net income of €118.9 million. In the nine months ended September 30, 2009, Telenet reported a net profit of €72.7 million, including a €18.5 million loss on its interest rate derivatives, without which Telenet would have recorded a net profit of €91.2 million. Excluding these losses on Telenet's interest rate hedges in both years, the increase in net income is due primarily to its underlying operating improvements.

#### *Year Ended December 31, 2009 compared to the Year Ended December 31, 2008*

**Total revenue.** For the year ended December 31, 2009, Telenet generated revenue of €1,197.4 million, an increase of 18% compared to €1,018.8 million for the year ended December 31, 2008. Excluding the impact of the acquisitions of both Interkabel (fully consolidated since October 2008) and BelCompany (fully consolidated since June 2009), Telenet's revenue growth represented 9% for the year ended December 31, 2009. This growth was directly linked to subscriber growth in Telenet's core residential products of broadband internet, fixed telephony and digital television, a growing uptake of Telenet's multiple play bundles and a higher ARPU per customer relationship as a result of customers increasingly subscribing to two or more products.

**Basic cable television.** For the year ended December 31, 2009, Telenet generated €322.3 million of basic cable television revenue, a 32% increase compared to the €244.3 million Telenet generated for the year ended December 31, 2008. This increase was primarily a consequence of the Interkabel Acquisition and to a lesser extent due to the approximately 6% increase of the basic television subscription fee, implemented as of February 2009.

**Premium cable television.** Total premium cable television revenue generated by Telenet's Digital television, INDI and Paytelevision customers reached €115.4 million for the year ended December 31, 2009, an increase of 48% compared to €78.0 million it generated for the year ended December 31, 2008. Telenet's premium cable television revenue growth reflects the growth of Telenet's digital television base.

**Distributors/Other.** Distributors/Other revenue for the year ended December 31, 2009 was €56.5 million, an increase of 112% from €29.8 million for the year ended December 31, 2008. The increase was primarily due to the additional revenue generated by BelCompany, partly offset by a decline in set-top box sales and other customer premise equipment revenues.

**Residential broadband internet.** Residential broadband internet revenue increased by 7% to €402.0 million for the year ended December 31, 2009 from €375.1 million for the year ended December 31, 2008. The positive impact of strong subscriber growth and a lower propensity to downward migrations in internet product tiers outweighed the negative impact of a growing proportion of bundle discounts applied to broadband internet revenue as a result of a higher sales concentration in bundles.

**Residential telephony.** Telenet's residential telephony revenue increased by 4% to €224.3 million for the year ended December 31, 2009 compared to €214.9 million for the year ended December 31, 2008. Revenue growth was predominantly driven by growth in net subscriber additions, due to the appeal of its

multiple-play bundles and flat rate tariff plans, a further slowdown in the erosion of its fixed telephony ARPU as well as a growing contribution from Telenet's mobile activities. The financial performance of Telenet's fixed telephony business was impacted by Telenet's required adoption of the new regulatory framework, through which Telenet incurs reduced fixed line termination rates to its network with a negative impact on its telephony revenue of approximately €8.8 million for the year ended December 31, 2009. Excluding interconnection revenue, Telenet's subscription-driven and usage-based fixed telephony revenue grew by 10% for the year ended December 31, 2009.

*Business services.* Telenet's business services division generated revenue of €76.9 million for the year ended December 31, 2009, substantially unchanged compared to €76.8 million revenue generated for the year ended December 31, 2008. The addition of new customers on the one hand, was fully offset by the loss of a significant contract and deliberate termination of selected low-margin wholesales voice and video businesses.

**Total Expenses.** Total operating expenses totaled €898.9 million for the year ended December 31, 2009, a 15% increase compared to €780.1 million for the year ended December 31, 2008. The majority of this expense growth was related to the acquisitions of both Interkabel and BelCompany. Excluding the impact of these acquisitions, Telenet's total operating expenses grew by 5% for the year ended December 31, 2009.

*Personnel expenses.* Personnel expenses amounted to €123.1 million for the year ended December 31, 2009, a decline of 3% compared to €127.1 million for the year ended December 31, 2008. The mandatory inflation-led wage adjustment of 4.5% in early 2009 was more than offset by the outsourcing of Telenet's video editing unit, which appears under "Network operating and service costs", and a one-off positive impact for compensation benefits resulting from a reduction of certain accruals during the first half of 2009.

*Nonrecurring post-employment benefits.* In the three months ended December 31, 2009, Telenet agreed a post-employment settlement with certain of its employees who are former Electrabel (ICS) employees with regards to gas and electricity tariff discounts. Through this agreement, Telenet has settled all future post-employment obligations in this regard. The one-off cost of €6.6 million during the three months ended December 31, 2009 does not have an immediate cash impact and eliminates all future impact on Telenet's profit and loss of these post-employment employee benefits. For the year ended December 31, 2010, Telenet would otherwise have incurred an estimated expense of €1.3 million related to these gas and electricity tariff discounts.

*Depreciation, amortization and impairment.* Depreciation, amortization and impairment expense was €302.8 million for the year ended December 31, 2009, an increase of 16% compared to €262.2 million for the year ended December 31, 2008. This increase is due to the depreciation of the capital lease assets and amortization of the intangible assets acquired in the Interkabel Acquisition, and a larger share of capital expenditures being represented by rental set-top boxes, which are depreciated in a shorter timeframe than Telenet's network assets.

*Network operating and service costs.* Network operating and service costs totaled €343.2 million for the year ended December 31, 2009, an increase of 22% compared to €281.9 million for the year ended December 31, 2008. The increase is primarily due to the acquisitions of both Interkabel and BelCompany and the outsourcing of Telenet's video editing unit, partly offset by lower employee benefits.

*Advertising, sales and marketing expenses.* Advertising, sales and marketing expenses €69.2 million for the year ended December 31, 2009, an increase of 10% compared to €63.2 million for the year ended December 31, 2008. The increase is primarily due to higher sales commissions, the impact of the BelCompany acquisition, an increase in overall marketing spend and Telenet's first mobile-focused marketing campaigns including promotional handset offers.

*Other costs.* Other costs, including operating charges and credits related to acquisitions or divestitures, reached €49.0 million for the year ended December 31, 2009, an increase of 19% compared to €41.1 million for the year ended December 31, 2008, reflecting an increase in business-supporting corporate advisory and legal fees.

**Finance Income and Expenses.** Net finance expenses were €153.6 million for the year ended December 31, 2009 a decrease of 20% compared to €191.3 million for the year ended December 31, 2008, representing the combined effect of lower interest expenses on Telenet's Senior Credit Facility, partly offset by

additional interest expenses on Telenet's new capital lease agreement with Interkabel and the negative impact of changes in the fair value of its interest rate hedges.

*Interest income and foreign exchange gain.* Interest income and foreign exchange gain for the year ended December 31, 2009 was €1.2 million, a decrease of 79% compared to €5.6 million for the year ended December 31, 2008. 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.

*Interest expenses and foreign exchange loss.* Telenet's net interest expense and foreign exchange cost for the year ended December 31, 2009 totaled €133.9 million, a decrease of 18% compared to €163.9 million for the year ended December 31, 2008. This decrease was primarily attributable to the lower EURIBOR interest rate, which sets the basis for Telenet's total interest expenses carried on its 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.

*Net gains or losses on derivative financial instruments.* In line with IFRS, Telenet's interest rate derivatives are valued on a mark-to-market basis, i.e. at fair value, and differences in fair value are reflected in Telenet's income statement. These changes in fair value do not have any direct impact on Telenet's cash flows until such time as the derivatives are fully or partially settled. For the year ended December 31, 2009, the change in fair value of Telenet's interest rate derivatives yielded a loss of €20.9 million, a decrease of 37% versus a loss of €33.0 million for the year ended December 31, 2008. 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.

**Income Taxes.** For the year ended December 31, 2009, Telenet recorded an income tax benefit of €88.7 million, compared to an income tax expense of €62.3 million for the year ended December 31, 2008, reflecting a nonrecurring tax credit of €124.6 million recorded in the year ended December 31, 2009 as a result of the recognition of a deferred tax asset related to the net operating losses of its subsidiary Telenet BidCo NV (now renamed Telenet NV).

**Net income.** Telenet recorded a net profit of €233.1 million for the year ended December 31, 2009, including a loss on its interest rate derivatives of €20.9 million and a nonrecurring tax credit of €124.6 million, without which Telenet would have recorded a net profit of €129.4 million. For the year ended December 31, 2008, Telenet reported a net loss of €15.2 million, including a €33.0 million loss on its interest rate derivatives, without which it would have recorded a net profit of €17.8 million.

## **Adjusted EBITDA**

### *Nine Months Ended September 30, 2010 compared to Nine Months Ended September 30, 2009*

For the nine months ended September 30 2010, Telenet generated €505.6 million of Adjusted EBITDA, an increase of 10% compared to €461.1 million in the prior year period. Despite Telenet's selective investments in new growth domains, the dilutive margin impact from the recently acquired businesses of BelCompany and C-CURE and its increased expansion efforts into mobile, Telenet were able to keep its Adjusted EBITDA margin flat at 52.3%. The growth in Telenet's Adjusted EBITDA is primarily the result of its continued focus on process and product platform improvements, an accelerated uptake of multiple-play and overall disciplined cost control. These reductions in operating expenses more than offset the increase in costs due to Telenet's increased efforts at expansion into mobile.

### *Year Ended December 31, 2009 compared to the Year Ended December 31, 2008*

Telenet generated €607.7 million of Adjusted EBITDA for the year ended December 31, 2009, including a nonrecurring post-employment benefit expense of €6.6 million, an increase of 20% compared to €506.4 million for the year ended December 31, 2008 partly as a result of the Adjusted EBITDA added through the acquisitions of Interkabel and Bel Company. This represented an Adjusted EBITDA margin of 50.7% for the year ended December 31, 2009 compared to 49.7% for the year ended December 31, 2008.

*Year Ended December 31, 2008 compared to the Year Ended December 31, 2007*

Telenet generated €506.4 million of Adjusted EBITDA for the year ended December 31, 2008, an increase of 14% compared to €443.6 million for the year ended December 31, 2007. This represents an Adjusted EBITDA margin of 49.7% for the year ended December 31, 2008 compared to 47.6% for the year ended December 31, 2007.

## **Liquidity and Capital Resources**

### *Sources and Uses of Cash*

As a holding company, Telenet Group Holding's primary assets are its investments in consolidated subsidiaries. Telenet Group Holding's primary subsidiary is Telenet NV, which owns all of the operating subsidiaries that are consolidated by Telenet Group Holding. Although Telenet's consolidated subsidiaries have generated cash from operating activities, the terms of the instruments governing the indebtedness of certain of these subsidiaries, including Telenet NV and Telenet International Finance, may restrict its ability to access the assets of these subsidiaries. As set forth in the table below, these subsidiaries accounted for substantially all of Telenet's consolidated cash and cash equivalents at September 30, 2010. In addition, Telenet's ability to access the liquidity of these and other subsidiaries may be limited by tax considerations and other factors.

### *Cash and cash equivalents*

The details of the euro equivalent balances of Telenet's consolidated cash and cash equivalents at September 30, 2010 are set forth in the following table. With the exception of Telenet Group Holding, which is reported on a stand-alone basis, the amounts presented below include the cash and cash equivalents of the named entity and its subsidiaries unless otherwise noted (in millions):

Cash and cash equivalents held by:

Telenet Group Holding . . . . .	€	3.5
Telenet NV . . . . .	€	213.3
Telenet International Finance . . . . .	€	0.0
Other Telenet companies . . . . .	€	0.4
Total cash and cash equivalents . . . . .	€	<u>217.2</u>

### *Liquidity of Telenet Group Holding*

The €3.5 million of cash and cash equivalents held by Telenet Group Holding represented available liquidity at the corporate level at September 30, 2010. The remaining cash and cash equivalents of €213.7 million at September 30, 2010 were held by Telenet Group Holding's operating subsidiaries as set forth in the table above. As noted above, various factors may limit Telenet Group Holding's ability to access the cash of its consolidated operating subsidiaries.

From time to time, Telenet Group Holding may also receive (i) proceeds in the form of distributions or loan repayments from its operating subsidiaries or affiliates upon (a) the completion of recapitalizations, refinancings, asset sales or similar transactions by these entities or (b) the accumulation of excess cash from operations or other means or (ii) proceeds received in connection with Telenet's issuance of debt or equity securities.

The ongoing cash needs of Telenet Group Holding include general corporate and administrative expenses. From time to time, Telenet Group Holding may also require cash in connection with (i) capital disbursements to its equity holders, (ii) acquisitions, (iii) the repurchase of equity and debt securities or (iv) other investment opportunities. No assurance can be given that any external funding would be available on favorable terms, or at all.

### *Liquidity of Subsidiaries*

The cash and cash equivalents of Telenet Group Holding's significant subsidiaries are detailed in the table above. In addition to cash and cash equivalents, the primary sources of liquidity of Telenet Group Holding's subsidiaries are cash provided by operations and, in the case of Telenet NV and Telenet International Finance, borrowing availability under their respective debt instruments. On September 30, 2010, Telenet NV had an availability of €175 million under a committed revolving facility under the Senior Credit Facility, subject to compliance with the covenants of the Senior Credit Facility. This availability will

expire on June 30, 2014. Telenet Group Holding's subsidiaries' liquidity generally is used to fund capital expenditures and debt service requirements. From time to time, Telenet Group Holding's subsidiaries may also require funding in connection with (i) acquisitions and other investment opportunities, (ii) loans to Telenet Group Holding and (iii) distributions to Telenet Group Holding. No assurance can be given that any external funding would be available to Telenet Group Holding's subsidiaries on favorable terms, or at all.

For a discussion of Telenet's consolidated capital expenditures and cash provided by operating activities, see the discussion under "*—Condensed Consolidated Cash Flow Statements*" below.

### ***Capitalization***

Telenet seeks to maintain its debt at levels that provide for attractive returns without assuming undue risk. In this regard, Telenet strives to cause its operating subsidiaries to maintain their debt at levels that result in a consolidated debt balance that is between three and four times Telenet's consolidated adjusted EBITDA. The ratio of Telenet's September 30, 2010 Net Total Debt to Consolidated Annualised EBITDA for Telenet Group Holding, as defined and calculated in accordance with the Senior Credit Facility was 2.8 to 1.00.

Telenet's ability to service or refinance its debt and to maintain compliance with its leverage covenants is dependent primarily on its ability to maintain or increase the Adjusted EBITDA of its operating subsidiaries and to achieve adequate returns on its capital expenditures and acquisitions. In this regard, if the Adjusted EBITDA of Telenet Group Holding were to decline significantly, it could be required to repay or limit its borrowings under the Senior Credit Facility in order to maintain compliance with applicable covenants.

At September 30, 2010, Telenet's outstanding consolidated third-party debt and capital lease obligations aggregated €2,459.7 million, including €31.7 million that is classified as current in its condensed consolidated balance sheet.

Telenet believes that it has sufficient resources to repay or refinance the current portion of its debt and capital lease obligations and to fund its foreseeable liquidity requirements during the next 12 months. However, as its debt maturities grow in later years, Telenet anticipates that it will seek to refinance or otherwise extend its debt maturities. No assurance can be given that Telenet will be able to complete additional refinancing transactions or otherwise extend its debt maturities in light of current market conditions. In this regard, it is not possible to predict how the current state of the credit and equity markets and the associated difficult economic conditions will impact Telenet's future financial position. However, (i) additional financial institution failures could (a) reduce amounts available under committed credit facilities and (b) adversely impact Telenet's ability to access cash deposited with any failed financial institution and (ii) sustained or further tightening of the credit markets could adversely impact Telenet's ability to access debt financing on favorable terms, or at all.

In addition, sustained or increased competition, particularly in combination with a weak economy, could adversely impact Telenet's cash flows and liquidity. The draft decisions of the BIPT, VRM and CSA aim to, and may potentially, strengthen Telenet's competitors by granting them access to Telenet's network. At this stage it is unclear, however, what effect these draft decisions, if adopted and implemented in their current form, will have on competition. See "*Description of Telenet's Business—Regulation—Broadcasting Regulation—Draft Decisions of the BIPT, the VRM, the CSA and the Medienrat*" and "*Risk Factors—Risks Relating to Legislative and Regulatory Matters—Telenet may become subject to more extensive regulation if it is deemed to possess significant market power in any of the markets in which Telenet operates*".



## Condensed Consolidated Cash Flow Statements

The table below summarizes Telenet's consolidated cash flow for the different periods.

	For the nine months ended September 30,		For the year ended December 31,	
	2010	2009	2009	2008
	In millions of EUR			
Cash flow provided by operating activities . . . . .	379.9	351.1	440.8	352.0
Cash flow used in investing activities. . . . .	(175.1)	(209.0)	(279.6)	(433.5)
Cash flow provided by (used in) financing activities. . . . .	(133.3)	(77.3)	(81.1)	70.5
<b>Net increase (decrease) in cash and cash equivalents . . . . .</b>	<b>71.5</b>	<b>64.8</b>	<b>80.1</b>	<b>(11.0)</b>
Free Cash Flow <sup>(1)</sup> . . . . .	207.0	148.0	166.9	121.2

(1) Free cash flow is defined as net cash provided by the operating activities of Telenet's continuing operations less capital expenditures of Telenet's continuing operations, each as reported in Telenet's consolidated statements of cash flows.

### *Nine Months Ended September 30, 2010 compared to Nine Months Ended September 30, 2009*

*Net cash provided by operating activities.* Net cash provided by operating activities increased by 8% to €379.9 million for the nine months ended September 30, 2010 compared to €351.1 million in the nine months ended September 30, 2009. The 2010 amount included €9.2 million of nonrecurring upfront premiums for the optimization of Telenet's hedges in the first quarter of 2010, partially offsetting the solid underlying growth in Telenet's Adjusted EBITDA.

*Net cash used in investing activities.* Net cash used in investing activities was €175.1 million for the nine months ended September 30, 2010, including €2.3 million cash paid for the May 31, 2010 acquisition of C-CURE NV, a local internet security specialist. In the nine months ended September 30, 2009, net cash used in investing activities was 19% higher than the nine months ended September 30, 2010 due to the pent-up demand for rental set-top boxes following the Interkabel Acquisition, which were recorded as capital expenditures.

*Free Cash Flow.* For the nine months ended September 30, 2010, Free Cash Flow increased by 40% to €207.0 million from €148.0 million for the nine months ended September 30, 2009.

*Net cash provided by (used in) financing activities.* Net cash used in financing activities amounted to €133.3 million for the nine months ended September 30, 2010, an increase of 72% compared to net cash used in financing activities of €77.3 million for the nine months ended September 30, 2009. The increase was due to the disbursement to shareholders of €249.7 million paid on August 2, 2010, partially offset by the drawdown of the Term Loan Facilities B2A and E2 under Telenet's Senior Credit Facility for an aggregate of €135.0 million on June 28, 2010. Net cash used in financing activities during the nine months ended September 30, 2010 also reflected various lease repayments and the €18.3 million scheduled repayment of the Telenet Partner Network capital lease associated with the Interkabel Acquisition.

### *Year Ended December 31, 2009 compared to the Year Ended December 31, 2008*

*Net cash provided by operating activities.* Net cash provided by operating activities grew by 25% to €440.8 million for the year ended December 31, 2009 up from €352.0 million for the year ended December 31, 2008. This increase reflects the combination of growth in Telenet's Adjusted EBITDA and lower cash interest expense, partially offset by a declining working capital benefit arising from the migration from annual prepaid billing to monthly billing.

*Net cash used in investing activities.* Net cash used in investing activities was €279.6 million for the year ended December 31, 2009, a decrease of 36% compared to €433.5 million for the year ended December 31, 2008. The cash movement in the year ended December 31, 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 for the year ended December 31, 2009 from €228.4 million for the year ended December 31, 2008, primarily reflecting higher cash capital expenditures resulting from the strong success of Telenet's digital television rental boxes offering.

**Free Cash Flow.** Telenet generated Free Cash Flow of €166.9 million for the year ended December 31, 2009, an increase of 38% from €121.2 million for the year ended December 31, 2008. This progress was primarily the combined effect of the increase in Telenet's Adjusted EBITDA, lower cash interest expenses on its Senior Credit Facility and an improvement in its working capital, partially offset by higher cash capital expenditures.

**Net cash provided by (used in) financing activities.** Net cash used in financing activities amounted to €81.1 million for the year ended December 31, 2009, compared to net cash provided by financing activities of €70.5 million for the year ended December 31, 2008. The cash usage for the year ended December 31, 2009 is a combined effect of (i) the repayment of €85.0 million on the outstanding balance of Telenet's Revolving Facility which Telenet drew in the third quarter of 2008 to fund a portion of the Interkabel Acquisition; (ii) the payment of a €55.8 million disbursement to Telenet's shareholders in the third quarter of 2009; partially offset by (iii) the drawdown of €90.0 million under the Term Loan B2B. 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.

### Capital Expenditures

The table below summarizes Telenet's capital expenditures for the different periods.

	For the nine months ended September 30,		For the year ended December 31,		
	2010	2009	2009	2008	2007
	In millions of EUR				
Accrued capital expenditures . . . . .	174.9	215.3	317.7	245.9	223.2
Of which set-top box rental . . . . .	34.5	76.3	103.9	60.7	15.0
% of revenue . . . . .	18%	24%	27%	24%	24%
% of revenue (excluding set-top box rental) . . . . .	15%	16%	18%	18%	22%

#### *Nine Months Ended September 30, 2010 compared to Nine Months Ended September 30, 2009*

Accrued capital expenditures were €174.9 million for the nine months ended September 30, 2010, a decrease of 19% versus €215.3 million recorded in the nine months ended September 30, 2009. This decline is predominantly attributable to a reduction in Telenet's set-top box expenditures from €76.3 million in the nine months ended September 30, 2009 to €34.5 million in the nine months ended September 30, 2010.

In addition to the rental set-top boxes, 21% of Telenet's total accrued capital expenditures during the nine months ended September 30, 2010 were related to customer installations and in-home equipment and 30% to network growth and expansions, including various investments in its network upgrade projects and other investments to accommodate its increased subscriber base and broadband speed requirements. This implies that approximately 71% of Telenet's accrued capital expenditures during the nine months ended September 30, 2010 were growth or subscriber related. The remainder represents refurbishments and replacements of network equipment, sports content acquisition costs and recurring investments in its IT-platform and systems.

#### *Year Ended December 31, 2009 compared to the Year Ended December 31, 2008*

Accrued capital expenditures were €317.6 million for the year ended December 31, 2009 an increase of 29% compared to accrued capital expenditures of €245.9 million for the year ended December 31, 2008. The increase is primarily due to the increase in set-top box expenditures from €103.9 million in fiscal year ended December 31, 2009 from €60.7 million in the fiscal year ended December 31, 2008.

The high proportion of rental set-top boxes in Telenet's accrued capital expenditures was due to the continued strong success of Telenet Digital television and a strong customer preference for the upper range HD PVR-enabled set-top boxes. Telenet's 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 Telenet's total accrued capital expenditures for the year ended December 31, 2009 were related to installations and customer equipment and 25% to network

growth and expansions, such as the 600 MHz network bandwidth upgrade project and various investments to accommodate its increased subscriber base and broadband speed requirements. The network growth component also included the implementation of Telenet's internal mobile switch centre in light of its ongoing transition to Full-MVNO.

This implies that approximately 76% of Telenet's accrued capital expenditures for the year ended December 31, 2009 were scalable growth or subscriber related. The remainder represents refurbishments and replacements of network equipment, sports content acquisition costs and recurring investments in Telenet's IT-platform and systems.

As of September 30, 2010, Telenet's consolidated contractual commitments were as follows:

	Payments due during:						Total
	3 remaining months of 2010	2011	2012	2013	2014	Thereafter	
	In millions of EUR						
Long term debt <sup>(1)</sup> . . . . .	21.7	86.2	163.1	158.2	571.4	1,959.2	2,959.8
Finance lease obligations <sup>(1)</sup> . . . . .	8.6	45.1	44.1	41.4	40.2	242.7	422.1
Operating lease obligations . . . . .	7.6	20.5	9.7	7.3	4.2	7.0	56.3
Other contractual obligations <sup>(2)</sup> . . . . .	36.2	99.3	67.3	52.3	41.2	981.7	1,278.0
Interest Rate Derivatives . . . . .	4.7	31.8	40.4	34.7	34.7	61.0	207.3
Foreign Exchange Derivatives <sup>(3)</sup> . . . . .	18.0	4.0	—	—	—	—	22.0
Accrued expenses and other current liabilities <sup>(4)</sup> . . . . .	261.5	—	—	—	—	—	261.5
Trade payables . . . . .	88.7	—	—	—	—	—	188.7
Total . . . . .	447.0	286.9	324.6	293.9	691.7	3,251.6	5,295.7

(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.

(3) Gross cash outflows arising from foreign exchange forward contracts disclosed in the table above will be accompanied by a related U.S. Dollar denominated inflow.

(4) Excluding Interkabel out of market component.

### Critical Accounting Policies, Judgments and Estimates

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 described in this offering memorandum.

#### Basis of consolidation

**Subsidiaries.** Subsidiaries are entities controlled by Telenet Group Holding. Control exists when Telenet Group Holding 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 Telenet Group Holding 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 Telenet Group Holding. The consolidated financial statements include the accounts of Telenet Group Holding 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 Telenet Group Holding has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when Telenet Group Holding holds between 20 and 50 percent of the voting power of another entity. Joint ventures are those entities over whose activities Telenet 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 Telenet Group Holding's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of Telenet Group Holding, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When Telenet Group Holding'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 Telenet Group Holding 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 Telenet Group Holding controls and the liabilities that it incurs in the course of pursuing the joint operation, and the expenses that Telenet Group Holding incurs and its share of the income that it earns from the joint operation.

**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 labor, 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 recognized 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 iDTV service installation costs are capitalized 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 recognized in the income statement over the life of a depreciable asset as a reduction of depreciation expense.

As from the year ended December 31, 2008, Telenet Group Holding 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 recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to Telenet Group Holding and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of day-to-day servicing of property and equipment are recognized in the income statement as incurred.

The fair value of property and equipment recognized 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.

**Intangible assets.** Intangible assets with finite useful lives are measured at cost and are amortized 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 recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by Telenet Group Holding, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets.

Capitalized 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 amortized on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognized, development expenditure is recognized as an expense in the period in which it is incurred.

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

Subsequent expenditure on intangible assets is capitalized 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 recognized 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.

### **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 amortized 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 recognized in the income statement. Any cumulative loss in respect of an available-for-sale financial asset recognized 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 recognized.

*Non-financial assets.* The carrying amounts of Telenet Group Holding'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"). Telenet Group Holding has determined that its tangible fixed assets constitute a single cash-generating unit for the purpose of impairment testing.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in the income statement. Impairment losses recognized 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 recognized 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 recognized.

**Goodwill.** Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over Telenet Group Holding's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognized at the date of acquisition. Goodwill is initially recognized 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. Telenet Group Holding 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 recognized for goodwill is not reversed in a subsequent period.

**Foreign currency transactions.** Telenet Group Holding's functional and presentation currency is the euro ("€"), which is also the functional currency of each of Telenet Group Holding'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 recognized directly in equity. In order to hedge its exposure to certain foreign exchange risks, Telenet Group Holding enters into forward contracts and options (see below for details of Telenet Group Holding's accounting policies in respect of such derivative financial instruments).

### **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 amortized 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 cost. The carrying amounts of trade payables approximate fair value because of the short maturity of those instruments.

*Derivative financial instruments.* Telenet Group Holding's activities are exposed to changes in foreign currency exchange rates and interest rates.

Telenet Group Holding 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 Telenet Group Holding's policies approved by the Board of Directors, which provides written principles on the use of derivatives consistent with Telenet Group Holding's risk management strategy.

Telenet Group Holding has entered into various derivative instruments to manage interest rate and foreign currency exchange rates exposure.

Derivatives are measured at fair value.

Telenet Group Holding has entered into various derivative instruments to manage interest rate and foreign currency exchange rates exposure. With the exception of the foreign exchange forwards that were purchased historically to hedge the U.S. dollar foreign risk related to the U.S. dollar denominated Senior Discount Notes, Telenet Group Holding does not apply hedge accounting to its derivative instruments. Accordingly, changes in the fair values of derivative instruments are recognized 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 Telenet Group Holding based on swap curves flat, taking into account the credit risk of both Telenet Group Holding 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 recognized as a deduction from equity, net of any tax effects.

**Revenue recognition.** Subscription fees for telephony, internet and premium cable television are prepaid by subscribers on a monthly basis and recognized 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 recognized 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 recognized on actual usage.

Where consideration has been received or is separately receivable in respect of installation, such installation fees are recognized as revenue by reference to the stage of completion of the installation. As installation ordinarily does not take long, installation fees are recognized 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 Telenet Group Holding's network. These fees contribute to the cost Telenet Group Holding bears in respect of copyright fees paid to copyright collecting agencies for certain content provided by the public broadcasters and other copyright holders. Telenet Group Holding reports copyright fees collected from cable subscribers on a gross basis as a component of revenue due to the fact that Telenet Group Holding 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, Telenet Group Holding 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.

**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. Telenet capitalizes most of its installation cost, including labor cost. Copyright and license fees paid to the holders of these rights and their agents are the primary component of Telenet's cable programming costs. Other direct costs include costs that Telenet 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 Telenet's broadband network and customer care costs necessary to maintain its customer base.

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

**Leases.** Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to Telenet Group Holding. 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 recognized in profit or loss on a straight-line basis over the term of the lease.

**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 recognized for all taxable temporary differences and deferred tax assets are recognized 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 recognized 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 recognized for taxable temporary differences arising on investments in subsidiaries except where Telenet Group Holding 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 recognized 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.

## Employee benefits

*Pension obligations.* Telenet Group Holding 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 Telenet Group Holding 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 Telenet Group Holding'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 recognized over the expected average remaining working life of the employees participating in the plan. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. When the calculation results in a benefit to Telenet Group Holding, the recognized asset is limited to the total of any unrecognized 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 Telenet Group Holding if it is realizable during the life of the plan, or on settlement of the plan liabilities.

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost and unrecognized 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 Telenet Group Holding's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

*Other employee benefit obligations.* Telenet Group Holding 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 charged or credited to income over the expected average remaining working lives of the related employees.

*Share-based payments.* Telenet Group Holding 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 recognized 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, Telenet Group Holding revises its estimates of the number of options that are expected to become exercisable. It recognizes 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 recognized for the amount expected to be paid under short-term cash bonus plans if Telenet Group Holding 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.

**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.

**Earnings per share.** Telenet Group Holding 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 Telenet Group Holding 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.

**Finance income and expenses.** Finance income mainly comprises interest income on funds invested. Interest income is recognized 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.

**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.

**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 Telenet Group Holding's staff.

Customer acquisition costs paid to a party other than the customer are capitalized 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 Telenet Group Holding 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 recognized 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 Telenet Group Holding would have the intent and ability to enforce.

Cash incentives given to customers are not viewed as subscriber acquisition costs, but are recognized as a deduction from revenue. Prior to the recognition in profit or loss, Telenet Group Holding recognizes 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 recognized as an expense in the appropriate periods. An asset is recognized 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 recognized as a cost of sale when it is delivered.



## Quantitative and Qualitative Disclosures About Market Risk

Telenet is exposed to market risks relating to fluctuations in interest rates and foreign exchange rates, primarily as between the U.S. dollar and euro, and uses financial instruments to manage its exposure to interest rate and foreign exchange rate fluctuations.

### *Interest Rate and Related Risk*

Telenet is exposed to changes in interest rates because a large portion of its borrowings are variable rate debts. See “*Description of the Senior Credit Facility and the Related Agreements*”. Accordingly, its debt service obligations under such indebtedness fluctuate as interest rates change. In order to mitigate this exposure, Telenet has entered into interest rate swap agreements, caps and collar agreements. Pursuant to interest rate swap agreements, at specified intervals, Telenet pays a fixed interest rate and receives a variable interest rate calculated by reference to an agreed-upon notional principal amount. As of September 30, 2010, Telenet had entered into active interest rate swap agreements for a notional principal amount of €450.0 million, and it paid fixed interest at a blended rate of 3.9%, resulting in additional cash interest expense given the fact that such rate was in excess of the variable rate applicable to the respective borrowings. Caps are used to limit Telenet’s exposure to, and to derive benefits from, interest rate fluctuations on variable rate debt within a certain range of rates. As of September 30, 2010, Telenet had entered into active cap agreements for a notional principal amount of €1,000 million and an average cap interest rate of 3.8%. As of September 30, 2010, these cap agreements did not impact its cash interest expense. As of September 30, 2010 Telenet had also entered into interest rate collars for a notional principal amount of €1,032.0 million and had an average minimum floor interest rate of 1.1% and an average cap interest rate of 4.1%. The respective interest rate collars agreements had limited cash impact as the average floor interest rate was exceeding the underlying 3 month EURIBOR interest rate.

Interest rate risk management agreements are not held or issued for speculative or trading purposes. Historically, and after giving effect to the Refinancing, only borrowings under the Senior Credit Facility and the lease of the building bear interest at variable rates. Telenet has entered into transactions to hedge its risk for the principal amount of all such debt. Assuming no change in the amount outstanding, and without giving effect to any interest rate derivative agreements, financing costs, discounts or commitment fees, a hypothetical 50 basis point (0.50%) increase (decrease) in its weighted average variable interest rate would increase (decrease) its annual consolidated interest expense and cash outflows by €10.6 million.

For fixed rate debt, changes in interest rates generally affect the fair value of the debt instrument, but not Telenet’s earnings or cash flows. Telenet does 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 it would be required to refinance such debt. At September 30, 2010, Telenet had outstanding fixed rate debt and other obligations of €266.4 million.

### *Foreign Currency Risk*

Telenet’s reporting currency is the euro. However, it conducts, and will continue to conduct, transactions in currencies other than the euro, particularly the U.S. dollar. Telenet has U.S. dollar obligations with respect to the contracts it is party to for the supply of premium content. In 2009 less than 5% of its costs of operations (including costs of network hardware equipment and software and premium cable television rights) were denominated in U.S. dollars while all of its revenue was generated in euros. The percentage of Telenet’s operational costs that are denominated in U.S. dollars may increase in the future. The exchange rate between the U.S. dollar and the euro has fluctuated significantly in recent years and may continue to fluctuate significantly in the future. Decreases in the value of the euro relative to the U.S. dollar would increase the cost in euro of Telenet’s U.S. dollar denominated costs and expenses, while increases in the value of the euro relative to the U.S. dollar would have the reverse effect. As at September 30, 2010, the euro had depreciated approximately 5.0% against the U.S. dollar since January 1, 2010. See “*Exchange Rate Information*”.

Telenet has historically covered a portion of its U.S. dollar cash outflows arising on anticipated and committed purchases through the use of foreign exchange derivative instruments. Although it takes steps to protect itself 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 its financial condition and results of operations.

## INDUSTRY AND MARKET OVERVIEW

### Belgium

Telenet operates its residential business in Flanders and in approximately one-third of the Brussels-Capital Region. Telenet also provides certain business services across the whole of Belgium. Belgium's economy is characterized by a highly productive work force, generating high GDP and high exports per capita. The population density of Belgium is 330 inhabitants per square kilometer, one of the highest in Europe, according to Eurostat data, and is exceeded only by that of The Netherlands and some microstates such as Monaco. The most densely inhabited area of the country is within Flanders, along the Antwerp-Leuven-Brussels-Ghent corridors. Cable operators that operate in urban areas with high population density benefit from easier access to customers and more cost effective network upgrades and maintenance, among other benefits.

### Industry Convergence

The Belgian media and telecommunications sector has been converging as customers are increasingly seeking to receive their media and communications services from one provider at attractive prices. In response, service providers are providing television, broadband internet access and fixed-line telephony services bundled into integrated offerings referred to as “double-play” (two of the three services provided together) or triple-play (all three services provided together). The addition of mobile telephony services further gives rise to “quad-play” offerings. More generally, such combinations are referred to as multiple-play bundles. Offering bundled services allows media and telecommunications service providers to meet customers' communications and entertainment requirements and, Telenet believes, increases customer loyalty and lowers customer churn rates.

In the Belgian telecommunications sector, there are two major distribution access platforms through which triple-play services are most commonly provided: (i) the cable networks of Telenet in Flanders, of VOO in the French-speaking part of Belgium and of Numéricable in the Brussels region and (ii) the DSL-based network of Belgacom, which is national. Bi-directional cable networks are particularly well suited for the provision of triple-play services with high bandwidth requirements due to their network characteristics. As they were originally designed for the transmission of large amounts of data, cable networks are able to deliver consistent speeds irrespective of the distance to the customer, unlike other distribution platforms. In Europe, cable network operators are currently in the process of upgrading their network technology to EuroDocsis 3.0, enabling them to offer substantially faster internet access speeds than DSL operators. The new EuroDocsis 3.0 technology allows broadband cable networks to offer data download speed levels that cannot currently be matched by DSL, at least not without deep fiber deployment or only at comparatively far less attractive economics.

### The Belgian Market

#### *Television*

As with many developed countries the Belgian television market is very highly penetrated, with over 90% of Belgian households owning at least one television, as at December 31, 2009. Similar to other European markets, television consumer behavior in Belgium is beginning to put more emphasis on digital, HD and interactive television services such as VoD, requiring high-bandwidth, bi-directional distribution platforms. The introduction of new services is presenting service providers with opportunities to achieve greater ARPU per customer relationship.

Television signal distribution platforms in Belgium include cable networks, digital terrestrial television, satellite and DSL-networks. The DSL-network uses the IP protocol to deliver the IPTV service. Belgium was one of the first European countries to deploy cable networks, doing so as early as the 1970s, and, as a result, other means of television delivery such as satellite and terrestrial broadcasters are less popular in Belgium as they are in other European countries. Cable is the most commonly used transmission medium for television services in Belgium. Cable network services are characterized by easy-to-use technology, efficient installation of customer equipment and reliability of a protected signal delivered directly to the home. In Belgium, there is no direct competition between the cable network operators as there is no overlap between operators' cable networks.

A competitive presence in the Belgian television market, although smaller compared to cable, is satellite television, which can be divided into two types of access: (i) “free-to-air” satellite and (ii) paid satellite television. With respect to free-to-air satellite, residential subscribers may install a satellite receiver to view

a large number of foreign channels without paying subscription fees. Residential subscribers must also install a satellite receiver when they subscribe to premium, paid television via satellite. The largest premium satellite provider in Telenet's network area is TV Vlaanderen. As of October 2010, Mobistar began offering satellite television as part of a quadruple-play bundle, which also includes broadband internet over ADSL, and fixed and mobile telephony.

Other television delivery media include digital terrestrial television ("DTT"). Analog terrestrial television was terminated in Belgium in 2008. In order to comply with the Government's analog switch-over policy, the Flemish public broadcaster VRT sold its terrestrial transmission network to Norkring België NV, an independent private operator. This operator is in charge of managing the DTT spectrum, including the designing, construction and maintenance of the transmitter networks but is not allowed to commercialize a DTT offer. Norkring held selection procedures to sublease parts of the spectrum to other operators who will offer DTT to the residential market. As of the date of this offering memorandum, Telenet believes it is the only party that has reached an agreement with Norkring to broadcast wireless television channels over the DTT spectrum. Norkring expects other parties to reach similar agreements. Under its agreement with Norkring, Telenet has certain minimum subscriber obligations.

### *Broadband*

The broadband internet access market in Belgium is well established, with penetration rates higher than in most other major European markets. Based on European Commission data, as of December 2009, broadband internet access penetration in Belgium stood at 68% of total households. In the Flanders region, the broadband internet access penetration was approximately 75% as a result of more intense competition between the two main broadband internet access technologies, DSL and cable.

DSL is the leading broadband internet access platform in Belgium, with approximately 59% of the total broadband internet market as of December 31, 2008, according to BIPT. In the Flanders region, DSL is the second largest broadband internet access platform, behind cable. DSL uses basic telephone infrastructure to access the internet. DSL technology leverages the fact that copper wires used in telephone networks have a much higher bandwidth (7 MHz) than that required for normal voice conversation (0-3.4KHz). DSL utilizes the extra bandwidth to provide broadband (high bandwidth) internet connections. The most commonly used variant of DSL is ADSL which assumes that internet users normally receive or download much more information than they would send or upload. Hence, ADSL connections normally have three to four times more bandwidth for downloading data than uploading.

Cable is the second leading broadband internet access platform in Belgium with a share of 41% as of December 31, 2008, according to BIPT. In the Flanders region, cable is the leading broadband internet access platform with a share of 55%, according to the European Commission. Cable is able to provide greater speeds than DSL and with relatively lower capital expenditure. Telenet believes that the fact that cable has proven to be far more reliable in delivering promised speeds to subscribers than DSL has contributed to cable's recent share increase.

Fiber-to-the-home has not yet been widely deployed in Belgium. A substantial challenge facing the expansion of fiber-to-the-home is the fact that such technology is capital- and time-intensive, requiring significant digging and re-wiring. While fiber-to-the-home is in the position of having to make heavy investments in catching up to the competition, cable operators can prioritize investment efficiently through optical node splitting.

Another possible threat to DSL and cable is the increasing download speeds offered by mobile internet technologies, such as the established high-speed package access and the emerging LTE technology. Penetration of mobile broadband is currently very low and Telenet believes that the majority of those consumers presently use mobile broadband internet to complement a fixed-line broadband internet connection, as the current effective speeds of mobile internet offers are too low to act as a replacement service.

### *Fixed Telephony*

As of December 31, 2008, the combined number of fixed-line telephony connections (PSTN and cable) in Belgium was approximately 3.4 million, according to BIPT. The Belgian market for fixed-line telephony services is mature, and market share changes are driven by the price and quality of services provided, including the way in which telephony services are integrated into bundled offerings. In recent years,

fixed-line telephony has been transformed into a commodity and has become highly dependent on a quality broadband internet offering, as telephony is increasingly bundled with broadband internet services.

Belgacom, the incumbent fixed-line PSTN telephony service provider in Belgium, is the largest provider of fixed-line telephony in the Belgian market. However, the number of PSTN customers has been steadily decreasing in recent years. The traditional fixed-line telephony market is increasingly under pressure from cable telephony providers and, to a lesser extent, alternative access technologies like VoIP and internet telephony offered via broadband internet connections. The total number of cable telephony subscribers has been steadily increasing in recent years.

### *Mobile Telephony*

With an estimated value of €3.9 billion in 2009, the Belgian mobile telephony market is approximately equivalent in size compared to the national fixed-line telephony and broadband markets. Although the Belgian mobile telephony market is advanced with an estimated active penetration rate of 109.0% at the end of 2009, the overall active penetration rate remains below the European average of 121.9% for the comparable period. The mobile broadband market provides untapped potential for growth given a much lower level of mobile broadband penetration compared to the European average.

The Belgian mobile telephony market is characteristically a three-player market, dominated by Belgacom, the incumbent fixed-line operator in Belgium and trading by Mobistar and BASE. According to company data published by the three mobile networks operators, at the end of 2009, Belgacom had an estimated national market share of 41% in terms of subscribers and 48% revenue market share. With a subscriber market share of 29% (35% revenue market share) Mobistar ranks as the second largest mobile network operator in Belgium while the remaining 29% subscriber market share is being held by BASE (17% revenue market share). All operators own 2G and 3G spectrum licenses, covering various frequencies in the 900 MHz, 1,800 MHz and 2.1 GHz band, and provide mobile voice and data services to the residential and business segments. At the date of this offering memorandum, LTE spectrum licenses in the 2.6 GHz band had not yet been awarded.

## DESCRIPTION OF TELENET'S BUSINESS

Telenet is the largest cable television operator in Belgium. Telenet's HFC cable network spans the Flanders region, covers 61% of Belgium by homes passed and includes the metropolitan centers of Antwerp and Ghent and approximately one-third of Brussels. Telenet's shares are listed on the Euronext Brussels Stock Exchange under the ticker symbol TNET and it is part of the BEL20 stock market index. As of 6:00 p.m. London time on February 7, 2011, Telenet's market capitalization amounted to €3,414 million.

Telenet offers analog and digital cable television and digital pay television, including HD and on-demand television, high-speed broadband internet and fixed and mobile telephony services to residential subscribers who reside in Telenet's network area. Telenet also combines its services into packages, or bundles, which offer subscribers the convenience of being able to purchase television, broadband internet and telephony services from a single provider at an attractive and discounted price. In addition, Telenet offers voice and data services to small and medium-sized businesses throughout Belgium and parts of Luxembourg.

As of September 30, 2010, Telenet had 2,288,200 unique residential subscribers, which represented 81% of the 2,812,600 homes passed by its network. As of September 30, 2010, all of Telenet's 2,288,200 unique residential subscribers subscribed to its basic cable television services, 1,196,800 subscribed to its broadband internet services and 794,800 subscribed to its fixed telephony services. In addition, 51% of its basic cable television subscribers had upgraded from analog to digital television. For the year ended December 31, 2009, Telenet's total revenue was €1,197 million, an 18% increase over the year ended December 31, 2008, and its Adjusted EBITDA was €608 million, a 20% increase over the year ended December 31, 2008. For the nine months ended September 30, 2010, Telenet achieved revenue of €967 million, an increase of 10% over the nine months ended September 30, 2009, and it generated €506 million of Adjusted EBITDA, representing a similar 10% increase over the nine months ended September 30, 2009.

Telenet's business was founded on the provision of high-speed broadband internet and fixed telephony services, but following its acquisition of the cable television businesses of the MICs in 2002, the provision of standard cable television services became its largest business activity. Because consumers are increasingly looking to receive all of their media and communications services from one provider at attractive prices in the form of bundles, Telenet has been increasingly focused on offering its subscribers broadband internet and telephony subscriptions and services together with its basic cable television services in the form of attractively priced multiple-play bundles. Telenet has derived, and believes it can continue to derive, substantial benefits from the trend towards bundled subscriptions, through which it is able to sell more products to individual subscribers, resulting in significantly higher ARPU and, in its experience, the reduction of customer churn. For the nine months ended September 30, 2010, Telenet's ARPU per unique subscriber was €38.4 per month, a €4.0 per month increase over Telenet's ARPU per unique subscriber for the nine months ended September 30, 2009, which represented the largest absolute increase achieved at present.

Telenet's entire cable network has been upgraded to bi-directional capability, is fully EuroDocsis 3.0 enabled and provides a spectrum bandwidth capacity of 600 MHz. As a result, Telenet believes its network today offers sufficient capacity for television and broadband internet services. In February 2010, Telenet announced its "Digital Wave 2015" upgrade project, under which it will split optical nodes thereby reducing the number of homes connected to an optical node from an average of 1,400 homes per node to an average of 500 per node. This increase in the number of nodes throughout Telenet's footprint, will allow Telenet to build a next-generation network, with increased download and upload speeds, supporting new internet applications and enhanced services and technology.

Prior to October 2008, Telenet offered all services to the approximately 1,933,000 homes passed by its network but were only able to offer broadband internet and telephony services to the approximately 829,500 homes passed by the Partner Network. Pursuant to the PICs Agreement, which effectively closed in October 2008, Telenet acquired full rights to use substantially all of the Partner Network under a long-term lease (*erfpacht/emphytéose*) for an initial period of 38 years, for which Telenet is required to pay recurring fees in addition to the fees paid under certain pre-existing agreements with the PICs. The PICs remain the legal owners of the Partner Network. Following the PICs Agreement, Telenet now has the direct customer relationship with the analog and digital television video subscribers on the Partner Network and is able to make all of its services available to all of the homes passed in the Partner Network. See "*Telenet's Network*" and "*PICs Agreement and Interkabel Contribution Deed: Telenet's Usage Rights on the Partner Network*."



Telenet provides the following products and services to its customers:

#### *Basic Cable Television*

Basic cable television is the principal medium for the provision of television services in Flanders. As of September 30, 2010, Telenet provided its basic cable television services to all of its approximately 2,288,200 unique residential subscribers, or 81% of homes passed by its network. All of Telenet's basic cable television subscribers have access to at least 25 basic analog television channels and an average of 26 analog radio channels. Telenet's basic cable television subscribers who have installed a set-top box and activated a smart card have access to the same 25 or more television channels simulcast in digital, providing a total of approximately 80 digital channels and approximately 36 digital radio channels, for no additional fee. Telenet offers its basic cable television services in digital for no additional fee in order to encourage its subscribers to migrate to digital cable television so they can access Telenet's digital pay television services, including video-on-demand and other interactive television services. As of September 30, 2010, approximately 1,168,800, or 51% of Telenet's standard cable subscribers had activated smart cards, up from approximately 916,200, or 39% of Telenet's standard cable subscribers as of September 30, 2009. Telenet generally provides its basic cable television services under individual contracts with its subscribers, the majority of whom pay monthly.

#### *Digital Television*

As of September 30, 2010, Telenet served 1,168,800 digital television customers, an increase of 28% compared to September 30, 2009. The vast majority of Telenet's digital television customers (1,108,600 subscribers at the end of September 2010) opt for iDTV and the remaining 60,200 subscribers watched digital television through an INDI set-top box. Following the launch of Telenet's 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. iDTV customers have the choice between a range of set-top box types available for rent, and to a lesser extent, for purchase. Following the launch of HD on Telenet's iDTV platform in 2007, Telenet's customers have access to additional HD channels and HD premium content. Telenet's 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. Telenet's premium content is acquired through various studio contracts, including Universal Studios, MGM, Twentieth Century Fox, Paramount, Sony, Disney and Warner Brothers. Telenet's digitalization ratio, which measures the total base of digital television customers (both iDTV and INDI) relative to Telenet's total cable television subscriber base, continued to grow, and reached 51% at the end of September 2010 compared to 39% at the end of September 2009.

#### *Broadband internet*

Telenet is the leading provider of residential broadband internet services in Flanders. As of September 30, 2010, Telenet provided its broadband internet services to 1,196,800 subscribers, an increase of 10% compared to September 30, 2009. Through Telenet's HFC upgraded network, it offers its residential subscribers a broadband internet service at a downstream data transfer speed of up to 100 Mbps. Telenet's current residential offerings include multiple tiers, which range from "Basicnet", which allows end users to receive data from the internet at a downstream data transfer speed of up to 4 Mbps, to "Fibernet 100", which offers end users a downstream speed of up to 100 Mbps. Fibernet represents the first set of next-generation broadband products relying on the latest EuroDocsis 3.0 technology, which has been deployed across Telenet's entire network. With the launch of Telenet's Fibernet offer in February 2010, Telenet has maintained its position as the leading high-speed internet provider in its service area, offering download speeds of up to 100 Mbps, comparing favorably to the download speeds offered by its ADSL competitors. In January 2011, Telenet introduced additional fibernet products as a response to today's growing need for powerful, high-speed internet, enabling the whole family to connect seamlessly through multiple devices simultaneously.

#### *Telephony*

Telenet offers its residential subscribers local, national and international long distance fixed-line telephony services, mobile telephony services and a variety of value-added features. In Flanders, Telenet believes that it is currently the largest competitor to Belgacom, the Belgian incumbent, due in part to Telenet's emphasis on customer service and innovative tariff plans. The majority of Telenet's telephony subscribers use VoIP technology which utilizes the open standards EuroDocsis protocol, and through which Telenet is able to

provide both internet and telephony services. As of September 30, 2010, Telenet provided fixed telephony services to 794,800 subscribers and mobile telephony services to 182,200 subscribers with an active SIM-card. This compared to 714,900 fixed telephony subscribers and 104,500 mobile telephony subscribers with an active SIM-card as of September 30, 2009.

Telenet's mobile telephony offer was launched in August 2006 under the Telenet Mobile brand name. Telenet provides this service through an MVNO partnership with Mobistar NV, the second largest mobile operator in Belgium, providing Telenet's customers all network services as well as access to Mobistar NV's mobile telecommunications network. In February 2009, Telenet signed the Full-MVNO Agreement, which provides Telenet with greater flexibility in terms of product offers and which enables Telenet to roll out fixed-mobile convergent products. Telenet launched the Full-MVNO on October 11, 2010. Telenet has also undertaken the construction of certain proprietary mobile infrastructure, including a mobile switch, mobile rating and billing platform.

#### *Business services*

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

#### **Telenet's Competitive Strengths**

Telenet believes that it benefits from the following key strengths which will help it execute its strategy:

***Telenet operates in one of Europe's most favorable cable markets and has a large, affluent existing customer base.*** Telenet's cable network passes 61% of the homes in Belgium and includes the metropolitan centers of Antwerp and Ghent and approximately one-third of Brussels. Telenet believes that Belgium, and in particular the Flanders region in which it operates, is one of Europe's most attractive cable markets due to, among other things, a relatively high population density and cable penetration rate. According to Eurostat, Belgium is one of the most prosperous countries in Europe with a GDP per capita of €31,400 in 2009 compared to a European average of €23,600 for the comparable period. As of September 30, 2010, Telenet provided its standard cable services to approximately 2,288,200 unique residential subscribers, or 81% of homes passed by its network. Telenet believes that its attractive network area and large and affluent existing customer base offer significant potential for it to sell its multiple play bundles and other services primarily to Telenet's existing basic cable television customer base.

***Telenet can offer higher quality television and broadband internet services than its competitors because of its state-of-the-art, highly-invested cable network.*** Telenet's HFC cable network allows it to offer digital television and broadband internet services across its network area. These services are highly competitive to the offerings of any of Telenet's competitors. The core of Telenet's network has recently been fully upgraded to a minimum spectrum bandwidth capacity of 600 MHz, allowing Telenet to offer high-quality, highly-reliable analog and digital video and sophisticated interactive television services available in Telenet's network area. Telenet's network is also EuroDocs 3.0 enabled and its core fiber network connects to on average 1,400 homes passed through an optical node. This allows Telenet to offer its broadband internet subscribers significantly higher speeds across its network area than Telenet's competitors in Telenet's network area can offer over their DSL network.

***Telenet has a strong platform to compete in the growing market for triple- or multi-play bundles in its network area.*** Consumers are increasingly looking to receive all of their media and communications services from one provider at an attractive price in the form of multiple-play bundles. Given the relatively high levels of cable penetration in Telenet's network area and the higher aggregate monthly ARPU associated with bundled offerings, Telenet believes that the increasing penetration of triple-play services within Telenet's network area will be one of the primary drivers of its future revenue growth. Telenet believes that it has a platform to capture further growth in the market for triple-play bundles in its network area since it can offer its large basic cable television customer base an attractive combination of interactive digital television, broadband internet and fixed and mobile telephony services.

***Strong, stable cash flows and significant operating leverage.*** Telenet's large customer base and relatively low churn rates provide it with greater visibility of future revenue and recurring cash flows, which have

historically proven to be resilient even during periods of challenging economic conditions. Certain of Telenet's cost elements, such as a portion of its network operations, marketing, general and administrative costs, are relatively fixed, which Telenet expects to allow it to generate incremental returns as it grows its business. Telenet increased its Adjusted EBITDA margin from 49.7% in the year ended December 31, 2008 to 50.7% in the year ended December 31, 2009. Telenet also reduced its Net Total Debt to Annualized EBITDA ratio, calculated as set out in the Senior Credit Facility from 3.7x as of December 31, 2008 to 3.1x as of December 31, 2009. For the nine months ended September 30, 2010, Telenet realized an Adjusted EBITDA margin of 52.3% and its Net Total Debt to Annualized EBITDA ratio amounted to 2.8x as of September 30, 2010.

***Strong brand name and customer base.*** Telenet is a well-recognized brand in Telenet's franchise area. Telenet has developed its brand through extensive marketing campaigns, website promotions, customer referrals, and the use of a dedicated sales force and dealer networks. Third party research commissioned by Telenet indicates that consumers had over 95% aided brand awareness of Telenet as a provider of internet, fixed telephony services and digital television. In addition, third party customer surveys that Telenet commissioned have indicated that customers recognize Telenet for the quality of its products, with one survey of Telenet's internet business reporting a customer satisfaction rate of approximately 90%. Telenet believes that the development of its brand and focus on customer service enables it to sell additional products and value-added services to its existing customers, acquire new customers and retain its existing customer base.

***Strong management team with focus on operational excellence.*** Telenet's management team has extensive experience in managing communications and technology businesses in competitive markets. They have a track record of successfully growing Telenet's customer base and market share and introducing new products and tiered offerings to customers in a competitive environment, with a continued focus on managing costs and increasing free cash flows. Management seeks to promote an environment that supports a dynamic and innovative culture. Telenet's controlling shareholder, LGI, also brings a combination of international telecommunications experience and relationships to Telenet's operations. Telenet's management have also established strong local relationships with the Belgian political and regulatory environment.

## **Telenet's Strategy**

Telenet's strategy is to be the best-in-class and preferred provider of digital television, broadband internet and telephony services while improving its revenues, profitability and cash flow. Telenet aims to accomplish this by continuing to improve the quality of its network and offer cutting-edge technologies and innovative services to its customers. The key components of Telenet's strategy are to:

***Drive continued revenue and profit growth by leveraging Telenet's superior products and multiple-play bundles.*** Telenet has achieved significant growth in its digital television, broadband internet and telephony services and it plans to further increase its subscriber base for these services as well as its multiple-play bundles through product positioning, attractive pricing and strong focus on customer care. Telenet has launched several successful product and marketing initiatives to further increase the uptake of bundles and migrate subscribers to its "Shakes" bundles. As of September 30, 2010, 57% of Telenet's unique residential customers subscribed to its double- or triple-play packages, of which 31% or 697,300 represented triple-play subscribers (representing an increase of 11% compared to September 30, 2009). Telenet will continue to upsell its bundles to its customer base to improve ARPU per unique customer, reduce customer acquisition costs, lower churn rates and lower maintenance expenses.

***Further convert Telenet's analog basic cable television subscriber base to digital television.*** Telenet continues to convert its analog basic cable television subscriber base to its digital television platform. Subscribers to Telenet's digital television product get access to a much richer high-quality content offering, an extensive VoD library and interactive applications at no additional cost, other than the set-top box which can either be purchased or rented. On average, a subscriber converting from analog basic cable television to digital television increases its ARPU substantially by additional services, including the subscription to additional content packages and the usage of VoD and interactive applications. In the second quarter of 2010 Telenet deployed its next-generation user interface on its existing and future set-top boxes, introducing an entirely new enhanced experience for Telenet's digital television customers and launched its set-top box recording feature over the internet.

**Enhance customer satisfaction and loyalty.** Telenet has improved its operations, upgraded various customer care and billing systems and implemented management incentive schemes to enhance customer satisfaction. Telenet has invested in its customer care function in order to improve satisfaction and retention at all customer touch points. Telenet conducts a monthly independent survey to track its customers' satisfaction by product and customer process. Telenet believes that its investments in customer care and sustained focus on customer satisfaction are important drivers of its ability to maintain its current levels of low churn.

**Explore additional growth opportunities.** Telenet believes that the business-to-business segment presents a growth opportunity for Telenet, providing Telenet with an opportunity to leverage its existing network and EuroDocs 3.0 technology to meet the needs of small and medium-sized businesses. Telenet plans to reposition its business-to-business offerings and more aggressively market them moving forward in order to gain a larger share of the market in its network area. Telenet believes that due to its ability to provide telephony and high-speed broadband internet services over its existing cable network, it is well positioned to provide cost effective voice and data services to meet the needs of small and medium-sized enterprises without significant capital investment. Telenet will also continue to explore balanced growth opportunities in mobile broadband and mobile voice in order to enhance and retain its position in the market. Although the mobile voice market is already highly penetrated, Telenet believes that its ability to offer combined fixed and mobile products will become an important differentiator as converged service offerings start to develop. In addition, since the mobile broadband market is currently not yet developed in Belgium, Telenet believes that its fixed broadband market position should put Telenet in a favorable position to exploit future growth in this market.

**Focus on cash flow growth.** Telenet believes that it has a solid Adjusted EBITDA margin and cash flow generation profile. Telenet is committed to exploiting growth opportunities available to it in a manner that Telenet expects to generate high incremental return on its investments. Telenet believes that the large scale of its existing operations provides it with a platform to invest in new products and services and translate revenue growth into improved profitability and cash flow generation.

#### **Telenet's Products and Services**

Telenet provides a broad range of cable-based communications and broadcast services to residential customers in Flanders and parts of Brussels, and voice and data services to business customers across Belgium and in parts of Luxembourg. Telenet's residential services comprise basic cable television, premium cable television, broadband internet and fixed and mobile telephony services. Telenet offers all of these services to residential subscribers who reside in Telenet's service footprint and whose homes are passed by Telenet's bi-directional HFC network.

Telenet's residential subscribers include individuals and families living in homes and apartments as well as small offices at home ("SoHos") that receive its services through a coaxial connection. Residential subscribers access Telenet's services through a node on Telenet's fiber network that links via a coaxial connection to their residence.

## Cable Television

The following table summarizes certain information related to Telenet's cable television operations as of and for the periods indicated:

	As of and for the nine months ended September 30,		As of and for the year ended December 31,	
	2010	2009	2009	2008
<b>Footprint:</b>				
Homes passed <sup>(1)</sup>	2,812,600	2,787,600	2,793,800	2,768,800
<b>RGUs:<sup>(2)</sup></b>				
Total analog cable television	1,119,400	1,446,900	1,341,600	1,728,900
Analog cable television	1,119,400	1,440,500	1,341,600	1,712,100
Pay television on Partner Network	—	6,400	—	16,800
Total digital cable television	1,168,800	916,200	1,000,900	673,600
Digital cable television (Telenet Digital TV)	1,108,600	856,900	937,900	608,600
Digital cable television (INDI)	60,200	59,300	63,000	65,000
Total cable television	2,288,200	2,363,100	2,342,500	2,402,500
Churn <sup>(3)</sup>	8.6%	6.5%	6.7%	6.8%

(1) Homes passed represents Telenet's estimate of the number of potential residential, SoHo and SME subscribers to whom Telenet can offer Telenet's services.

(2) Includes SMEs that receive Telenet's services through a coaxial connection.

(3) Churn represents the total number of RGUs disconnected during the period divided by the average number of RGUs for the period. Churn statistics do not include customers who move within the areas of the Combined Network offering the same service and who elect to receive the same services from Telenet that they previously received at their prior location.

Basic cable television is the principal medium for the provision of television services in Flanders and Telenet is the largest provider of cable television services in Belgium. Almost all Flemish television households are passed by the bi-directional HFC cable network. The high penetration of Telenet's basic cable television business has resulted in a steady source of revenue and cash flow. Currently, traditional terrestrial broadcasting and direct-to-home satellite broadcasting are less popular in Flanders or elsewhere in Belgium. Telenet mainly competes with the Belgian incumbent's IPTV platform. Telenet provides basic and premium cable television services in analog and digital formats to homes passed by its network. As of September 30, 2010, Telenet served 2,288,200 basic cable television subscribers of which 1,119,400 were analog television subscribers and 1,168,800 received Telenet's digital programming. As of September 30, 2010, 51% of Telenet's cable television subscribers opted for digital television compared to 39% as of September 30, 2009.

Historically, Telenet only offered basic analog television services to homes passed by Telenet's network. Telenet's interactive digital television service was launched in September 2005 and includes both basic and premium offerings. In general, digital technology compresses video signals into a smaller amount of bandwidth than is currently used by analog transmissions, while also enhancing the audio and visual quality of the transmissions. Telenet is able to broadcast a significantly greater number of channels by converting channels currently used for analog broadcasts into use for digital channels. Current digital interactive capabilities enable subscribers greater flexibility in choosing what content to watch and when, to participate in certain types of programs, to communicate with others through their television set and to review viewing options using facilities such as electronic program guides ("EPG"), among other features.

### Basic Tier Cable 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 Telenet's basic cable television business has resulted in a steady source of revenue and cash flow. Currently, traditional terrestrial broadcasting and direct-to-home satellite broadcasting have not been widely used in Flanders or elsewhere in Belgium. Telenet mainly compete with the Belgian incumbent's IPTV platform. Telenet currently offers its 2,288,200 cable television subscribers 25 basic analog channels, without any additional equipment and with the possibility to connect up to four television sets in the home. Subscribers to Telenet's digital television service can use a digital set-top box to choose from a range of approximately 80 basic digital channels, which include the majority of the basic analog channels. An



average of 26 radio channels (depending on the region) is also provided in the basic analog offering or 36 radio channels with a set-top box.

Subscribers to Telenet's basic cable television service pay a single monthly subscription fee for basic tier content, irrespective of the broadcasting format or number of channels received in the basic tier, although subscribers using a digital set-top box benefit from a lower VAT rate. The monthly subscription fee includes a copyright fee for the content received from public broadcasters that is broadcast over Telenet's network. These fees contribute to the cost Telenet bear in respect of copyright fees paid to copyright collection agencies for certain content provided by the public broadcasters. Subscribers who purchase or rent a digital set-top box are also able to access certain interactive and premium content.

Telenet charges its basic tier cable television subscribers an average monthly fee of €9.06, excluding VAT and copyright fees described below. Approximately 49% of Telenet's subscribers pay for their basic cable service in advance on an annual basis as they only subscribe to Telenet's analog television offer, with the remainder paying on a monthly basis. For subscription renewals commencing in February 2009, Telenet implemented an increase in its basic cable television subscription fee of approximately 6%. Subscribers have historically paid VAT of 21% to receive Telenet's basic analog cable television service, but those who subscribe to Telenet's basic digital offering are only required to pay VAT of 12% under applicable law.

In addition to the basic subscription fee, basic cable television subscribers are charged a copyright fee of €2.31 per month, excluding VAT, for the content received from public broadcasters that is broadcast over Telenet's network. These fees contribute to the cost Telenet bears in respect of copyright fees paid to copyright collection agencies for certain content provided by the public broadcasters.

In March 2008, Telenet started offering its digital set-top boxes on a rental basis. At present, Telenet's digital television subscribers can opt for a HD-enabled set-top box either with or without recording and full personal video recorder ("PVR") functionalities for €6.00 including VAT ("HD Digibox") and €8.00 including VAT ("HD Digicorder") per month respectively. As the rental fee for Telenet's set-top boxes is integrated in Telenet's multiple play bundles, the majority of Telenet's newly acquired digital television customers choose to rent their set-top box. The rental model generates recurring revenue in the form of monthly rental fees, as opposed to nonrecurring low-margin revenue through the sale of set-top boxes.

In addition to subscription, rental and copyright fees, Telenet collects carriage fees from certain content providers in exchange for carrying their content over Telenet's network. Telenet also charges activation and installation fees to subscribers joining its interactive digital television service, though these may be waived under temporary promotions.

Telenet is required to deliver certain television channels and radio stations to its basic cable television subscribers pursuant to "must carry" rules. These requirements cover broadcasts of the Flemish and French-speaking public community broadcasters in Belgium, the relevant regional and the programs of the Dutch public broadcaster. See "*—Regulation—Broadcasting Regulation—Must Carry.*"

Telenet estimates that its basic cable television viewers spend approximately 75% of their viewing time watching ten local Flemish channels.

#### *Basic Tier Content*

Several different relationships govern the content that Telenet provides to its basic cable television subscribers. Telenet pays copyright fees to the foreign, public national and regional broadcasters carried on its basic cable television network. In general, these fees are paid to copyright collection agencies and broadcasters based on a combination of per program fees and the number of subscribers to Telenet's basic cable service. Although specific arrangements vary, contracts governing the payment of these copyright fees generally have terms of between three and four years. These agreements with the copyright agencies and broadcasters were the subject of significant litigation in recent years. See "*—Legal Proceedings.*" Telenet is required by law to carry the signals of the regional broadcasters at no charge and also does not charge a carriage fee to the public broadcasters. See "*—Regulation—Broadcasting Regulation—Must Carry.*" Telenet also enters into transportation and distribution agreements with the commercial broadcasters. Through transportation contracts, Telenet agrees to carry a commercial broadcaster's signal across its fiber backbone to its head end stations, where the signal is subsequently delivered to Telenet's subscribers. Broadcasters who transmit their signal to Telenet by satellite can elect to deliver their signal directly to Telenet's head end stations and, as a result, does not need to enter into a transportation agreement with Telenet. Telenet also enters into distribution contracts with all of the commercial

broadcasters whose channels it carries on its network, pursuant to which Telenet agrees to carry the broadcaster's signal from the head end station to Telenet's basic cable television subscribers. The prices that Telenet charges under distribution contracts are based on nondiscriminatory policies.

In some situations, Telenet does not charge the broadcasters any fee for transmitting their signal to its subscribers. Instead, the broadcasters benefit from increased advertising revenue they receive from reaching Telenet's basic cable television subscribers and Telenet benefits by providing its subscribers added content. In certain situations, Telenet pays broadcasters for the channels they transmit over Telenet's network. In addition to these arrangements, Telenet has also entered into contracts with certain broadcasters pursuant to which it currently pays a fee in order to have the right to broadcast their signal on any digital cable television service that it may offer in the future. For the year ended December 31, 2009, Telenet incurred copyright fees of €49.2 million to public national and regional broadcasters and related copyright agencies for both analog and digital content.

#### *Premium Tier Cable Television*

Following the launch of Telenet's 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 HD on Telenet's iDTV platform in 2007, its customers have access to additional HD channels and HD premium content. Telenet's 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. Telenet's 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 Telenet 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. In addition, a few of these contracts require Telenet to share a portion of the additional revenue derived from price increases for its premium television packages with the content provider.

In cooperation with the local broadcasters, Telenet has built a large broadcasting on-demand library, including the majority of their historical and current content and previews of local series. In addition, Telenet's 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.

Telenet's premium service includes a combination of premium sports and film channels, a range of extended thematic channels, a selection of films and broadcast content available on an on-demand basis and a variety of interactive features. Telenet's full premium interactive digital television offering is available to all subscribers passed by its network. Prior to the Interkabel Acquisition in October 2008, the latter service was only available to subscribers residing in the Telenet Network service area. Through the Interkabel Acquisition, Telenet has acquired the analog and digital television activities of the PICs and hence have been able to offer Telenet's entire set of services throughout the whole of Flanders and parts of Brussels. Until recently, Telenet used to offer a limited premium service, by way of PRIME Sports and PRIME Film channels in analog format, to former Canal+ customers who were passed by the Partner Network in the PICs area. This service was discontinued in the fourth quarter of 2009 with the remaining 6,000 subscribers having migrated to Telenet's interactive platform.

In order to access Telenet's premium iDTV offerings, Telenet offers digital set-top boxes in a sale or a rental model. Telenet offers 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 its service. Both types allow for High Definition broadcasting and at the end of December 2009 the proportion of HD set-top boxes within Telenet's 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 Telenet 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.

**PRIME.** The core of Telenet's premium offering is centered on its PRIME premium channels, which are offered as a selection of up to twelve channels, including six sports and six movie channels. These can

either be taken as stand-alone channel packages or combined. Telenet also provides the two main channels, PRIME Star and PRIME Sport, in HD image and sound quality for an additional monthly subscription fee.

*Thematic Channels.* Telenet's premium service also offers subscribers access to themed groups of family, documentary, news, lifestyle, music and adult channels in exchange for a monthly subscription fee. Telenet currently offers 36 channels within these thematic packages.

*Specialist and Other Channels.* Telenet also provide a selection of eight specialist channels covering adult content, music content and French language programming, including premium sports and movies, from BeTV.

*On-demand Content and Other Interactive Features.* In addition, subscribers to Telenet's interactive digital television platform are able to use interactive features that are charged on either a per-use or monthly basis. Telenet's current interactive content offerings include on-demand broadcast channels including many of the Dutch-language channels and a wide selection of on-demand films, music and adult content. Telenet has established itself in interactive television broadcasts, which have proved popular in various audience voting programs. In addition, Telenet provides the ability to send e-mail, use short message services, view 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.

Prices for Telenet's premium and extended tier offerings vary from €4.95 per month (including VAT) for the least expensive of the single premium channel selections to a range of between €14.95 and €26.95 per month (including VAT) for Telenet's PRIME premium channels.

<b>Premium Feature</b>	<b>Price per month (€, including VAT)</b>
<b>PRIME</b>	
PRIME Film Pack . . . . .	19.95
PRIME Sports Pack . . . . .	14.95
PRIME Sports & Film Pack . . . . .	26.95
PRIME HD . . . . .	5.00
<b>Theme Packs</b>	
Documentaries & Lifestyle . . . . .	5.95
Kids & Music . . . . .	5.95
Entertainment . . . . .	5.95
Option FR . . . . .	4.95
HD XL Pack . . . . .	10.00
Music Choice . . . . .	4.95
<b>Adult</b>	
X-Passion . . . . .	14.95
<b>French Be-TV</b> . . . . .	37.70
<b>Channels A la carte</b> (TV on demand) . . . . .	Prices differ per provider and per program
<b>Film A la carte</b> (video on demand) . . . . .	Prices differ per film

#### *Premium Tier Content*

Telenet's premium content includes various studio contracts, including Universal Studios, MGM, Twentieth Century Fox, Paramount, Sony and Warner Brothers. These contracts generally require Telenet 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. In addition, a few of these contracts require Telenet to share a portion of the additional revenue derived from price increases for its premium television packages with the content provider.

The success of Telenet's premium services depends on its ability to obtain attractive content on reasonable terms. Following the launch of Telenet's iDTV service and of other competing television services in

Belgium, competition for premium content in Belgium has increased. If in future Telenet is unable to retain certain rights for premium content, its ability to attract and retain subscribers to its premium services may be adversely affected and Telenet's profitability may be impaired. In addition, most content agreements entered into by Telenet with the major studios do not allow Telenet to offer content via interactive means. These agreements will therefore need to be renegotiated and content prices may increase. See *“Risk factors—Risk related to Telenet’s business, technology and competition—If Telenet is unable to obtain attractive programming or necessary equipment and software on satisfactory terms for its digital cable television services, the demand for these services could be reduced, thereby lowering revenue and profitability.”*

### **Residential Internet**

Telenet offers “always on” high-speed broadband internet services to residential subscribers throughout Flanders and parts of Brussels over the Combined Network. Telenet's current residential offerings include multiple tiers, which range from “Basicnet”, which allows end users to receive data from the internet at a downstream data transfer speed of up to 4 Mbps, to “Fibernet 100”, which offers end users a downstream speed of up to 100 Mbps. In February 2010, Telenet unveiled its next generation broadband internet line-up centered around its new Fibernet product suite. Relying on the latest EuroDocs 3.0 technology, Telenet is able to offer high-speed internet services across its entire footprint with unprecedented download speeds of up to 100 Mbps. Hence, Telenet is offering the most advanced broadband internet product available in its market. Early July 2010, Telenet further increased the data volume on its existing broadband products after a first upgrade in March 2010 and moved to unlimited data volume based on a fair use policy for its high-end tiers. These upgrades enable Telenet's customers to use the internet more intensively, yet without a price increase. Telenet's broadband customers are amongst the most advanced in Belgium given that 76% of its total subscriber base enjoys download speeds of at least 20 Mbps. In January 2011, Telenet presented its revamped internet lineup, including the launch of two new Fibernet tiers, offering customers superior speeds and browsing experience over competing technologies.

Telenet believes that the combination of speed leadership, brand recognition, customer service and product features has helped enable it to attract 1,196,800 broadband internet subscribers as of September 30, 2010. The broadband internet access market in Belgium is well established, with penetration rates higher than in most other major European markets. According to the European Commission, as of December 31, 2009, broadband internet access penetration in Belgium stood at 68% of total households. In the Flanders region, the broadband internet access penetration was approximately 75%. Telenet's 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.

The following chart sets forth certain information related to Telenet's residential broadband internet service as of and for the periods indicated:

	As of and for the nine months ended September 30,		As of and for the year ended December 31,	
	2010	2009	2009	2008
	(In thousands, except percentages)			
<b>Footprint:</b>				
Homes passed <sup>(1)</sup> . . . . .	2,812,600	2,787,600	2,793,800	2,768,800
<b>RGUs:</b>				
Total broadband internet . . . . .	1,196,800	1,085,000	1,115,900	985,300
Residential broadband internet . . . . .	1,160,000	1,052,100	1,082,200	953,500
Business broadband internet . . . . .	36,800	32,900	33,700	31,800
Penetration rate <sup>(2)</sup> . . . . .	42.6%	38.9%	39.9%	35.6%
Churn <sup>(3)</sup> . . . . .	7.8%	7.4%	7.2%	8.3%

(1) Homes passed represents the number of potential residential, SoHo and SME subscribers to whom Telenet can offer its broadband internet services via a coaxial connection.

(2) Number of RGUs at the end of the relevant period as a percentage of the number of homes passed by the Combined Network at the end of the relevant period.

(3) Churn represents the total number of RGUs disconnected during the period divided by the average number of RGUs for the period. Churn statistics do not include customers who move within the areas of the Combined Network offering the same service and who elect to receive the same services from Telenet that they previously received at their prior location. Includes SMEs that receive Telenet's services through a coaxial connection.

Telenet offers its subscribers several installation alternatives when they subscribe for internet access from Telenet in order to maximize the convenience of the process for the customer. See “—*Residential Sales, Marketing, Installation and Customer Care.*”

Telenet’s most popular internet offering relative to its installed subscriber base has been the Expressnet package, which provides a data download stream of 30 Mbps and an upstream speed of 1.25 Mbps. In February 2011, Telenet’s Expressnet package was rebranded into “Fibernet 40”. Based on the EuroDocsis 3.0 technology and offering a data download speed of 40 Mbps, Fibernet 40 is the entry product for Telenet’s next generation internet lineup. Fibernet 40 is currently priced at €44.95 per month including VAT for the standalone product. Telenet also offers a variety of optional features from which its broadband internet subscribers may select, including internet security packages, additional volume limits, additional mailboxes, additional webspace and domain hosting services. Prices for these services range from €1.50 to €5.00 per month including VAT. After installation, customers are able to amend the particular broadband service they subscribe to through their Telenet internet service.

The following table summarizes the principal features of the broadband internet services that Telenet currently offers its customers. All prices are valid as of the date of this offering memorandum.

	Basicnet	Comfortnet	Fibernet 40	Fibernet 60	Fibernet 100
<b>Specifications</b>					
Number of mailboxes . . . . .	1 (5 GB)	1 (5 GB)	8 (5 GB)	10 (5 GB)	20 (5 GB)
Web space . . . . .	—	—	50 MB	250 MB	2 GB <sup>(1)</sup>
Telenet Webmail . . . . .	Included	Included	Included	Included	Included
Anti-virus . . . . .	Included	Included	Included	Included	Included
Anti-spam . . . . .	Included	Included	Included	Included	Included
Auto-reply . . . . .	Included	Included	Included	Included	Included
Subscription Telenet Hotspots . . . . .	Included	Included	Included	Included	Included
<b>Speed<sup>(2)</sup></b>					
Download . . . . .	4 Mbps	15 Mbps	40 Mbps	60 Mbps	100 Mbps
Upload . . . . .	256 Kbps	1 Mbps	2 Mbps	3.5 Mbps	5 Mbps
<b>Volume . . . . .</b>					
Data volume . . . . .	15 GB	50 GB	100 GB	Fair use <sup>(3)</sup>	Fair use <sup>(3)</sup>
<b>Price</b>					
Monthly subscription fee (incl 21% VAT)	€18.90	€30.64	€44.95	€64.95	€99.00

(1) Max 1 GB per URL.

(2) Theoretical speed; actual speed may be influenced by traffic on the internet and other technical factors.

(3) The term “Fair use” means that a customer can send and receive a very large quantity of data via Telenet network. Telenet will only ask a customer to adjust his/her consumption in the case of excessive volume consumption that may threaten the comfort of other subscribers. We understand excessive volume consumption to mean consumption that is at least double the average volume consumption of all subscribers for his/her internet product. In the case of excessive volume consumption, Telenet reserves the right to reduce the download speed to the minimum of 512 Kbps until the next charging period begins. “Fair use” can only be used for private purposes and occur in full compliance with Telenet’s general conditions and code of conduct. Among other things, this means that the subscriber can only disseminate legal data.

### ***Residential Telephony***

Telenet offers its residential subscribers local, national and international long distance fixed-line telephony services, mobile telephony services and a variety of value-added features. In Flanders, Telenet believes that it is currently the largest competitor to Belgacom. The majority of its telephony subscribers use VoIP technology which utilizes the open standards EuroDocsis 3.0 protocol, and through which Telenet is able to provide both internet and telephony services.



The following table describes certain information related to Telenet's residential telephony service as of and for the periods indicated:

	As of and for the nine months ended September 30,		As of and for the year ended December 31,	
	2010	2009	2009	2008
<b>Footprint:</b>				
Homes passed <sup>(1)</sup> . . . . .	2,812,600	2,787,600	2,793,800	2,768,800
<b>RGUs:</b>				
Total residential telephony . . . . .	794,800	714,900	740,900	628,700
Residential telephony . . . . .	782,200	703,600	728,900	618,900
Business telephony . . . . .	12,600	11,300	12,000	9,800
Penetration rate <sup>(2)</sup> . . . . .	28.3%	25.6%	26.5%	22.7%
Churn <sup>(3)</sup> . . . . .	6.9%	6.4%	6.6%	8.2%

(1) Homes passed represents the number of potential residential, SoHo and SME subscribers to whom Telenet can offer its broadband internet services via a coaxial connection.

(2) Number of RGUs at the end of the relevant period as a percentage of the number of homes passed by the Combined Network at the end of the relevant period.

(3) Churn represents the total number of RGUs disconnected during the period divided by the average number of RGUs for the period. Churn statistics do not include customers who move within the areas of the Combined Network offering the same service and who elect to receive the same services from Telenet that they previously received at their prior location. Includes SMEs that receive Telenet's services through a coaxial connection.

Telenet's "FreePhone" rate plan was launched in December 2004, providing subscribers with unlimited national calls to fixed-lines during off-peak hours. In 2005 and 2006, Telenet introduced variations on the "FreePhone" rate plan which have been successful in increasing the penetration of this service, but have also reduced the ARPU's Telenet earns from residential telephony.

Telenet's residential telephony subscribers are charged a combination of fixed monthly fees for their telephone line, variable fees based on actual usage and, for certain tariff plans, fixed fees for unlimited calling to national fixed-lines at all times. Flat rate usage charges apply for calls placed to other fixed-lines in Belgium and the main European countries. Telenet seeks to price its residential telephony products to provide a better value alternative to Belgacom. It also offers its residential subscribers enhanced telephony features for an additional fee. Enhanced offerings include packages of features and individual services such as voicemail and caller ID. These are priced at between €1.89 and €4.21 per month including VAT.

(Prices including VAT)

FreePhone: . . . . .	€18.27
FreePhone Europe: . . . . .	€20.00
Option 24 Belgium: . . . . .	€ 5.00
Option 24 Europe: . . . . .	€10.00

Telenet's mobile telephony offer was launched in August 2006 under the Telenet Mobile brand name. Since Telenet does not have its 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, Telenet signed a Full-MVNO agreement with Mobistar, which will provide it with greater flexibility in terms of product offers and which will enable it to roll out fixed-mobile convergent products. Telenet has undertaken the construction of certain proprietary mobile infrastructure, including a mobile switch, mobile rating and billing platform. Telenet launched the Full-MVNO on October 11, 2010.

In case the migration of mobile telephony customers to the Full-MVNO cannot be carried out within the time period provided in the Full-MVNO Agreement, the existing pricing conditions under the MVNO Agreement entered into between Telenet and Mobistar on February 23, 2006, which are less favorable to Telenet than those under the Full-MVNO Agreement, shall apply again to the non-migrated customers.

The initial term of the Full-MVNO Agreement lasts until the fourth quarter of 2013. The Full-MVNO Agreement can be terminated in case of material breach and certain events, including changes of control and regulatory events. In the event of termination, an exit plan will apply permitting Telenet to migrate its mobile telephony customers to another radio access network provider.

Telenet provides a segmented range of mobile postpaid rate plans. Telenet initially started with a free subscription-based product with subscribers hence only paying for their usage. At the end of October 2009, it redesigned its product offers and tariff structures including subsidized smartphones for postpaid subscribers taking a two-year contract. At the same time, Telenet carefully initiated its first mobile-focused marketing campaigns tailored towards its existing customer base. Through these offers, Telenet aims to cross-sell mobile telephony services to its existing customer base, while it seeks a higher ARPU resulting from higher use of both mobile voice and data. As of September 30, 2010, Telenet serviced 182,200 active mobile customers compared to 104,500 as of September 30, 2009.

### *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 an end user served by another telephony network, the subscriber's network service provider must interconnect to the network serving the end user. Typically, the network serving the end user 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 revenues have a significant impact on Telenet's financial results, and it has focused heavily on managing this cost.

The 2005 Electronic Communications Law requires that providers of public communications networks in Belgium negotiate interconnection termination agreements with every requesting operator who is seeking to provide a publicly available electronic communication service. To the extent necessary to guarantee connections between end users, the BIPT can impose obligations upon operators who control access to end users. For instance, it can require operators to interconnect their networks if they have not already done so. When the BIPT requires operators with SMP to grant access to network elements and facilities, such as unbundled access, it can require those operators to publish their reference tariffs for interconnection, including relevant components thereof, in addition to additional information that will be required by royal decree. The BIPT can also require interconnection tariffs of operators with SMP to be cost oriented. See "*—Provisions Applicable to All Electronic Communications—Entities with Significant Market Power.*" The 2005 Electronic Communications Law, however, does not prescribe the model that the BIPT should use to evaluate whether interconnection prices are cost-oriented, but instead simply notes that costs associated with the efficient provision of services, including a reasonable rate of return, are to be taken into account.

Following the adoption of the EU Regulatory Framework in Belgian law, the BIPT decided in August 2006 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 Telenet's interconnection rates. Telenet has also launched an appeal with the Brussels Court of Appeal arguing that the reduction in its interconnection rates should be cost oriented. If Belgacom are successful in its appeal, the results of which are not expected until the end of 2007, Telenet could be required to reduce its interconnection rates.

Following the latest market analysis dated June 2010, the BIPT imposed a sharp declining glide path, resulting in mobile termination notes capped at €1.08 cent per minute starting January 2013, a 79% decline compared to the current average rate.

Network operators, including Telenet, charge interconnection termination fees to terminate telephone calls on their network that originated from a user on another network. Typically, the cost of interconnection fees that Telenet pays is taken into account in the price it charges its subscribers.

For the year ended December 31, 2009, Telenet incurred interconnection fees of €41.4 million and received interconnection revenue of €14.3 million.

Telenet's principal interconnection agreements are with Belgacom, Belgacom Mobile, Mobistar (including KPN Belgium Business) and Entreprise des P&T Luxembourg. Belgacom provides telephony services to an estimated 70% of the Flemish fixed-line market. A provisional interconnection agreement governs Telenet's relationship with Belgacom. Pursuant to the terms of this agreement, Telenet agrees to terminate calls to users on its respective networks. Belgacom charges Telenet its standard tariffs for these services, which is an average of €0.0069 per minute for fixed-line calls. Telenet charges higher rates to terminate domestic calls on the Combined Network pursuant to certain decisions of the BIPT, which effectively modified its provisional interconnection agreement with Belgacom. As of January 1, 2009, Telenet charges 15% higher rates than the standard rates of Belgacom for terminating domestic calls on the Combined Network. See "*Description of Telenet's Business—Legal Proceedings.*" As of May 1, 2005, the term of

Telenet's provisional interconnection agreement with Belgacom was extended for an indefinite term, provided that both parties may terminate the agreement with a three-month prior notice. Telenet's agreement with Belgacom Mobile can be terminated by either party on eight-months prior notice. A number of other fixed domestic operators have shown interest in setting up a direct interconnect with Telenet.

In July 2003, Telenet entered into an interconnection agreement with Mobistar in order to reduce the average interconnection and transit charges it incurred when routing calls from the Combined Network to Mobistar via Belgacom's network. Telenet is thus able to interconnect directly with Mobistar and interconnect directly or indirectly with other mobile operators in Belgium. Telenet's agreement with Mobistar can be terminated by either party with an eight-month prior notice. See *"Risk factors—Risks Related to Telenet's Business—The Belgian internet, data and telephony industries are highly competitive and the television industry is likely to become more competitive in the future, which could have material adverse effects on Telenet's business."*

Telenet also has agreements with Verizon Business, KPN, Telia Sonera and Belgacom International Carrier Services that govern interconnection termination rates for international calls that originate on its network.

The 2005 Electronic Communications Law provides that the providers of public electronic communications services must negotiate in good faith with any provider requesting interconnection to their networks. As part of its regulatory powers, the BIPT has the power to impose such interconnection obligations, as well as its terms, if the parties fail to reach an agreement on the matter. The probability of an entity providing electronic communications in Belgium terminating an interconnection agreement with Telenet is therefore limited.

In August 2006, Telenet launched a mobile service upon concluding an MVNO agreement with Mobistar. In February 2009, Telenet signed a Full-MVNO agreement with Mobistar, which will provide it with greater flexibility in terms of product offers and which will enable it to roll out fixed-mobile convergent products. Telenet has increased its participation in the mobile market through the launch of a "Full-MVNO" service on October 11, 2010, pursuant to which it operates its own mobile core network, and uses Mobistar as a Radio Access Network provider. See *"—Telephony Regulation—Mobile Telephony."*

Telenet's Full-MVNO agreement necessitates a number of new interconnection agreements, as other domestic operators will connect to its mobile core network. Interconnection agreements with Belgacom, Belgacom Mobile, Mobistar and KPN Group Belgium are expected, or already signed. For the purpose of serving mobile end-users roaming abroad, Telenet has closed a roaming agreement with BICS (Belgacom International Carrier Services) who will act as a roaming hub provider. In light of the implementation of the Full-MVNO agreement, Telenet has also entered into a services agreement with MACH (Multinational Automated Clearing House) for the validation and transmission of billing data with respect to roaming between mobile operators. In the premium service mobile business, Telenet plans to connect to content aggregators, and as such provide mobile end-users access to premium text and multi-media service mobile services. See *"—Residential Telephony."*

### ***Residential Sales, Marketing, Installation and Customer Care***

#### ***Marketing***

Telenet markets its residential cable television, internet and fixed and mobile telephony services under the "Telenet" brand name, which it supports with extensive advertising and brand awareness campaigns. Telenet's premium cable television services, including the movie and sports channels, also use the "PRIME" brand name. Telenet believes that its basic analog cable television service has historically been viewed as a utility service and therefore has not actively marketed it, although Telenet has undertaken a substantial marketing effort to promote its digital television offering under the Telenet Digital television name, together with the associated "PRIME" brand for certain movie and sports content.

Telenet's residential marketing division manages all marketing activities for its cable television, broadband internet and telephony businesses. Working in conjunction with Telenet's residential sales and customer care division, Telenet's marketing division uses a combination of individual and segmented promotions and general brand marketing to attract and retain subscribers. Marketing channels include media advertising, telemarketing, e-marketing, door-to-door marketing and targeted mail solicitation. Telenet's marketing expenses include fixed marketing costs and variable marketing costs tied to subscriber incentives that can include free installation, free CPE such as wifi routers and temporary reduced subscription costs. Telenet continuously evaluates its marketing channels to allocate its resources most efficiently.

As an important part of Telenet's customer acquisition strategy, it actively seeks to bundle multiple services to individual customers and offer promotional discounts to customers who receive such bundled multiple services from Telenet. Internal studies that Telenet has conducted indicate that customers who subscribe for more than one service from it are significantly more loyal to their provider. Moreover, Telenet believes that since the launch of digital television, it has started to benefit from the opportunity to introduce additional customers to its internet and telephony offerings. Telenet has been offering bundles since 2006 and have fully repositioned and rebranded these in 2008 through the introduction of its "Shakes" bundles.

Since the end of 2006 Telenet has redesigned its customer intelligence in order to increase its segmented marketing efforts to specific customer categories, such as youths, families and senior citizens. In 2008, Telenet introduced a range of tailored products and bundles that are designed to specifically address the preferences of these different customer categories.

#### *Sales, Installation and Customer Care*

Telenet's residential sales and customer care division is responsible for all aspects of the sales, installation and customer care process, including customer maintenance, billing and repair procedures. Collectively, these processes are designed to promote a high level of customer satisfaction and to thereby support growth in subscriber penetration rates and the number of services per individual customer.

Telenet makes both inbound and outbound tele-sales through its customer call centers at its head office in Mechelen and at three remote locations in Flanders. In addition to Telenet's call center, its agents, who are paid a commission based on the number of sales closed, also provide a significant source of sales. These agents include consumer electronics and other retail outlets, dealers and door-to-door marketers.

Telenet's call centre personnel also use "win-back" promotions and other programs to minimize voluntary churn and to persuade subscribers who seek to disconnect their service to change their decision. In addition to Telenet's own call centres, it outsources a proportion of its call traffic to trained third party call centre personnel in order to achieve high customer reachability while keeping its call centre cost levels flexible. Since 2009, Telenet has been implementing additional in-house call centres throughout Flanders which allows it to continue to attract call centre agents and to increase the overall level of quality in its customer care division.

On June 30, 2009, Telenet acquired a multi-brand mobile retail chain, BelCompany, from Macintosh Retail Group. Through these retail stores, which are present in most of the important cities in Telenet's footprint, including Brussels, it primarily sells its mobile telephony services as well as mobile handsets. In the near future, Telenet intends to utilize these retail stores as sales points for its fixed products as well.

The installation process is an important element of Telenet's overall customer management process. Telenet believes that the installation process can generate customer satisfaction and valuable cross-selling opportunities when properly implemented, or generate an adverse reaction, potentially resulting in a sales cancellation or customer churn, if not well managed. Currently, all fixed-line residential services except for basic analog cable television require an installation by a trained technician since all digital or interactive services require that a network interface unit ("NIU") be installed in the customer's home. This NIU enables interactivity between Telenet's network and the end-user, and to prevent interference from entering the network.

The connection from the NIU to the appropriate device or devices, e.g. television, personal computer or telephone, can be implemented using a combination of wired and wireless solutions. Where wired solutions are not appropriate, Telenet is able to offer wireless installations or can offer internet subscribers the option of transmitting internet signals through the existing electrical wiring network of a home using additional adapters. The choice of modem depends on which services the customer plans to use and is also a function of current technology choices. Telenet is able to optimize the cost it incurs for customer equipment both at initial point of sale, and for future cross-sell opportunities, through its selection of type of modem. For example, new iDTV customers will typically be enabled for internet and telephony services also, which can be subsequently activated for a limited incremental cost. In homes where a NIU and modem are already present, Telenet offers its customers the choice to perform the installation through a self-installation kit or by making use of its installers. Most of the installation workforce is being outsourced but with strict training and performance measures in place. For Telenet's digital and interactive services, Telenet offers a range of installation choices. In the most basic installation, the Telenet installer installs only the cable internet modem, while the most comprehensive installation addresses all aspects of the

installation so that the subscriber is ready to use the internet immediately after the installation is completed.

The customer care process, including repair, is a significant priority of Telenet's management. Telenet regularly conducts surveys and tests to analyze the effectiveness, efficiency and satisfaction of its customers in all aspects of their experience with Telenet, from the initial sales and marketing effort, to installation and any required follow up. In addition to Telenet's in-house call center, Telenet contracts with outside providers who handle a majority of its call volumes. Telenet seeks to improve the efficiency of its installation process to deploy its resources in a more effective manner.

### ***Business Services***

Telenet's business customers include small and medium size enterprises ("SMEs") 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. For the year ended December 31, 2009, Telenet's business services operations generated €76.9 million in revenue. Telenet markets its business services under the Telenet Solutions brand name. Telenet's corporate customers generally connect to the Telenet Network directly through a fiber optic connection and its SME customers connect to the Combined Network through a fiber, DSL or coaxial connection, depending on the scope of their needs and their location relative to Telenet's network.

Telenet Solutions offers a range of voice, data and internet products and services that are tailored to the size and needs of each customer. Telenet provides services to business customers throughout Belgium and parts of Luxembourg. With the inclusion of DSL services Telenet has flexibility to target customers throughout Belgium because it is not dependent on such customer's proximity to the Telenet Network. See "*—Telenet's Network.*" Telenet's business customers evaluate its offerings based on price, technology, security, reliability and customer service. Internet products include i-Fiber, Wi-Fi services and internet over copper leased lines, DSL lines or coaxial connections. Voice products include a range of fiber, coaxial and DSL products matched to the capacity needs of customers, as well as other services. Data products consist primarily of various forms of leased lines, which are typically sold to corporate customers and to carriers. Telenet also offers virtual private network ("VPN") customized services for customers of which in particular Telenet's IP-enabled product is a strong growing product in its portfolio.

Sales and marketing teams for Telenet's business customers are organized on a regional, business sector and customer size basis. The prices that Telenet offers its corporate, public, healthcare, educational and carrier customers are usually negotiated within fixed parameters, whereas more standardized prices typically apply to Telenet's SME customers. For certain large corporates, Telenet enters into individual agreements under which it must meet minimum service levels. Telenet has recently closed an agreement with TechData, one of Belgium's biggest distributors of information and communications technology, in order to extend and improve its distribution platform.

The availability and gradual commercial roll-out of EuroDocsis 3.0 represents an important development for Telenet's positioning in the business-to-business market. Given the higher download speeds, better product specifications and improved quality of service over competing technologies, Telenet is in a strong position to increase its market share in the business-to-business market both for select, smaller corporate segments and larger corporate accounts. Telenet continues to progress with the next integration phase of the acquired hosting services company, Hostbasket. Together with C-CURE NV, which Telenet acquired in full on May 31, 2010, Telenet's business segment will be able to offer a single-user experience for not only connectivity solutions but also for a whole range of additional value-added services.

### ***Future Products and Services***

Telenet aims to offer its customers new products and services in order to grow its business, develop the Telenet brand and increase customer satisfaction. Telenet generally seeks to adopt new technologies only after appropriate standards have been successfully implemented on a commercial scale. This approach increases the likelihood that the cost of necessary equipment will decline over time and reduces performance, reliability, compatibility and supply risks. To this end, Telenet is focusing on new technologies that make increasingly use of a coaxial connection rather than a DSL connection, which it leases from the incumbent operator, to potentially lower the fixed cost basis for its business solutions products. Under certain circumstances, Telenet may consider adopting certain additional technologies that have a limited deployment history, to the extent that Telenet is able to do so with an appropriate consideration of the potential risks involved.



Telenet is investigating the feasibility of providing three-dimensional high definition television (“3DTV”) broadcast services as part of its digital television offering. 3DTV provides an enhanced viewer experience, particularly for movies and sports games. Telenet has already started trial 3DTV-broadcasts of selected tennis matches on its existing set top boxes. Telenet expects that the commercial offering will evolve over time but will be largely dependent on the end user adoption of 3DTV-televisions as well as the availability of a suitable selection of content in 3DTV format. Other opportunities Telenet is evaluating include high-speed mobile data over 4G frequencies but will be dependent on, among other factors, securing appropriate frequency spectrum. If Telenet chooses not to exploit these opportunities, eventual licensees of these technologies may compete against it in the future (see “—*Competition*”).

In the future, Telenet may also consider introducing a dual technology mobile handset which operates both on a traditional mobile communications network and via a wireless base station that is connected to its broadband internet service. This service is intended to offer customers a seamless switch between both types of network in order to benefit from cheaper tariffs when using the handset in locations with wireless broadband access. The implementation of this technology is dependent on the evolution of mobile handset suppliers’ manufacturing capabilities, among other factors.

For Telenet’s business services customers, Telenet seeks to continue to develop products and services that leverage both its coaxial and fiber networks, with specific applications contemplated for its different classes of customer, such as SME, corporate and carrier customers. Telenet plans to implement product development both in the near term as well as the longer term, with technology migration plans and service and value-added enhancements. However, these plans may evolve as Telenet monitor the adoption of technologies, products and services and respective costs and market pricing.

### **Supply and Installation**

Telenet has relationships with several suppliers that provide it with hardware and software necessary to operate its network. For network critical equipment where an open standard has not been deployed, Telenet has a dual vendor policy pursuant to which it seeks to have at least two sources of supply for necessary equipment.

ADB is Telenet’s sole supplier of digital set top boxes for its iDTV service and Vidiom SA supplies the middleware solution that supports the user interface for its iDTV platform.

Telenet is using subcontractors to install internet, telephony and iDTV equipment in subscriber homes, in addition to having a small portion of installations performed by its own employees. Certain services can be self-installed by its customers, but most still require a professional installer. Telenet’s agreements require that the subcontractors maintain certain quality levels and use trained personnel, and Telenet monitors the efficiency and quality of service provided by the subcontractors on a regular basis.

Key suppliers of Telenet’s information technology (“IT”) needs include Infosys Technologies Limited, which provides the group with general IT services, Comverse Inc., which provides the group with billing and rating related soft- and hardware and Cronos, which provides the group with support for its ERP system. See *“Telenet’s owned network prior to its acquisition of the television business of the PICs and Interkabel in October 2008, combined with the Partner Network (the “Combined Network”) and related systems depend on equipment and service suppliers that may discontinue their products provide poor services or seek to charge Telenet prices that are not competitive, all of which may adversely affect its business and profitability.”*

### **Revenue Recognition**

Subscription fees for telephony, internet and premium cable television are prepaid by subscribers on a monthly basis and recognized 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 recognized 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 recognized on actual usage.

Where consideration has been received or is separately receivable in respect of installation, such installation fees are recognized as revenue by reference to the stage of completion of the installation. As installation ordinarily does not take long, installation fees are recognized 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 Telenet's network. These fees contribute to the cost Telenet bears in respect of copyright fees paid to copyright collecting agencies for certain content provided by the public broadcasters and other copyright holders. Telenet reports copyright fees collected from cable subscribers on a gross basis as a component of revenue due to the fact that Telenet 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, Telenet 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.

### **Telenet's Network**

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 broadband communications network owned by the PICs, the Partner Network. Currently, under the PICs Agreement through Telenet NV and Telenet Vlaanderen NV, Telenet has full rights to use substantially all of the Partner Network under a long-term lease (*erfpacht/emphythéose*) for an initial period of 38 years (of which 36 years are remaining), for which Telenet is required to pay recurring fees in addition to the fees paid under certain pre-existing agreements with the PICs. See "*PICs Agreement and Interkabel Contribution Deed: Telenet's Usage Rights on the Partner Network*." Telenet refers to the Combined Network when describing the combination of its own network and the Partner Network.

Telenet uses the Combined Network to provide cable television in analog, digital and high-definition formats, broadband, internet and fixed telephony services to both residential and business customers who reside in its service area. Telenet's combined broadband HFC network consists of a fiber backbone with local loop connections constructed of coaxial cable with a minimum capacity of 600 MHz.

Regardless of whether a customer is served by the Telenet Network or the Partner Network, the means by which the services available in the relevant franchise area reach the customer are the same. Telenet's Combined Network assets include approximately 12,000 kilometers of fiber backbone, of which Telenet owns 7,300 kilometers, utilize 2,580 kilometers pursuant to long-term leases and access 2,100 kilometers through its agreements with the PICs. The fiber backbone connects to approximately 68,000 kilometers of coaxial local loops, of which 50,000 kilometers is in the Telenet Network and the balance in the Partner Network. Telenet owns the primary and secondary fiber backbone on the Combined Network and the fiber and coaxial cable on the Telenet Network. The PICs own the additional fiber and the coaxial cable included in the HFC access loops on the Partner Network.

In addition to its HFC network, Telenet offers services to business customers across Belgium and in parts of Luxembourg through a combination of electronic equipment which it owns and fiber which is predominantly leased. Telenet has also installed equipment necessary to provide voice, data and internet services using digital subscriber line ("DSL") technology. DSL technology enables Telenet to serve business customers that are not currently close to its network in a more cost effective manner through Belgacom's telephone network.

Telenet's fiber backbone is currently running All-IP and carries all of its communications traffic. Telenet also uses fully converged multi-protocol label switching ("MPLS") to route its IP traffic, which enables it 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.

Customers connect to the Combined Network through a coaxial connection from one of Telenet's nodes. Amplifiers are used on the coaxial lines to strengthen both downstream and return path signals on the local loop. On average, approximately 1,400 homes are served by each of the approximately 2,398 nodes in the Combined Network. Network quality usually deteriorates as customer penetration rates on any particular node increase. When required, the scalability of Telenet's network enables it to address this problem, within limits, through node "splits" in which Telenet installs additional equipment at the node so that the same 3 Gbps capacity serves approximately 500 homes per node. Telenet uses node splits, among other measures, to manage potential congestion in certain parts of the Partner Network.

Telenet's network operating center in Mechelen, Belgium monitors performance levels on the Combined Network on a continuous basis. Telenet has a separate disaster recovery site for back office systems, and its network has been designed to include redundant features to minimize the risk of network outages and disasters with the fiber optic rings designed to reroute traffic in the opposite direction around the ring in the event that a section of the ring is cut. Telenet has insured its buildings, head end stations, nodes and related network equipment against fire, floods, earthquakes and other natural disasters, but is not insured against war, terrorism (except to a limited extent under its general property insurance) and cyber-risks. Telenet carries insurance on its fiber optic network up to a capped amount, but does not carry property damage insurance for its coaxial network.

#### **PICs Agreement and Interkabel Contribution Deed: Telenet's Usage Rights on the Partner Network**

Prior to the closing of the PICs Agreement and Telenet's acquisition of the PICs' cable television business, Telenet solely had long-term usage rights on the Partner Network to provide point-to-point services (pursuant to the Interkabel Contribution Deed entered into by Telenet Vlaanderen NV). These usage rights are for an initial term of 50 years as from September 23, 1996, automatically renewable for additional terms of the same duration, unless terminated upon 12 years' prior notice. Interkabel and the PICs' limited termination rights under the Interkabel Contribution Deed are described in more detail below.

Following the PICs Agreement, Telenet has full rights to use substantially all of the Partner Network (*i.e.*, to provide point-to-point and point-to-multipoint services) under a long-term lease for an initial period of 38 years, for which it is required to pay recurring fees in addition to the fees paid in relation to the Interkabel Contribution Deed (which, for the avoidance of doubt, remains in full force and effect) under certain pre-existing agreements with the PICs. The PICs remain the legal owners of the Partner Network. All capital expenditures associated with the Partner Network will be initiated by Telenet, but executed and pre-financed by the PICs through an increase of the lease payments due by Telenet NV to the PICs, and will follow a 15-year reimbursement schedule. Telenet's enlarged usage rights on the Partner Network have the form of emphyotic lease agreements (*erfpacht/emphytéose*) with each of the PICs, which under Belgian law is the legal form that is the closest to ownership of a real estate asset without actually having the full legal ownership. Unless extended, the long-term leases will expire on September 23, 2046, and cannot be terminated earlier, except in the following cases: (a) non-payment of at least 25% of Telenet NV's annual lease payments, which is not cured within 100 business days; or (b) bankruptcy of Telenet NV.

However, in each such case of early termination, the long-term lease will not be terminated if Telenet NV is replaced by a Replacing Entity ("*Instappende Entiteit*" as defined in the long-term leases) within a certain time period (in summary, a Replacing Entity is any interested party that meets certain strict solvency requirements). In the event that a long-term lease is transferred to a Replacing Entity for an event that does not also lead to the automatic termination of the usage rights under the Interkabel Contribution Deed (see below), Telenet Vlaanderen NV will have the right (but not the obligation) to transfer its usage rights on the Partner Network to such Replacing Entity, subject to certain conditions.

Under the terms of the Interkabel Contribution Deed, Telenet's usage rights to provide point-to-point services over the Partner Network will automatically terminate if, among other things, (i) there is a unanimous and definitive decision of the board of directors of Telenet NV to cease any direct or indirect development, installation or exploitation of its telecommunications network in Belgium, (ii) Telenet NV or Telenet Vlaanderen is declared bankrupt or placed into liquidation, (iii) certain provisions of the Articles of Association (*statuten/statuts*) of Telenet Vlaanderen are amended in any way that is detrimental to the rights of Interkabel without Interkabel's written consent, (iv) the director of Telenet Vlaanderen nominated by Interkabel is dismissed for any reason without Interkabel's written consent and such director is not replaced by another director nominated by Interkabel or (v) Telenet Vlaanderen ceases to be an affiliate of Telenet NV. However, in each such case of early termination, the usage rights will not be terminated if Telenet Vlaanderen is replaced by a Replacing Entity (as defined in the Interkabel Contribution Deed) within a certain time period.

Telenet Vlaanderen has pre-emptive rights, with certain exceptions, with respect to any proposed transfer by Interkabel or any of the PICs of its respective interests in the Partner Network, or transfers by the PICs of shares in Interkabel, at the price offered by a third party. For as long as Telenet Vlaanderen has the usage rights on the Partner Network under the Interkabel Contribution Deed, Interkabel has pre-emptive rights, with certain exceptions for transfers to certain affiliates, with respect to any proposed transfer of Telenet Vlaanderen shares, at the price offered by a third party.

Interkabel and the PICs have agreed not to dissolve their co-ownership structure in respect of the Partner Network voluntarily without the consent of Telenet Vlaanderen. Interkabel has also granted to Telenet Vlaanderen a call option on its co-ownership interests in the PICs, at the lower of book value or fair market value, in the event of a breach of its obligations or the obligations of the PICs under the Interkabel Contribution Deed.

### ***Recent and Planned Network Investments***

At the end of 2009, Telenet completed the upgrade of its network bandwidth capacity from 450 MHz to 600 MHz. Late 2009, Telenet also completed the implementation of the necessary software and hardware to enable its adoption of the EuroDocsis 3.0 channel bonding standard. Through the EuroDocsis 3.0 technology, Telenet is able to offer downstream speeds of 100 Mbps. At the beginning of 2010, Telenet announced its next phase of network investments, referred to as Telenet's "Digital Wave 2015" investment program, to further upgrade its network and services as Telenet believes that a fiber-rich and flexible network will provide capacity for future growth which its competitors will have difficulty matching. One of the cornerstones of Telenet's upgrade strategy is its "Pulsar" node splitting project which will allow Telenet to build a next-generation network capable of capturing the changing consumer needs, new internet applications and future services and technology. The "Pulsar" project includes a further reduction of the number of homes connected to an optical node from on average 1,400 to an average of 500 homes per node with the design ready to move to an average of 250 homes per node, thereby significantly increasing the network capacity. Telenet plans to execute this program over 5 years for a total expenditure of approximately €30 million per annum but this amount could vary, however, depending on market conditions, supply arrangements and numerous other factors.

### **Competition**

Telenet faces varying degrees of competition from established and new competitors in Flanders and the rest of Belgium. See *"Risk factors—Risks Relating to Telenet's Business, Technology and Competition—The Belgian internet, data and telephony industries are highly competitive and the television industry is likely to become more competitive in the future, which could have material adverse effects on Telenet's business"*. Several competitors are now seeking to offer multiple-play services to customers, including television, internet and fixed and mobile telephony services. Belgacom, the incumbent fixed-line operator in Belgium and Telenet's largest competitor, is able to offer customers a range of television, internet and telephony services that compete with the services Telenet offers its customers. Other telecommunications operators in Belgium have announced plans aimed at broadening their service offering in ways that would compete with Telenet's. This includes Mobistar, which in addition to its internet and telephony services, recently started offering television services also. In addition, Telenet is observing the continued evolution of technologies that increase the capability of devices such as smartphones with multiple protocols, new generation set top boxes, digital home gateways, and of the development of wireless broadband technologies.

The draft decisions of the BIPT, VRM and CSA aim to, and may potentially, strengthen Telenet's competitors by granting them access to Telenet's network. At this stage it is unclear, however, what effect these draft decisions, if adopted and implemented in their current form, will have on competition. See *"Description of Telenet's Business—Regulation—Broadcasting Regulation—Draft Decisions of the BIPT, the VRM, the CSA and the Medienrat"* and see *"—Telenet may become subject to more extensive regulation if it is deemed to possess significant market power in any of the markets in which Telenet operates"*.

### ***Television***

Belgium was one of the first European countries to deploy cable networks, doing so as early as the 1970s, and, as a result, other means of television delivery such as satellite and terrestrial broadcasters have not yet become as popular in Belgium as they have in other European countries. Cable is the most commonly used transmission medium for television services in Belgium. Cable network services are characterized by easy-to-use technology, efficient installation of customer equipment and reliability of a protected signal delivered directly to the home. In Belgium, there is no direct competition between the cable network operators as there is no overlap between operators' cable networks. Although Telenet has historically faced limited competition in the provision of basic cable television service in Flanders, competition increased following the launch of digital television in 2005 with consumers beginning to put more emphasis on digital, high definition and interactive television services such as video-on-demand, requiring high-bandwidth, bi-directional distribution platforms. In addition, the presence of a national competing



platform (*i.e.* Belgacom's IPTV platform) has led to the emergence of a national retail market for the provision of television broadcast services.

The primary competing platform is IPTV, offered by Belgacom over their DSL-network. Belgacom has extensively developed their digital television service and currently offers a full range of broadcast television and premium content, including video on demand. Belgacom's provides a substantial source of competition, that is likely to increase in strength, given the resources of Belgacom and the reach of its network across Belgium.

Telenet faces additional competitive presence in the Belgian television market from satellite television. The largest premium satellite provider in Telenet's network area is TV Vlaanderen. Beginning in October 2010, Mobistar, the second largest mobile operator in Belgium, also launched television services over satellite. The television component is only available as part of a bundle proposition which includes a mobile subscription, broadband internet over ADSL and fixed telephony. Other television delivery media include digital terrestrial television, or DTT. Analog terrestrial television was terminated in Belgium in 2008. In order to comply with the Government's analogue switch over policy, the Flemish public broadcaster VRT, sold its terrestrial transmission network to Norkring Belgium, an independent private operator. This operator is in charge of managing the DTT spectrum, including the designing, construction and maintenance of the transmitter networks but is not allowed to commercialize a DTT offer. Norkring Belgium held selection procedures to sublease parts of the spectrum to other operators who will offer DTT to the residential market. As of the date of this offering memorandum, Telenet believes it is the only party that has reached an agreement with Norkring Belgium to broadcast wireless television channels over the DTT spectrum. Telenet may face increasing competition from this platform as Norkring expects other parties to reach similar agreements. Under its agreement with Norkring, Telenet has certain minimum annual subscriber obligations. In addition, it is expected that other forms of television offerings will become more important in Belgium in the years ahead, such as Over The Top Television (OTT) and mobile television, provided by financially strong companies, including Google, Apple, Proximus, Mobistar and KPN.

Telenet believes that its extensive cable network and the broad acceptance of basic cable television in Belgium will help it compete effectively in the television market. Telenet is able to offer international, national, regional and local content, including Dutch-language broadcasts, to its subscribers.

### ***Broadband Internet***

Competition in the provision of residential broadband internet service focuses on speed, price, available features and customer service, among other factors. The Belgian internet market may attract additional competitors into the market, leading to a higher level of price based competition. Telenet's residential broadband internet service in Flanders currently competes principally with DSL based services, which are able to match the speeds up to the ones offered by its low- and mid-range broadband service tiers. Following the implementation of the EuroDocsis 3.0 protocol, Telenet currently offers tiered internet offerings with download speeds that range up to 100 Mbps, which cannot be achieved by the current technologies of its competitors. Belgacom is currently able to offer downstream speeds of up to 30 Mbps to users who have their broadband connection of their VDSL network which covers 74% of the Belgian population. DSL services are also offered by other providers who buy access to Belgacom's local loop at bulk rates and re-sell this access to individual subscribers. These providers also include mobile operators in Belgium. Telenet believes that the higher average speed of its service and higher customer satisfaction ratings compared to most DSL operators provides an advantage in this competitive environment.

Another possible threat to broadband internet via DSL and cable is the increasing download speeds offered by mobile internet technologies, such as the established HSPA and the emerging LTE. Penetration of mobile broadband is currently very low and Telenet believes that the majority of those consumers presently use mobile broadband internet to complement a fixed-line broadband internet connection, as the current effective speeds of mobile internet offers are too low to act as a replacement service. The migration towards a Full-MVNO environment for Telenet's mobile services will provide it with greater flexibility in terms of product offers, which will enable Telenet to roll out fixed-mobile convergent products.



## ***Telephony***

Competition in providing residential telephony service is based on price, in addition to customer service, brand recognition, functionality and quality of service, and increasingly the appeal of multiple play bundles. Telenet's principal competitors include other operators of fixed-line services and mobile telephony operators.

Belgacom is the largest operator in the residential fixed telephony market in Belgium. As of December 31, 2009, Belgacom had an estimated 59% market share of the residential fixed-line telecommunications sector in Flanders excluding wholesale. Belgacom is a publicly listed company in which the Belgian state owns a majority stake. Belgacom has an established market presence, a fully built-out network and resources that are substantially greater than Telenet's. Belgacom has been utilizing "win back" programs for customers terminating their service and bundle propositions to attract new customers. Telenet primarily competes with Belgacom by seeking to offer its residential subscribers superior and reliable telecommunication services in bundled multiple play offerings.

Increasing competition is developing from services that use the internet to provide telephony which may offer lower quality of service, but greatly reduced cost. Currently, the most prominent such provider is Skype. Whereas the VoIP telephony services Telenet offers pass calls through the public switched telephony network ("PSTN") and result in interconnect fees being incurred and collected, VoIP services using a broadband internet connection can completely bypass the PSTN, thereby avoiding interconnect fees. Telenet refers to this latter variant of VoIP as "voice over the internet" or "VoN." VoN telephony can be offered at a lower cost than Telenet's VoIP service because it avoids interconnect fees. However, VoN technology can also be of a relatively lower quality than Telenet's VoIP since their telephony signals are not prioritized.

Telenet believes that its extensive network assets and overall range of services provide an effective means to remain competitive with its telephony product. Telenet offers subscribers a single point of contact for their telephony, internet and television services. Competitor's fixed-line service providers other than Belgacom do not have their own local loop, and must therefore pay other operators (typically Belgacom) for network access in order to reach their own subscribers. This disadvantage may dissipate, however, as wholesale prices for unbundling of the Belgacom local loop continue to decrease and competitors gain more open access to the Belgacom local loop. Moreover, if the Belgian authorities determine under the New Framework that "wholesale broadband access" is a relevant market in which Telenet has significant market power, Telenet may be required to grant others access to its network, including its local loop. See "*—Regulation—The EU Framework*".

Telenet also competes with mobile service providers both as a fixed-line telephony operator and a mobile telephony service provider. Recent data indicates that the trend of substitution of fixed-lines for mobile only telephony has stopped after several years of strong substitution but mobile operators could encourage customers with both fixed-line and mobile services to retain only their mobile services. Belgacom has a strong presence in the mobile service market, with an estimated market share of approximately 41% by number of active customers in Belgium as of December 31, 2009. Belgacom offers its mobile services under the brand name Proximus. Telenet believes that its prices for fixed-line services, its focus on customer service its ability to offer bundled broadband internet, fixed-line telephony and digital television services to its subscribers, are strengths in addressing competition from mobile service providers.

Telenet also competes alongside mobile operators, including Proximus, Mobistar and BASE, in the provision of its own mobile service, which is provided on an MVNO basis with Mobistar as Telenet's network provider. See "*—Residential Telephony*".

## ***Business Services***

Telenet's business customers include small and medium size enterprises ("SMEs") 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. For the year ended December 31, 2009, Telenet's business services operations generated €76.9 million in revenue. Telenet markets its business services under the "Telenet Solutions" brand name. Telenet's corporate customers generally connect to its network directly through a fiber optic connection and its SME customers connect to the Combined Network through a fiber, DSL or coaxial connection, depending on the scope of their needs and their location relative to Telenet's network.

Telenet Solutions offers a range of voice, data and internet products and services that are tailored to the size and needs of each customer. Telenet provides services to business customers throughout Belgium and parts of Luxembourg. With the inclusion of DSL services has flexibility to target customers throughout Belgium because it is not dependent on such customer's proximity to its network. Telenet's business customers evaluate Telenet's offerings based on price, technology, security, reliability and customer service. Internet products include i-Fiber, Wi-Fi services and internet over copper leased lines, DSL lines or coaxial connections. Voice products include a range of fiber, coaxial and DSL products matched to the capacity needs of customers, as well as other services. Data products consist primarily of various forms of leased lines, which are typically sold to corporate customers and to carriers. Telenet also offers virtual private network customized services for customers of which in particular its IP-enabled product is a strong growing product in its portfolio.

Sales and marketing teams for Telenet's business customers are organized on a regional, business sector and customer size basis. The prices that Telenet offers its corporate, public, healthcare, educational and carrier customers are usually negotiated within fixed parameters, whereas more standardized prices typically apply to its SME customers. For certain large corporates, Telenet enters into individual agreements under which it must meet minimum service levels. Telenet has recently closed an agreement with TechData, one of Belgium's biggest distributors of information and communications technology, in order to extend and improve its distribution platform.

The availability and gradual commercial roll-out of EuroDocsis 3.0 represents an important development for Telenet's positioning in the business-to-business market. Given the higher download speeds, better product specifications and improved quality of service over competing technologies, Telenet is in a strong position to increase its market share in the business-to-business market both for select, smaller corporate segments and larger corporate accounts. Telenet continues to progress with the next integration phase of the acquired hosting services company, Hostbasket. Together with C-CURE NV, which it acquired in full on May 31, 2010, Telenet's business segment will be able to offer a single-user experience for not only connectivity solutions but also for a whole range of additional value-added services.

### **Intellectual Property**

Telenet does not possess any material patents or copyrights, nor does it believe that patents play a material role in its business. Telenet has registered several trademarks with the Benelux Trademarks Office (*Benelux Merkenbureau/Bureau Benelux des Marques*) including "Telenet", "Telenet Solutions", "Telenet Digital television", "PRIME", "Telenet Digibox", "Telenet Digicorder", "Telenet FreeSurf", "Telenet ExpressNet", "Zita", "Zoof" and "Garage TV" and their related logos and Telenet's service offerings. Some third parties hold trademark rights in certain generic words included in the preceding trademarks (e.g., "Digibox").

Telenet believes that innovation in products and technology is important to retaining its market position. Telenet has a dedicated research and development function, which is engaged in reviewing and testing new products and technologies that it believes will enhance the services it provides to its customers.

### **Seasonality**

Telenet has limited exposure to seasonal trends. Revenues from its basic analog and premium cable television service, broadband internet and business services, which together represented 77% of its total revenues in 2009, are substantially based on fixed monthly rates and hence are not subject to seasonal variations in usage. Residential telephony revenues (which represented 19% of Telenet's total revenues in 2009) include a usage component and tend to exhibit lower usage in summer months. This lower usage also results in corresponding seasonality in the interconnect payments Telenet makes for terminating calls from its customers to other networks. See "*—Regulation—Telephony Regulation—Interconnection*".

### **Regulation**

Both Belgian and EU authorities regulate the electronic communications services that Telenet provides. "Electronic communications" comprise telecommunications and broadcasting. "Telecommunications" include telephony and internet and are regulated in Belgium by the national government. "Broadcasting" encompasses both television and radio broadcasting and is generally regulated by the regional governments of the Flemish, French and German-speaking Communities with respect to their respective jurisdictions, and by the national government in Brussels. Because of this division between telecommunications and broadcasting, both the national and the regional governments mentioned above have jurisdiction over

network infrastructure that is used for both telecommunications and broadcasting activities. In addition, network infrastructure can be subject to local planning and other regulations issued by local municipalities. The services Telenet provides have come under increasing regulation in the last years.

## **The EU Framework**

The 2005 Electronic Communications Law implemented the EU Framework at the national level for electronic communications other than radio and television broadcasting. With regard to broadcasting, the EU Framework was implemented by the 2004 Framework Decree, by a decree of February 27, 2003 in the French Community, and by a decree of June 21, 2005 in the German-speaking Community. The national legislature, which has jurisdiction to regulate broadcasting matters in Brussels, has implemented the EU Framework through the adoption of the Law of March 16, 2007, which amends the Brussels Media Law of March 30, 1995. Under the EU Framework as implemented in Belgium, the BIPT, the VRM, the CSA and the Medienrat may impose pricing restrictions and other requirements on entities which they deem to have SMP in any non-competitive relevant market in which those entities operate. These additional requirements may impose certain transparency and non-discrimination obligations on Telenet, in addition to obligations to grant others access to Telenet's network and to apply cost allocation mechanisms and accounting separation between the different electronic communications services that Telenet provides.

## **Provisions Applicable to All Electronic Communications**

### *Entities with Significant Market Power ("SMP")*

Under the 2005 Electronic Communications Law, the BIPT is responsible for defining relevant markets in the telecommunications sector, and the VRM is responsible for defining relevant markets in the broadcasting sector in Flanders (the CSA has such responsibility in the French-speaking Community outside Brussels, the Medienrat in the German-speaking Community, and the BIPT within Brussels). These regulators can impose certain requirements on entities with SMP in relevant markets that are not competitive. Whether an operator has SMP is determined in accordance with the principles of competition law. Among other things, the BIPT, the VRM and the CSA can, under certain conditions, require SMP operators to (i) comply with certain obligations of non-discrimination and transparency with regard to access, (ii) separate accounting of different activities in which the operator has SMP, (iii) meet any reasonable request to access and use part of the provider's network and (iv) charge cost-oriented prices and follow other price restrictions.

Telenet believes three of the relevant markets identified by the European Commission may potentially entail a risk for Telenet, and potentially a fourth also has relevance. These markets are:

- "call termination on individual public telephone networks provided at a fixed location",
- "call termination on individual mobile network",
- "wholesale broadband access", and
- potentially, "broadcast transmission services to deliver broadcast content to end-users", although this market is no longer listed as a pre-defined relevant market.

In August 2006, the BIPT decided to implement a three-year gliding path to near reciprocity starting on January 1, 2007 for all alternative fixed operators, including Telenet. Although the BIPT has concluded in its decision of January 10, 2008 that cable networks, including Telenet, were not an effective equivalent market substitute and therefore were not to be regulated at the wholesale level, a new second round market analysis is under way that may potentially include such cable networks. In the context of the implementation by Telenet of its Full-MVNO Agreement, and due to Telenet's ensuing increased control over the termination rates it charges for call termination on its virtual network, the market for "call termination on individual mobile networks" will be identified by the BIPT as a relevant market where Telenet has SMP and will most likely have to apply the mobile termination charges of the host *i.e.* Mobistar.

### *Unbundling Networks*

Under the EU Framework, unbundling may also be required in the broadcasting sector. Although the Commission has deleted the "broadcast transmission services to deliver broadcast content to end users" from the list as a candidate market in which national authorities may decide to regulate entities with SMP,

national regulators can nevertheless analyze the wholesale broadcast market, subject to such market meeting certain conditions set out by the European Commission.

The draft decisions issued by the BIPT, the VRM and the CSA on December 21, 2010, if adopted and implemented in their current form, impose certain access rights for alternative providers to Telenet's cable network are an important development in this respect. See “—*Broadcasting Regulation—Draft Decisions of the BIPT, the VRM, the CSA and the Medienrat*” and see “*Risk Factors—Risks Relating to Legislative and Regulatory Matters—Telenet may become subject to more extensive regulation if it is deemed to possess significant market power in any of the markets in which Telenet operates*”.

### *Bundled Sales*

In April 2009, the Court of Justice in Luxemburg has judged that the Belgian general 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 2005 Electronic Communications Law were considered no longer applicable. This has resulted in the first tie-in sales offers in Belgium during the second half of 2009. On April 6, 2010, the federal parliament enacted the Fair Practices and Consumer Protection Law, which provides for a general authorization of tie-in sales, provided that such sales are not misleading, aggressive or unfair. EU and national competition rules still apply to Telenet's offers of bundled telephony services, internet services, television services and/or intermediary interactive products. See “—*Residential Telephony*”.

### *Telephony Regulation*

#### *The Belgian Institute for Postal Services and Telecommunications (the “BIPT”)*

The Belgian law of March 21, 1991 (the “1991 BIPT Law”) created the BIPT. The BIPT, which commenced its activities in 1993, is the supervisory and regulatory body that governs the postal and telecommunications industries in Belgium. Its operations are now governed by the Belgian law of January 17, 2003 on the statute of the BIPT (*Wet met betrekking tot het statuut van de regulator van de Belgische post- en telecommunicatiesector/Loi relatif au statut du régulateur des secteurs des postes et des télécommunications belges*) (the “2003 BIPT Law”). The BIPT is a public interest body supervised by the Minister responsible for telecommunications. It is led by a council of four officials who are appointed by a Royal Decree following deliberation in the Council of Ministers. The BIPT has broad powers to draft regulations, render advice, define strategies and supervise telephony operators to ensure compliance with the 2005 Electronic Communications Law, the relevant parts of the 1991 BIPT Law, and the implementing royal decrees. Under the 2005 Electronic Communications Law, telephony operators must notify the BIPT of the electronic communication services or networks that they intend to provide or resell in the telecommunications sector and of any change thereto. The BIPT also grants rights to use phone numbers and radio frequencies. In addition, the BIPT is responsible for defining relevant markets in the telecommunications sector, for examining whether those markets are competitive and, if not, for determining which entities possess SMP, and the restrictions to which those entities should be subject. See “—*Provisions Applicable to All Electronic Communications—Entities with Significant Market Power*”.

### *Mobile Telephony*

Telenet does not hold a mobile telecommunications spectrum license and instead provides its mobile services through a commercial MVNO agreement with Mobistar, the second largest mobile operator in Belgacom. However, Telenet is nonetheless subject to certain aspects of mobile telephony regulation, such as the requirement to provide subsidized tariffs for certain customer categories. See “—*Residential Telephony*”.

### *Universal Service*

The 2005 Electronic Communications Law mandates that a minimum set of “universal services” be offered at a certain price and quality level. These services include providing access at a fixed location to the public telephone network throughout Belgium, offering reduced telephony tariffs for specific categories of users (“social tariffs”), providing public pay telephones and offering a directory and a directory inquiry service. All providers of public telephony services in Belgium must offer social tariffs, by applying discounts and percentages as set out in the annex to the 2005 Electronic Communications Law. For every universal service other than the social tariffs, a universal provider for each service will be selected based on an open process in which all providers can tender offers to provide the relevant service. The precise process will be



determined by royal decree. If a universal service provider is not selected as a result of this process, a provider will be designated *ex officio*.

In general, the providers of universal services are compensated through the Universal Service Fund, which is financed by contributions paid by telecommunication operators on the basis of their turnover. The 2005 Electronic Communications Law, however, established a separate fund for the compensation related to the offering of social tariffs. Whether and how much an operator must contribute to this separate fund or receive from the fund is based on a comparison of the tariff reductions applied by every operator to the amount of tariff reductions that corresponds with that operator's share of turnover in the overall telephony market. The fund for social tariffs has been activated since the adoption of the 2005 Electronic Communication Law, but no actual payments have been made until now as the European Commission has disputed the incorrect transposition of the Universal Service Directive into Belgian law before the European Court of Justice. The Belgian law has also been the subject of a request for preliminary ruling by the Belgian Constitutional Court to the European Court of Justice following a challenge of the 2005 Electronic Communications Law filed by Base (part of the KPN group), KPN Belgium, Mobistar and others. On October 6, 2010, the European Court of Justice issued two decisions with respect to the Belgian universal service legislation. The Court found that the Belgian legislation fails to provide a proper methodology for calculating the net costs of providing social tariffs. In particular, the Belgian legislation does not take into account the intangible benefits which may be derived from providing social tariffs, nor does it provide for the requirement to first specifically assess the net costs borne by the operators providing those universal services before finding that there is an unfair burden. The Belgian Constitutional Court, relying on the decision of the European Court of Justice, annulled the provisions of the law of April 25, 2007 regarding the methodology for calculating those net costs. The Belgian universal services legislation will have to be amended in this respect, taking into account that the assessment of "unfair burden" should be performed on a case-by-case basis. A related question is, whether once Belgium adopts modified legislation, such legislation will apply retroactively. The exposure from a retroactive application of the law would amount to €7.2 million for the period between mid-2005 and the end of 2009. No clear ruling was made on the potential retroactive application of the legislation by the European Court of Justice. Telenet has reserved the necessary provisions to cover this risk. In addition, the 2005 Electronic Communications Law, in its annex, provides for the establishment of a database with respect to the various customer categories eligible to the social tariff. The 2003 BIPT Law provides for the division of the cost of maintaining such database between the operators.

#### *Fixed-Mobile Interconnection*

In general, interconnection termination rates charged by mobile network operators are significantly higher than those charged by fixed-line operators. The BIPT has designated both Belgacom Mobile NV (which operates under the names "Proximus" and "Pay & Go"), Mobistar NV and BASE NV as entities that have SMP in the national interconnection market. See "*—Provisions Applicable to all Electronic Communications—Entities with Significant Market Power.*" As a result, under the current regulatory regime these mobile operators are required to charge interconnection rates that are based on their cost of providing services. In addition, their rates are required to be non-discriminatory and transparent.

The BIPT decisions on the implementation of a glide path for interconnection rates have been annulled by the Court of Appeal of Brussels, on the request of the above mobile network operators. In the meantime, the BIPT has adopted a retroactive decision repairing its initial decision. The BIPT, in its capacity of national regulator, has also adopted a new decision for the coming years. Following the latest market analysis, the BIPT imposed a sharp declining glide path, resulting in a mobile termination rate of €1.07 cent/per minute in January 2013.

#### *Privacy Protection*

In addition to applicable general privacy protection regulations, the 2005 Electronic Communications Law contains several provisions that address privacy protection in the electronic communications sector.

A first set of provisions concerns data processed for the purpose of the conveyance of a communication on an electronic communications network or for the billing thereof ("traffic data"). Operators must erase traffic data when it is no longer needed to transmit a communication, although certain traffic data may be processed for the purposes of subscriber billing and interconnection payments. Providers may process traffic data to market their own electronic communications services or for the provision of services with traffic data or location data, if the subscriber or user has consented to that processing.



“Location data” are data processed in an electronic communications network, indicating the geographic position of the terminal equipment of a user of a publicly available electronic communications service. Operators of mobile networks may process location data other than traffic data, relating to subscribers or users, only when made anonymous or with the consent of the users or subscribers to the extent and for the duration necessary for the provision of a service with traffic data or location data.

Finally, the 2005 Electronic Communications Law provides that subscribers must be given the opportunity to opt out of telephone directories or to limit the extent of personal information included in the directories.

### ***Internet Regulation***

Telenet’s activities as an internet service provider (an “ISP”) are subject to the Belgian law of March 11, 2003 on certain legal aspects of information society services (*Wet betreffende bepaalde juridische aspecten van de diensten van de informatiemaatschappij als bedoeld in artikel 77 van de Grondwet/Loi sur certains aspects juridiques des services de la société de l’information visés à l’article 77 de la Constitution*) (the “2003 ISP Law”), which, in relevant part, sets forth the rights and duties of ISPs when its electronic communications network is used to transmit content that infringes relevant intellectual property rights. The 2003 ISP Law provides, as a general matter, that ISPs, such as Telenet, cannot be held liable for information transmitted over an electronic communications network. ISPs must, however, deliver requested information to the judicial authorities upon their formal request. In addition, once an ISP has formal notice that illegal content is being transmitted over its network, it must inform the relevant enforcement authorities as soon as possible. The immunity provided for ISPs in the 2003 ISP Law was however weakened by the adoption of Directive 2001/29/EC on the harmonization of certain aspects of copyright and related rights in the information society (the “Copyright Directive”). The Copyright Directive provides the possibility for right holders to apply for an injunction against intermediaries who carry a third party’s infringement of a protected work in a network. The Belgian legislator implemented the provisions regarding injunctions into national law in 2007, at the occasion of the implementation of Directive 2004/48/EC on the enforcement on intellectual property rights that provides for similar injunctions with respect to other intellectual property rights. The Belgian law of May 9, 2007 on the civil aspects of the protection of intellectual property rights (*Wet betreffende de burgerrechtelijke aspecten van de bescherming van intellectuele eigendomsrechten/Loi relative aux aspects civils de la protection des droits de propriété intellectuelle*) amended the 1994 Copyright Law to enable Belgian courts to order the cessation in respect of intermediaries whose services are being used by third parties to commit a copyright infringement.

### ***Broadcasting Regulation***

#### ***Overview***

Unlike telecommunications, which is subject to comprehensive federal regulation, radio and television broadcasting is generally regulated by the Flemish, French and German-speaking communities of Belgium. The Belgian constitutional court (*Grondwettelijk hof/Cour constitutionnelle*) has determined that the regulatory authority of the Belgian Communities applies to all relevant broadcasting technologies, and thus includes satellite, terrestrial, DSL and cable broadcasting. The Flemish and French Communities have adopted legislation (in the form of decrees) that governs the provision of broadcasting services in their respective jurisdictions. The federal government retains authority to regulate broadcasting in Brussels. In addition, the federal government can regulate certain non-broadcast aspects of radio communications, including limiting the power of broadcast emitters and establishing safety and technical requirements for radio receivers and other equipment.

On February 10, 2006, the Flemish government formally established the office of the VRM. The VRM is divided into a “general chamber” and a “chamber for dispute resolution and the protection of youth”. The power that was previously vested in the “*Vlaams Commissariaat voor de Media*” as well as that vested in certain other regulators in the media sector was transferred to the VRM. The VRM enforces media regulations in the Flemish Community, decides litigation regarding media regulation and grants media authorizations and licenses.

#### ***Licenses and Authorizations***

Under the previous regime, Telenet held two types of license to transmit and distribute cable television signals to subscribers—licenses related to the delivery of signals to subscribers over its local loop and a

license related to the transportation of signals over its fiber backbone to the head ends on the Combined Network. Pursuant to the EU Framework, those licenses were replaced with a “general authorization” system since 2004, pursuant to which any operator wishing to offer electronic communications services need only notify the competent authority.

Telenet also holds broadcasting licenses—now known as notifications—for its Pay TV services (under the “PRIME” brand) and one for Studio100 TV, a TV channel broadcasting children’s content.

#### *General Authorization*

The Flemish decree of March 27, 2009 on radio and television broadcasting (*Decreet betreffende radio-omroep en televisie*) (the “2009 Broadcasting Decree”) stipulates that those who held an individual license at the time the 2004 Framework Decree entered into force will be deemed to have submitted the required notification. Telenet therefore does not need to notify the VRM of its activities as long as no change to its operations occurs.

#### *Must Carry*

The 2009 Broadcasting Decree imposed certain must carry obligations on cable operators. These rules were to a large extent based on the language of the content broadcast—the Flemish Community has stated that it is in the public interest for every citizen to receive information, education, culture and entertainment in his or her own language. These rules have an unlimited duration and effectively apply only to cable networks.

The 2009 Broadcasting Decree regulates the radio stations and television channels that Telenet is permitted to transmit over the Combined Network by providing certain criteria they must comply with. Channels that do not comply with those criteria cannot be transmitted without the consent of the VRM. The 2009 Broadcasting Decree requires Telenet to transmit the following radio stations and television channels:

- analog radio stations and the television channels of VRT, the Flemish public broadcaster;
- the television channels of authorized regional broadcasters of the Flemish Community;
- two radio stations and two television channels of RTBF, the public broadcaster of the French Community, and the radio station of the public broadcaster of the German Community; and
- two radio stations and the television channels (Nederland 1, Nederland 2 and Nederland 3), of the public broadcaster of the Netherlands.

Pursuant to these regulations, Telenet must carry eight television channels in Flanders. Subject to certain conditions, the Flemish Government can award “must-carry” status to other broadcasters. Telenet may charge commercial rates for carrying these stations and channels over the Combined Network. However, Telenet must carry the programs of the regional broadcasters for free. Telenet must also carry free of charge the programs of the public broadcasters. The Flemish Community is under no obligation—and does not—compensate Telenet for broadcasting the regional broadcasters’ channels over the Combined Network.

#### *Draft Decisions of the BIPT, the VRM, the CSA and the Medienrat*

In December, 2010, the BIPT, the VRM, the CSA and the Medienrat published their respective draft decisions reflecting the results of their joint analysis of the retail television market in Belgium. For Telenet, only the draft decisions of the BIPT, the VRM and the CSA are relevant. In addition, the BIPT published an analysis of the wholesale broadband market in Belgium.

These draft decisions, if adopted and implemented in their current form, would impose regulatory obligations both on cable operators, based on the retail television market analysis, and on the incumbent telecom operator, Belgacom, based on the wholesale broadband market analysis.

For cable operators, the remedies in their respective footprints would include (1) an obligation to make a resale offer at “retail minus” (as described below) of the cable analog package available to third party operators, (2) an obligation to grant third party operators access to the digital television platforms, and (3) an obligation to make a resale offer at “retail minus” of broadband internet access available to beneficiaries of a resale television or digital television access obligation that wish to offer bundles to their customers.

For Belgacom, the remedies would include (1) an obligation to provide wholesale access to the local loop, (2) an obligation to provide wholesale internet access at bitstream level and (3) an obligation to provide wholesale multicast access for distribution of television channels.

If these draft decisions would be adopted and implemented in their current form, they would imply that access must be granted against a wholesale tariff, capped at the tariff computed on the basis of the “retail-minus” method (being the retail price for the offered service, excluding VAT and copyrights, and further deducting the retail costs it avoids by offering the wholesale service (such as costs for billing, franchise, consumer service, marketing, and sales)). No further guidance is provided in the draft decisions. The regional regulator would have to approve the wholesale tariff so determined by Telenet before Telenet could apply it in its reference-offer (*i.e.*, the offer that it has to apply in a non-discriminatory manner to each service provider). The reference-offer would also be subject to public consultation and publication before it could take effect.

The competent regulators are currently holding a public consultation on the proposed measures. The draft decisions are subject to a number of subsequent steps before becoming final, including coordination of the decisions between the federal and regional regulators, non-binding advice by the Competition Council and subsequent binding input from the European Commission.

Telenet believes that there are serious grounds to challenge the findings of the regulators’ retail television market analysis and the resulting regulatory remedies. It cannot be ruled out, however, that this process could eventually lead to one or more regulatory obligations being imposed upon Telenet. The draft decisions aim to, and may, strengthen Telenet’s competitors by granting them access to Telenet’s network. It is unclear, however, what effect these draft decisions, if adopted and implemented in their current form, would have on competition. See “*Risk Factors—Risks Relating to Legislative and Regulatory Matters—Telenet may become subject to more extensive regulation if it is deemed to possess significant market power in any of the markets in which Telenet operates*”.

#### *Pricing of Cable Package*

The Belgian law of January 22, 1945 on economic regulation and pricing (the “1945 Pricing Law”) and the Ministerial Decree of April 20, 1993 regarding special regulation on prices (the “1993 Ministerial Decree”) require television services distributors, among others, to receive the prior consent of the Minister of Economy before they can implement any price increase of their basic package. The 1993 Ministerial Decree, which is applicable in the French and Flemish communities as well as Brussels, specifies the procedures that television services distributors, including Telenet, must follow in order to increase fees charged to subscribers. Pursuant to the Pricing Law and the Royal Decree of June 3, 1969, the Pricing Committee was established to advise the Minister of Economy on pricing policies and to administer the price increase process. The Pricing Committee is a part of the national Ministry of Economy. It consists of a president, a vice-president, two reporters, a legal advisor and 88 members, of whom half are alternate members. Members of the Pricing Committee are drawn from various industry and user groups. Individual matters brought before the Pricing Committee are reviewed by a subcommittee consisting of the president, the vice-president, reporters, secretaries, representatives of the Ministries of Economy and Finance and ten members who come from the specific industries and user groups with knowledge of the subject matter under review.

A television services distributor may not charge more for its services than the price approved by the Minister of Economy, whose decision is based on the recommendation of the Pricing Committee. Companies may, however, freely decide to charge amounts under this maximum. The latest increase of €6 per annum was implemented in February 2009.

Copyright fees charged to subscribers are not subject to these pricing restrictions.

Prices for new products in, among others, the “teledistribution” sector, must be notified to the service of General Inspection of Prices and Competition, established by the 1993 Ministerial Decree, no later than ten days before they are implemented.

#### *Copyright and Retransmission Restrictions*

The Belgian law of June 30, 1994 on copyright and neighboring rights (*Wet betreffende het auteursrecht en de naburige rechten/Loi relative au droit d’auteur et aux droits voisins*) (the “1994 Copyright Law”) governs the distribution activities of cable companies and *inter alia*, implemented the Council Directive 93/83/EEC of September 27, 1993 on the coordination of certain rules concerning copyright and rights related to

copyright applicable to satellite broadcasting and cable retransmission (the “Satellite Directive”). The national government, acting through the Ministry of Economy, regulates all issues related to copyright. These regulations apply to Telenet’s basic cable television offerings, in both digital and analog format.

Pursuant to case-law of the Belgian Supreme Court and the 1994 Copyright Law, cable companies must receive approval from the holders of the relevant copyrights and related rights to transmit protected works over the cable operators’ networks, irrespective of whether the works are redistributed, directly injected or directly generated by the cable company.

Telenet broadcasts copyrighted works over its cable network pursuant to agreements with several broadcasters and agencies that represent the holders of various foreign and domestic copyrights. These agreements have been the subject of litigation.

In Telenet’s on-demand offerings it complies with the provisions of the 2009 Broadcasting Decree that limit the broadcasting of programs with restricted content through the use of encryption.

### *Interactive Digital Television*

In September 2005, Telenet began offering iDTV to its cable television subscribers. In addition to a selection of digital cable television channels, customers are able to access a variety of interactive features, including e-mail, text messaging and other internet services. See “—*Telenet’s Products and Services—Cable Television—Premium Tier Cable Television.*”

### *Local Regulations*

Telenet is subject to certain local regulations with respect to its networks, including network rights of way. For telecommunications networks, the 1991 BIPT Law explicitly provides that public authorities (e.g. municipalities) cannot charge network operators for the rights of way granted to them. Several municipalities have implemented a model regulation requiring payment for “the municipal services and the use of the municipal public domain as a result of works on permanent utilities on the municipal public domain.” Telenet has asked the Flemish provincial governors to suspend these regulations on the grounds that they violate the 1991 BIPT Law. Several province governors have confirmed that the regulations do not apply to Telenet’s networks because they are superseded by the 1991 BIPT Law. Telenet cannot exclude that in future the free rights of way article in the 1991 BIPT Law will be amended and may require it to incur significant costs in the future. However, Telenet has to pay the Flemish region retributions for the use of the public domain, e.g. rights of way of regional streets. This amounts to approximately €150,000 annually.

### *Competition Law*

In addition to sector-specific regulations, Telenet is also subject to EU and national competition rules. The EU competition rules, based on the Treaty on the Functioning of the European Union, are directly applicable in Belgium. These provisions prohibit anti-competitive behavior by a company having a dominant position in the market, as well as collusion between competitors that could affect trade between member states of the EU, and that has the objective or effect of restricting or preventing competition within the EU. The Belgian competition rules contain identical provisions that are applicable where the Belgian market, or a substantial part of it, is affected. The European Commission, the Competition Council and the Belgian civil courts have jurisdiction in cases involving any violation or suspected violation of these provisions.

EU and national competition rules could limit Telenet’s ability to offer bundled telephony services, internet services, television services and/or intermediary interactive products. See “—*Provisions Applicable to All Electronic Communications—Bundled Sales.*” The market abuse prohibition could prevent Telenet from bundling a service or product for which Telenet has a significant market position with a service or product for which Telenet has no such position. In particular, it may be that bundled sales of its television offerings will be allowed to a lesser degree due to Telenet’s market share for television distribution. See “—*Telenet’s Products and Services—Residential Sales, Marketing and Customer Care.*”

### *Employees*

As of September 30, 2010, Telenet had an aggregate of approximately 1,945 employees, certain of whom belong to organized unions and works councils. Certain of Telenet’s subsidiaries also use contract and

temporary employees, which are not included in this number, for various projects. Telenet believes that its employee relations are good.

### **Properties**

Telenet leases its headquarter buildings pursuant to two sale-leaseback arrangements with KBC Bank NV (“KBC”), which is the security agent and a lender under the Senior Credit Facility and Dexia Lease Services (“DLS”). The leases expire on December 31, 2021.

Telenet owns one shop in Schaarbeek, and leases a shop in Leuven as well as the properties that form the BelCompany retail mobile shops. Telenet leases office space for its external call centers in St-Truiden, Aalst and Herentals. Telenet rents office space and warehouse in the following regions: Roeselare, Merelbeke, Wijgmaal and Herentals.

Telenet’s fiber and coaxial network runs through public and private rights of way. Article 99 of the 1991 Law (see “—Regulation—Telephony Regulation—Overview”) grants Telenet free rights of way on public land. Approximately 95% of Telenet’s rights of way are over public land, and it pays a relatively small amount of taxes to Flanders in connection with these public rights of way. With the introduction of the EU Framework, it is possible that additional taxes could be imposed on these public rights of way by local municipalities. See “Risk Factors—Risks Related to Regulatory and Legislative Matters—Pending legislation may significantly alter the regulatory regime applicable to Telenet, which could adversely affect its competitive position and profitability.” The 1991 Law also grants Telenet a right to run its network lines over private land provided that it pays the owner of the land fair compensation. Disputes concerning the amount of compensation to be paid for private rights of way are resolved by the BIPT. In general, Telenet’s fiber optic cable runs in trenches shared with utilities and other service providers and its coaxial cable runs in trenches to which it alone has access. Approximately 40% of Telenet’s local loop is above ground.

The buildings housing of Telenet’s switches and head end stations are a vital part of its network. Telenet owns three switch buildings (Asse, Gent and Hasselt), and has ownership rights (*opstalrechten*) in two further switch buildings (Roeselare and Hoboken) until June 30, 2046 and December 31, 2046, respectively. Some head end stations are located in stand-alone structures and others are parts of larger utility and similar complexes. Telenet owns 26 of its head end stations and have ownership rights in 19 further head end stations.

Telenet owns 22 antenna stations which it leases to other mobile operators.

### **Advertising**

Telenet has entrusted a joint venture incorporated together with the Vlaamse Audiovisuele Regie NV and Concentra NV with the management of its online advertising on an exclusive basis.

### **Sponsorship**

In order to promote Telenet’s brand and image, Telenet regularly enters into promotion and sponsorship agreements, notably with major sports teams and/or sport players which, Telenet believes, portray its goals and values. Those contracts are usually entered into for a limited number of sport seasons and can be terminated by Telenet in a number of instances, including in case Telenet is likely to suffer reputational damages due to the sponsoree’s misbehavior.

### **Environmental Matters**

Telenet’s operations are subject to a variety of laws and regulations relating to land use and environmental protection.

### **Legal Proceedings**

Telenet is involved in a number of legal proceedings that have arisen in the ordinary course of its business, as Telenet operates in a very competitive environment. Litigation could arise in connection with, amongst other things, intellectual property, advertising, campaigns, product offers, the pursuit of acquisition opportunities. Telenet discusses below certain pending lawsuits in which Telenet is involved. Other than as discussed below, Telenet does not expect the legal proceedings in which Telenet is involved or with which Telenet has been threatened to have a material adverse effect on its business or consolidated financial



position. Telenet notes, however, that the outcome of legal proceedings can be extremely difficult to predict with certainty, and Telenet offers no assurances in this regard.

#### ***Litigation concerning the in-principle agreement concluded between Telenet and the PICs, Interkabel and INDI***

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 PICs Agreement, which closed effective October 1, 2008. Beginning in December 2007, Belgacom, 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.

This appeal judgment has been confirmed by the Belgian Supreme Court (*Hof van Cassatie/Cour de cassation*), on September 24, 2010. 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 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 PICs Agreement not be rescinded. However, the claim for compensation has not yet been 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 PICs' 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 PICs Agreement. Belgacom's efforts to suspend approval of these agreements were unsuccessful. Final judgment in the Council of State annulment cases, which may be joined, is expected to take up to two years.

It is possible that Belgacom or any third party or public authority 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 PICs Agreement. No assurance can be given as to the outcome of these or other proceedings. However, an unfavorable outcome of existing or future proceedings could potentially lead to the rescission of the PICs Agreement and/or to an obligation for Telenet to pay compensation for damages, subject to the relevant provisions of the PICs Agreement. Telenet does not expect the ultimate resolution of this matter to have a material impact on its results of operations or financial condition.

#### ***Interconnection litigation***

Telenet has been involved in regulatory and court proceedings with Belgacom in relation with the increased interconnection fees that it 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 (including Belgacom) had been charged on a reciprocal basis, whereby the interconnection termination rates that Belgacom charged Telenet were the same as the interconnection termination rates Telenet charged Belgacom.

This fee arrangement made it difficult for Telenet to provide telephony services at a profitable level, because it did not have the benefit of the comparable economies of scale to be able to achieve the same unit cost as Belgacom. Telenet requested permission from the BIPT to increase its 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 Telenet's increased termination rates. In a series of rulings in June and August of 2002, the BIPT approved, under protest of Belgacom, Telenet's request to increase the rates it charges other telephone operators to terminate domestic calls on the Combined Network. Telenet raised its 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 Belgian Council of State.

On July 3, 2002, the Belgian Council of State rejected an emergency request from Belgacom to suspend the implementation of the increased interconnection termination rate. Meanwhile the auditor of the Belgian Council of State has advised the Council on the merits of the case to annul the BIPT decision for lack of motivation. A hearing was held on January 29, 2009 and the final judgment by the Belgian Council of State is to be expected in 2011. Belgacom has also filed a related compensation claim of €75 million before the Court of First Instance of Brussels.

Separately, Belgacom challenged the higher rates before the Commercial Court of Mechelen, alleging that the new rates constituted abusive pricing. The court found no indication that Telenet's interconnection rates 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 which annulled the decision of the Court of Appeal of Antwerp on May 29, 2009 for lack of motivation and referred the case to the Court of Appeal of Gent. Independent legal advice obtained by Telenet has concluded that the probability of a retroactive claim is remote. Moreover, a new article has been included into the 2005 Electronic Communications Law, allowing the BIPT to repair annulled BIPT decisions retroactively.

Following the transposition of the EU Regulatory Framework into 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 of Brussels arguing for a faster reduction in Telenet's interconnection rates. Telenet has also launched an appeal with the Court of Appeal of Brussels arguing that the reduction in its interconnection rates should be cost oriented.

### ***Copyright litigation***

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") has been involved in discussions with various copyrights collecting agencies regarding the fees to be paid to the latter for the broadcasting of various television programs since 1994. In November 2002, the RTD, together with certain Belgian cable operators (among which Telenet), began reaching settlements with the copyright collecting agencies and broadcasters. Pursuant to those settlement agreements, to which Telenet acceded, Telenet agreed to make certain upfront payments as well as to make increased payments over time. Consequently, in August 2003, Telenet increased the copyright fee it charges its subscribers.

In 2006, Telenet started a judicial procedure against a number of 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 neighboring rights in case of (i) simulcast, (ii) direct injection and (iii) all rights included contracts.

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

Telenet remains 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 RTD 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. Telenet does not expect the ultimate resolution of this matter to have a material impact on its results of operations or financial condition.

### ***Broadcaster Litigation***

Telenet is involved in judicial proceedings with SBS Belgium with respect to the fees to be paid to the latter for the broadcasting of the Belgian television channels VT4 and VijfTV since 2004. SBS Belgium claims that Telenet has leveraged its dominant position in the wholesale market for television services to impose discriminatory terms on SBS Belgium during the negotiation of the distribution and carrier agreements entered into by and between the parties, and which expired on September 30, 2008, and to resist entering

into a new distribution agreement with SBS Belgium on terms satisfactory to the latter. SBS Belgium claims €14.2 million for the broadcasting of VT4 and VijfTV until October 1, 2008 and an additional €9.85 million from October 1, 2008 up to today. SBS Belgium is also seeking an injunction from the court barring Telenet from discontinuing the broadcasting of the television channels VT4 and VijfTV. Given the limited likelihood of success on the merits, Telenet has not retained any provision in connection with SBS Belgium's claim.

### *Equipment supplier litigation*

On November 21, 2005, Telenet terminated its agreement with M-Tec NV ("M-Tec"), a network equipment supplier, for the delivery of amplifiers for use in its Expressnet upstream upgrade project, following persistent issues with the quality of the equipment delivered by M-Tec. Separately, Telenet provisioned expenses resulting from its decision to write off certain equipment delivered by M-Tec during 2005. Following Telenet's termination of M-Tec's contract, M-Tec started litigation against Telenet, claiming €1.6 million for unpaid invoices and €5.0 million in damages for unlawful termination. Telenet made a counterclaim asserting that it had rightfully terminated the agreement due to M-Tec's repeated breaches and claiming damages for an amount to be determined by expertise. On December 7, 2005, the Court of First Instance of Mechelen 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 of Mechelen which M-Tec initiated on January 19, 2006, 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 ("Unitron"), initiated proceedings against Telenet the judgment for which remains pending. 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 December 7, 2005 judgment of the Court of First Instance. On September 25, 2006, the Court of Appeal of Antwerp revoked, for violation of Telenet's rights of defense, the December 7, 2005 judgment that was against Telenet in Telenet's favor. Following this, sums previously paid by Telenet on the basis of the December 7, 2005 judgment into the blocked account were restituted to Telenet. Two judicial experts—one technical, one financial—have been appointed by the Court of Appeal of Antwerp 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 stopped work as he found the mandate of the Court was unclear with regard to his objectives. The decision of the Court of Appeal of Antwerp on the extent of the expertise is pending.

Meanwhile M-Tec filed a request for judicial composition ("*gerechtelijk akkoord*" / "*concordat judiciaire*") on February 17, 2006, granting a temporary moratorium against its creditors, following which 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 January 28, 2010 before the Court of Appeal of Antwerp. In addition, Telenet disputed successfully the validity of the reorganization plan that restructures M-Tec's creditors' claims since said plan, while admitting Telenet's claim for an amount of €614,000, does not actually provide for any payment in favor of Telenet.

Following the ruling of the Belgian Supreme Court on March 4, 2010 that the Court of Appeal of Antwerp unjustly revoked the decision of the Court of First Instance of 2006 to approve M-Tec's reorganization plan as part of the judicial composition proceeding, the case is to be heard by a different court of appeal. Telenet does not expect the ultimate resolution of this matter to have a material impact on its results of operations or financial condition.

## MANAGEMENT AND GOVERNANCE OF TELENET

### Board of Directors

#### *Composition*

The board of directors of Telenet Group Holding (the “Telenet Board of Directors”) currently consists of 15 members, three of whom are independent directors. See “—*Independent Directors*”. The articles of association of Telenet Group Holding (the “Telenet Articles of Association”) provide that the Telenet Board of Directors can be composed of a maximum of 17 directors, three of which must be independent directors. Directors are appointed for terms of up to four years. Directors appointed upon the resignation of a director resigning before the end of the normal term period continue to serve only the remaining portion of the original appointed term before requiring re-election. A shareholder who owns a majority of the total shares issued by Telenet Group Holding, has the right to nominate at least a majority of the members of the Telenet Board of Directors.

Eight of the 15 directors that are currently on the Telenet Board of Directors have been appointed upon nomination of the Liberty Global Consortium. The remaining directors are its Chief Executive Officer, directors appointed by former syndicate shareholders (who currently exercise their board mandate as individuals) and independent directors.

#### *Independent Directors*

The Telenet Board of Directors currently maintains three independent directors. Pursuant to the Telenet Articles of Association, independent directors are appointed by a majority of the shareholders from among candidates nominated by the majority of the members of the Telenet Board of Directors, upon advice of the Nomination Committee. See “—*Board Committees—Nomination Committee*”. Independent directors must satisfy the independence criteria of the Telenet Articles of Association and the Belgian Company Code.

#### *Observers*

The Telenet Articles of Association permit the holders of certain Golden Shares (as defined under “Principal Shareholders of Telenet”) of Telenet Group Holding to designate one observer to the Telenet Board of Directors, in case the MICs or Electrabel cease to be represented in the Telenet Board of Directors. The observer has the right to attend meetings of the Telenet Board of Directors and to receive all information provided to the Telenet Board of Directors, but is not entitled to vote and remains subject to the same confidentiality obligations as a member of the Telenet Board of Directors. Since the termination of their interests in the syndicate agreement concluded with, among others, the Liberty Global Consortium, the MICs and Electrabel have not claimed their right to appoint an observer as their former representative on the Telenet Board of Directors, Mr. André Sarens, continues to serve on the Telenet Board of Directors in his personal name.

#### *Telenet NV*

The board of directors of Telenet NV (the “Telenet NV Board of Directors”) is broadly composed and generally conducts business in the same way as the Telenet Board of Directors. With the exception of three directors who serve as the independent directors, the remaining members of the Telenet NV Board of Directors are identical to those of the Telenet Board of Directors.

## Members

As of the date hereof, the members of the Telenet Board of Directors and the Telenet NV Board of Directors, their ages as of the date of this offering memorandum, and the expiry of their terms, are set out in the chart below:

Name <sup>(1)</sup>	Age	Position <sup>(2)</sup>	Term
Frank Donck . . . . .	45	Chairman of the Board	2012
Duco Sickinghe . . . . .	52	Chief Executive Officer and Managing Director	2012
James Ryan . . . . .	45	Director	2011
Manuel Kohnstamm . . . . .	48	Director	2011
Diederik Karsten . . . . .	54	Director	2011
Ruth E. Pirie . . . . .	41	Director	2011
Bernard G. Dvorak . . . . .	50	Director	2011
Niall Curran . . . . .	46	Director	2011
Alex Brabers . . . . .	45	Director	2012
Shane O'Neill . . . . .	49	Director	2012
André Sarens . . . . .	58	Director	2012
Charles Bracken . . . . .	44	Director	2012
Julien De Wilde <sup>(3)</sup> . . . . .	67	Independent Director, <i>Telenet Group Holding</i>	2011
Friso van Oranje-Nassau . . . . .	42	Independent Director, <i>Telenet Group Holding</i>	2014
Michel Delloye <sup>(4)</sup> . . . . .	54	Independent Director, <i>Telenet Group Holding</i>	2012
Michel Allé . . . . .	60	Independent Director, <i>Telenet NV</i>	2012
Guido De Keersmaecker <sup>(5)</sup> . . . . .	68	Independent Director, <i>Telenet NV</i>	2012
Jozef Roos <sup>(6)</sup> . . . . .	67	Independent Director, <i>Telenet NV</i>	2012

(1) The business address of each of the members of the Telenet Board of Directors and the Telenet NV Board of Directors is Liersesteenweg 4, 2800 Mechelen, Belgium.

(2) Unless specifically identified, each member is a member of both the Telenet Board of Directors and the Telenet NV Board of Directors. With the exception of the Chief Executive Officer/Managing Director, all directors are non-executive directors.

(3) As permanent representative of De Wilde J. Management BVBA.

(4) As permanent representative of Cytifinance NV.

(5) As permanent representative of Abaxon BVBA.

(6) As permanent representative of JRoos BVBA.

The following paragraphs set for biographical information regarding the members of the Telenet Board of Directors and the Telenet NV Board of Directors.

### *Frank Donck, Chairman of the Board*

Frank Donck has served as a director of Telenet Group Holding and Telenet NV since 1996 and as Chairman of the Telenet Board of Directors and the Telenet NV Board of Directors since December 2004. Mr. Donck is a director of several other companies, the majority of which are privately held. His principal directorships are Ibervest NV, where he has served as an Executive Director since 1987; 3D NV, where he has served as a Managing Director since 1992 and Tris NV where he has served as Managing Director since 1994. He also serves as a member of the board or chairman of Atenor Group NV, Anchorage NV, KBC Group NV and Zenitel NV, among other companies. Mr. Donck attended the University of Ghent where he obtained a Master's degree in Law and the Vlerick School for Management, University of Ghent where he obtained a Master's degree in Finance.

### *Alex Brabers, Director*

Alex Brabers has served as a director of Telenet Group Holding and Telenet NV since 1998. Mr. Brabers is Executive Vice President Technology at GIMV, a Belgian based investment company partly owned by the Flemish government. Mr. Brabers joined GIMV as Investment Manager in 1990. At GIMV, Mr. Brabers has been responsible for international venture capital investments in the field of information and communications technology. He holds board positions at several companies in which GIMV has invested.



*Charles Bracken, Director*

Charles Bracken has served as a director of Telenet Group Holding and Telenet NV since July 2005. Mr. Bracken is Senior Vice President and a Co-Chief Financial Officer of LGI, positions he has held since April 2005 and June 2005, respectively. Mr. Bracken served as the Chief Financial Officer of Liberty Global Europe, Inc. (formerly UGC Europe, Inc.) and its predecessors from November 1999 to June 2005, and as a member of the Board of Management of United Pan Europe Communications N.V. (then a publicly traded company (UPC)) from July 1999 to September 2003. In addition, Mr. Bracken serves as a member of the Board of Management of Liberty Global Europe Holding BV and as an officer and/or director of various European and U.S. based subsidiaries of LGI.

*Niall Curran, Director*

As Chief Operating Officer (COO) of Chellomedia BV, the European content division of LGI, Niall Curran oversees all operations and business units. This includes responsibility for performance and development of basic pay TV channels, premium and on demand TV content distributed to cable, DTH, IPTV and mobile platforms as well as web content and interactive TV services. Mr. Curran joined a predecessor of Liberty Global Europe Holding BV in 2000 focusing on operational restructuring during the turnaround of UPC. He took on leadership of the media operations in 2002 and was responsible for the group's European broadband internet product management and was appointed COO in 2003. From 1995 to 2000, Niall Curran was with the Walt Disney Company leaving from the position of Executive Vice President Operations for Walt Disney Europe. Prior to that he was part of the management team responsible for the international development of Disney channels, TV investments, programme distribution and production businesses. Niall Curran received a BSc in Physics from Manchester University.

*Julien De Wilde, Independent Director of Telenet Group Holding (representing De Wilde J. Management BVBA)*

Julien De Wilde has served as an independent director of Telenet Group Holding since May 2004. In 2007, he resigned and was replaced by De Wilde J. Management BVBA, which he permanently represents. His experience includes 13 years at Alcatel where he served as President and Chief Executive Officer of Alcatel Bell, and as a member of its Management Committee. Mr. De Wilde has also served as Executive Vice President of Alcatel Europe, Middle East, Africa and India and as a member of the worldwide Alcatel Executive Committee. Prior to joining Alcatel, Mr. De Wilde held several senior posts at Texaco Belgium and on the European Management Board of Texaco Europe. Mr. De Wilde was also Managing Director of the Bekaert Group. Currently he serves as Chairman of the Board at Nyrstar NV and Agfa Gevaert Group. He holds also other directorships at Bekaert NV and KBC Bank NV.

*Michel Delloye, Independent Director of Telenet Group Holding (representing Financière des Cytises (Cytifinance) NV)*

Michel Delloye is the permanent representative of Cytifinance NV, a management and consulting company that has served as an independent director of Telenet Group Holding since May 2003. From 1998 to 1999, Mr. Delloye was Chief Executive Officer of Central European Media Enterprises, and from 1992 to 1996 he served as Chief Executive Officer of RTL Group, the European television and radio broadcaster. From 1984 to 1992, Mr. Delloye held numerous positions in both Belgium and the United States at Group Brussels Lambert, serving as General Manager prior to his departure. Mr. Delloye was Chairman of the Board at EVS Broadcast Equipment NV until May 18, 2010 and since July 1, 2010 he serves as Chairman of the Board at Compagnie du Bois Sauvage SA. He also serves on the boards of directors of, among other companies, Brederode NV, Matexi Group NV, VC Drilling NV and Mediatrix NV. Mr. Delloye obtained a law degree from the Université Catholique de Louvain.

*Bernard Dvorak, Director*

Bernard G. Dvorak is a Senior Vice President and a Co-Chief Financial Officer of LGI, a position he has held since June 2005 when LGI became a U.S. publicly traded company upon the combination of Liberty Media International, Inc. and UnitedGlobalCom Inc. Mr. Dvorak served as a Senior Vice President and Controller of Liberty Media International, Inc., then a U.S. publicly traded company, from March, 2004. Prior to that, Mr. Dvorak was Senior Vice President, Chief Financial Officer and Treasurer of On

Command Corporation, a subsidiary of Liberty Media Corporation. Mr. Dvorak holds a B.S. degree from Ferris State College.

*Diederik Karsten, Director*

Diederik Karsten became Managing Director, European Broadband Operations of UPC Broadband division, the largest division of LGI, on January 1, 2011. Previously Mr. Karsten served as Chief Executive Officer of UPC Nederland BV, a subsidiary of LGI, and part of the UPC Broadband division. Before joining UPC Nederland BV in July 2004, Mr. Karsten was director of EasyJet PLC, a low cost flight company. Today he is still a non-executive board member of EasyJet PLC. Mr. Karsten has also worked at KPN Mobile BV, PepsiCo and Procter & Gamble, where he held various marketing and general management functions, both in The Netherlands and in foreign countries. Diederik Karsten holds a degree in business economics from Erasmus Universiteit Rotterdam, with specializations in Marketing and Accountancy.

*Manuel Kohnstamm, Director*

Manuel Kohnstamm started his career with consulting firm European Research Associates, Brussels, conducting macroeconomic and policy studies on telecommunications and defense industries for EC institutions. In 1992, he worked for Time Warner Europe as Vice President, Public Affairs. Mr Kohnstamm has been with Liberty Global Europe Holding BV and its predecessors since 2000 and has held positions in corporate affairs, public policy and communications. Currently, he is responsible for government affairs, external relations and communications for LGI in Europe, based in Amsterdam and Brussels. He is Member of the Board of VECAL, the Dutch Association of Cable Operators, European Cable Communications Association and International Communications Round Table. He also serves as Chairman of Cable Europe.

*Shane O'Neill, Director*

Shane O'Neill has served as a director of Telenet Group Holding and Telenet NV since December 2004. Mr. O'Neill currently serves as a Senior Vice President and the Chief Strategy Officer of Liberty Global and is responsible for strategic planning, mergers and acquisitions and corporate development activities. Mr. O'Neil also serves as President of Chellomedia BV, LGI's content and services division. Previously, he held a variety of finance and operating roles at Macquarie Bank, KPMG and, until 1999, Goldman Sachs. While at Goldman Sachs, Mr. O'Neill worked in the New York, Sydney and London offices and advised on mergers and acquisitions and corporate financings to clients in the media and communications industry. Mr. O'Neill is an officer of various European subsidiaries of LGI.

*Ruth Pirie, Director*

Ruth Pirie has been the Chief Financial Officer for Liberty Global Europe Holding BV, a subsidiary of LGI, since June 2005. Between September 2001 and June 2005, Ms. Pirie was the Co-Principal Accounting Officer of UnitedGlobalCom Inc., then a U.S. publicly traded company which subsequently became a subsidiary of LGI. Previously, Ms. Pirie held various financial and accounting positions, including Principal Accounting Officer, with Liberty Global Europe Holding BV and its predecessors since February 2000. Ms. Pirie served as the Managing Director of Investor Relations at Liberty Global Europe, Inc. (formerly UGC Europe, Inc.) from February 2000. Prior to joining Liberty Global Europe, Inc., between July 1995 and February 2000, Ms. Pirie worked in financial reporting and treasury positions in the UK Cable Industry (Cable & Wireless Communications plc and its predecessors and Intercomm Holdings LLC). Ms. Pirie began her career as an Auditor, spending 5 years in a Chartered Accountants practice achieving the position of Senior Audit Manager. During this time she completed her accountancy training and qualified as a Fellow of the Chartered Association of Certified Accountants in 1993.

*James Ryan, Director*

James Ryan has been with Liberty Global Europe Holding BV and its predecessors since 2000. He is Managing Director, Strategy and Corporate Development and is responsible for corporate development and strategy focusing on M&A, strategic planning and group strategy for the Europe operations of LGI. Mr. Ryan started his career at Bain in 1987, working across a number of industries in London, Paris and Milan, before joining MMG Patricoff (now Apax) in 1990. He subsequently worked in London for eight years, of which five were at the EBRD investing in the emerging central European countries and three in

investment banking. Since June 2005, Mr. Ryan has global responsibility for strategy and strategic planning across the regions of LGI's Europe Operations.

*André Sarens, Director*

André Sarens has served as a director of Telenet Group Holding and Telenet NV since December 2003. Mr. Sarens is currently Grid Participations Manager at Electrabel, having previously held numerous senior finance and administration positions related to Electrabel's utility service distribution activities in Belgium. In these capacities, he has represented Electrabel and the mixed intercommunales in their business dealings with Telenet NV from 1999. Mr. Sarens serves on the boards of several of the mixed intercommunales in Flanders, of Eandis and Electrabel Green Projects Flanders.

*Friso van Oranje-Nassau, Independent Director of Telenet Group Holding*

Friso van Oranje-Nassau has served as an independent director of Telenet Group Holding since September 2004. From 1998 to 2003, Mr. van Oranje was an investment banker at Goldman Sachs in London, where he served as an Associate and Executive Director, and from 1995 to 1997, he worked as a consultant at McKinsey & Company in their Amsterdam office. His clients have principally included companies in the communications, media and technology sectors, including several cable companies which he advised on financing, mergers and acquisitions and related activities. Mr. van Oranje is currently CFO designate of the Urenco group, an energy technology and services company operating in the nuclear fuel supply chain. He also serves as a director of Wizzair Limited, a leading Eastern European low-cost airline.

*Michel Allé, Independent Director of Telenet NV*

Michel Allé has served as an independent director of Telenet NV, since May 2005. He is currently the Chief Financial Officer of NMBS/SNCB Holding, the state owned company Belgian Railways. Previously, he was the Chief Finance Officer of BIAC NV/SA (Brussels Airport), a former state-owned company that was privatized in 2004. From 1987 to 2000, Mr. Allé was at the Cobepa Group, where he served as a member of the Management Committee from 1995 to 2000. He is currently a member of, among other boards, Euroscreen, Syntigo (a subsidiary of NMBS/SNCB Holding), Eurofima and MobilExpense. Mr. Allé is also a Professor of Finance at the Solvay Business School (ULB), where he served as President from 1997 to 2001, and a Professor of Economics at the Ecole Polytechnique of the ULB.

*Guido De Keersmaecker, Independent Director of Telenet NV (representing Abaxon BVBA)*

Guido De Keersmaecker is the permanent representative of Abaxon BVBA, a private limited Belgian company that serves as an independent director of Telenet NV. From 1993 until his retirement in 2003, Mr. De Keersmaecker served as a member of the Management Board and as a Managing Partner of consumer products manufacturer Henkel KGaA. Henkel focuses on offering home care products, toiletries, cosmetics and adhesives, and operates on a worldwide basis. Mr. De Keersmaecker served as Chairman of the board of Henkel Belgium NV from 2003 until 2008.

*Jozef Roos, Independent Director of Telenet NV (representing JRoos BVBA)*

Jozef Roos is the permanent representative of JRoos BVBA, a private limited Belgian company that has served as an independent director of Telenet NV, since May 2005. Until his retirement in 2003, he served as Executive Vice President of the steel company Arcelor and prior to that was Chief Executive Officer of ALZ NV from 1996. Currently, he is Chairman of K.U. Leuven, where he was a full professor for 18 years, and until 2004 served on the boards of several industrial and service companies including Distrigas NV, Fluxys NV, Haven Genk NV, Sidmar NV and ALZ NV (and several related steel companies). Currently, he is a director of Stichting De Tijd VZW and SD Worx NV. Previously, he also served as Chairman of VITO (Flemish Institute for Technology Research) and of the Flemish Science Policy Council.

*Votes of the Boards of Directors*

*General*

In principal, the Telenet Board of Directors and Telenet NV Board of Directors take their decisions by simple majority of the directors present or duly represented. For votes on certain matters, however, the Telenet Articles of Association impose special voting requirements, consisting of affirmative votes by certain directors. Changes to certain guarantees to the MICs on (i) price and content of the basic cable

television package, (ii) the quality and the speed of the roll-out obligations for the digital platform, and (iii) provision of public services which utilize new technologies to local public administrations at cost price (the “Public Interest Guarantees”) require the approval of the majority of the ten Class A directors on Telenet’s Regulatory Board. See “—Regulatory Board”.

### **Compensation**

The general meeting of shareholders of Telenet Group Holding approved the remuneration principles in its meetings of May 31, 2007 and April 28, 2010. Each director’s remuneration consists of a fixed and a variable part. All directors, except the Chief Executive Officer and the directors appointed upon nomination of the Liberty Global Consortium, receive an annual lump sum amount of €30,000 each. The chairman of the Telenet Board of Directors receives €60,000 per annum. For each physically attended meeting of the Telenet Board of Directors, these directors receive an amount of €2,500. The directors appointed upon nomination of the Liberty Global Consortium, receive an annual lump sum amount of €12,000 each. For each physically attended meeting of the Telenet Board of Directors, they receive an amount of €2,000. The annual lump sum amounts are only due if the director attends at least half of the scheduled board meetings. No additional remuneration is attributed for board committee meetings. The independent directors of Telenet NV are paid in the same way as the independent directors of Telenet Group Holding. 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 aggregate remuneration of the members of the board of directors amounted to €274,000 for Telenet Group Holding and to €90,000 for Telenet NV.

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.

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 (*Commissie voor het bank-, financie- en assurantiewezen/Commission bancaire, financière et des assurances*) (the “CBFA”).

### **Board Committees**

The Telenet Articles of Association and articles of association of Telenet NV provide that the board of directors of each such company must install an Audit Committee, a Human Resources and Compensation Committee, a Strategic Committee and a Nomination Committee (provided that the HRO Committee may also serve as Nomination Committee). The board of directors of each company may establish other committees in its own discretion. These committees are solely advisory bodies. They do not have the power to take binding decisions for Telenet Group Holding or Telenet NV.

#### **Audit Committee**

The Audit Committee is a committee of the Telenet Board of Directors, composed of certain board members who do not have any operational responsibility in the Telenet Group. It serves as the Audit Committee for Telenet Group Holding and Telenet NV.

The principal tasks of the Audit Committee include regularly convening to assist and advise the Telenet Board of Directors with respect to the monitoring of the financial reporting by Telenet Group Holding and its subsidiaries, the monitoring of the effectiveness of the systems for internal control and risk management of Telenet Group Holding and Telenet NV, 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 Telenet Group Holding and Telenet NV. The Audit Committee also meets at least once a year with the external auditor in the absence of the executive management.

The Audit Committee is composed of six members including one independent director of Telenet Group Holding, one independent director of Telenet NV 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 526 bis §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. In addition, all other members contribute broad experience and skills regarding financial items, which have a positive impact on the Committee's operation.

Telenet Group Holding has established a whistle blowing procedure, which has been reviewed by the Audit Committee and approved by the Telenet Board of Directors. Telenet Group Holding implemented the whistle blowing procedure in December 2008. This policy allows employees of Telenet Group Holding 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 do so. Complaints received through the telephone line or reporting website are handled by Telenet Group Holding's compliance officer and the chairman of the Audit Committee.

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

The members of the Audit Committee as of the date hereof were: Alex Brabers, Chairman; Michel Delloye (as permanent representative of Cytifinance NV), Charles Bracken, Bernard Dvorak, André Sarens and Michel Allé.

#### *Human Resources and Organization Committee*

The Human Resources and Organization Committee ("HRO Committee") is a committee of the Telenet Board of Directors, serving as HRO Committee for Telenet Group Holding and Telenet NV. Members of this committee do not have any operational responsibility in the Telenet Group.

The principal tasks of the HRO Committee include formulating proposals to the Telenet 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 the executive management.

The Committee is composed exclusively of non-executive directors and has five members. One of the members is an independent director of Telenet Group Holding and two of the members are independent directors of Telenet NV. The chairman of the Telenet Board of Directors also serves as chairman of the HRO Committee. Although the majority of the members are independent directors, it should be noted that two of these individuals are directors of Telenet NV rather than directors of Telenet Group Holding.

The members of the HRO Committee as of the date hereof were: Frank Donck, Chairman; Guido De Keersmaecker (as permanent representative of Abaxon BVBA), Shane O'Neill, Jozef Roos (as permanent representative of JRoos BVBA) and Julien De Wilde (as permanent representative of DeWilde J. Management BVBA).

#### *Strategic Committee*

The Strategic Committee of Telenet Group Holding is a committee of the Telenet Board of Directors, which meets from time to time with the Chief Executive Officer to review the general strategy of Telenet Group Holding and its subsidiaries.

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

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

The members of the Strategic Committee as of the date hereof were: Julien De Wilde (as representative of De Wilde J. Management BVBA), Chairman; Alex Brabers; Michel Delloye (as permanent representative of Cytifinance NV); Shane O'Neill and Friso van Oranje-Nassau.

#### *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 Telenet Board of



Directors, looking for potential directors and submitting their applications to the Telenet Board of Directors and making recommendations with respect to candidate-directors.

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

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

The members of the Nomination Committee as of the date hereof, were: Julien De Wilde (as permanent representative of De Wilde J. Management BVBA), Chairman; Alex Brabers; Michel Delloye (as permanent representative of Cytifinance NV); Shane O'Neill and Friso van Oranje-Nassau.

### ***Regulatory Board***

The Regulatory Board oversees the compliance of Telenet's group with the Public Interest Guarantees, which relate to its offering of digital television. The Regulatory Board consists of ten Class A directors and ten Class B directors. The Class A directors are appointed by the holders of Telenet's Golden Shares, and must include the members of the Telenet Board of Directors appointed upon joint nomination by Electrabel and the MICs. The Class B directors are nominated by the Telenet Board of Directors. All decisions of the Regulatory Board may only be taken by a majority of each of the Class A directors and Class B directors voting as a separate class.

### ***Corporate Governance Charter***

The Corporate Governance Charter of Telenet Group Holding has been updated by the Telenet Board of Directors on July 31, 2009, following the publication of the Belgian Corporate Governance Code 2009 on March 12, 2009, and on July 29, 2010, following certain internal reorganizations within the Telenet Group, and can be viewed on the website of Telenet Group Holding (<http://www.telenet.be>).

### **Senior Management**

Following a reorganization in October 2010, Telenet's executive management team consists of the following individuals (including their ages at the date hereof):

<u>Name</u>	<u>Age</u>	<u>Position</u>
Duco Sickinghe . . . . .	52	Chief Executive Officer and Managing Director
Jan Vorstermans . . . . .	50	Chief Operating Officer
Patrick Vincent . . . . .	47	Chief Commercial Officer
Renaat Berckmoes . . . . .	44	Chief Financial Officer
Inge Smidts . . . . .	33	Senior Vice President—Residential Marketing
Herbert Vanhove . . . . .	41	Senior Vice President—Product Management
Martine Tempels . . . . .	50	Senior Vice President—Telenet Solutions
Ronny Verhelst . . . . .	47	Executive Vice President—Public Affairs & Media and Chief Executive Officer Telenet Mobile
Luc Machtelinckx . . . . .	48	Executive Vice President and General Counsel
Claudia Poels . . . . .	43	Senior Vice President—Human Resources

#### ***Duco Sickinghe, Chief Executive Officer and Managing Director***

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 NV 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).

*Renaat Berckmoes, Chief Financial Officer*

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 MICs, Canal+ Flanders, Codenet, UPC Belgium, the acquisition of the analog and digital television customer base of PICs 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 Telenet Group Holding's public note issues in 2003, the initial public offering in 2005 and various refinancings of Telenet's Facility Agreement. 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.

*Luc Machtelinckx, Executive Vice President and General Counsel*

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 MICs, 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 years at BASF Antwerp as Legal Manager and as Communication Manager.

*Jan Vorstermans, Chief Operating Officer*

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. On October 10, 2010, he became the Telenet Group's Chief Operating Officer. 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.

*Patrick Vincent, Chief Commercial Officer*

Patrick Vincent joined Telenet in September 2004. He is currently Chief Commercial Officer, and until recently was 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.

*Inge Smidts, Senior Vice President—Residential Marketing*

Inge Smidts joined the Telenet Group in November 2009 and was responsible for Go-to-Market reporting to the Executive Vice President—Residential Marketing until she joined the executive team in October 2010. Prior to joining the Telenet Group, Ms. Smidts had over ten years of experience at Procter & Gamble, where she started as Assistant Brand Manager and was regularly promoted up to Business Leader for the Benelux Paper business. Ms. Smidts holds a Master's of Economics degree from UFSIA in Antwerp and an MBA in Marketing from the IAE in Aix-en-Provence.

*Herbert Vanhove, Senior Vice President—Product Management*

Herbert Vanhove joined the Telenet Group in March 2010 and was responsible for product management for the residential segment reporting to the Executive Vice President—Residential Marketing until he joined the executive team in October 2010. Prior to joining the Telenet Group, Mr. Vanhove held several

management positions at Qualcomm including Vice President and General Manager of Qualcomm's European Internet Services and 3G ASIC product line based in San Diego, USA. Prior to joining Qualcomm, Mr. Vanhove was product manager for S12 switching systems at Alcatel Bell (now Alcatel-Lucent) in Belgium. Mr. Vanhove holds a Master's of Science in Electrical Engineering from the University of Leuven and an MBA from San Diego State University.

*Martine Tempels, Senior Vice President—Telenet Solutions*

Martine Tempels joined the Telenet Group in January 2009. She is responsible for the Telenet Group's business-to-business division and joined the executive team in October 2010. Ms. Tempels started her career as Account Manager at NCR. In 1996, Ms. Tempels moved to EDS to become Account Manager and subsequently assumed additional responsibilities as Business Unit Manager for the financial and commercial sector. In 2007, Ms. Tempels was appointed Application Service Executive for the Northern and Central Region EMEA. Ms. Tempels holds a Master's in Business and Economics from Vrije Universiteit Brussel.

*Ronny Verhelst, Executive Vice President—Public Affairs & Media and Chief Executive Officer Telenet Mobile*

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. Since October 2010, he has also assumed responsibility for media management. 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. Mr. Verhelst will leave Telenet Group as of April 1, 2011.

*Claudia Poels, Senior Vice President—Human Resources*

Claudia Poels joined the Telenet Group in May 2008 as Vice President—Human Resources. In June 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.

## PRINCIPAL SHAREHOLDERS OF TELENET

The following chart identifies the principal and other holders of Telenet Group Holding's shares, as of February 7, 2011.

Name of shareholder	Number of Shares	Percentage of Shares <sup>(1)</sup>
Liberty Global Consortium <sup>(1)</sup> . . . . .	56,405,400 <sup>(2)</sup>	50.17%
BNP Paribas Investment Partners SA <sup>(3)</sup> . . . . .	5,595,908	4.98%
Norges Bank <sup>(4)</sup> . . . . .	3,382,022	3.01%
Registered shares held by employees . . . . .	22,776	0.02%
Public . . . . .	47,021,934	41.82%
<b>Total</b> . . . . .	<b>112,428,040</b>	<b>100.0%</b>

- (1) All shares of Telenet Group Holding held by Liberty Global Consortium are currently held by Binan Investments B.V.
- (2) This number includes 30 Golden Shares and 94,827 Liquidation Dispreference Shares; "Golden Shares" are shares held by each of the MICs offering them certain additional governance rights in order to supervise certain Telenet guarantees given to the MICs on provision of services, the Public Interest Guarantees; "Liquidation Dispreference Shares" are shares owned by Interkabel and the Liberty Global Consortium and which are subject to a liquidation dispreferential treatment in the case of a liquidation of Telenet Group Holding, and which can be converted into ordinary shares on the basis of a 1.04-for-1 ratio. The Golden Shares and Liquidation Dispreference Shares are otherwise identical to and participate in the capital in the same manner as the ordinary shares, and are included in the 112,428,040 aggregate number of outstanding shares of Telenet Group Holding.
- (3) BNP Paribas Investment Partners SA last notified Telenet Group Holding of its interest in the shares of Telenet Group Holding on November 24, 2010.
- (4) Norges Bank notified Telenet Group Holding of its interest in the shares of Telenet Group Holding on November 30, 2010.

## **CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS OF TELENET**

### **Conflicts of Interest**

Except as disclosed in this offering memorandum, there are no potential conflicts of interest between any duties of the members of the administrative, management or supervisory bodies of Telenet Group Holding towards Telenet Group Holding and their private interests and/or other duties.



## DESCRIPTION OF TELENET INTERNATIONAL FINANCE

### Incorporation

Telenet International Finance was incorporated under the name of Telenet International Finance S.A. as a public limited liability company, *société anonyme*, incorporated under the laws of Luxembourg on August 17, 2010. As of November 10, 2010, Telenet International Finance changed its legal form from a Luxembourg *société anonyme* to a Luxembourg private limited liability company (*société à responsabilité limitée*). The registered office of Telenet International Finance is at 595 rue de Neudorf, L-2220 Luxembourg. Telenet International Finance is registered with the Luxembourg Trade and Companies Register under number RCS B.155.066. The telephone number of Telenet International Finance is +352 26 4491.

### Business

Telenet International Finance was incorporated to be the financial center of the Telenet Group's financial operating activities. Its corporate purposes are set out in article 3 of its articles of association, which include the acquisition of participations, in Luxembourg or abroad, in any form whatsoever, and the management of those participations. Telenet International Finance may, in particular:

- acquire, by subscription, purchase and exchange or in any other manner, any stock, shares and other participation securities, bonds, debentures, certificates of deposit and other debt instruments and, more generally, any securities and financial instruments issued by any public or private entity;
- participate in the creation, development, management and control of any company or enterprise;
- invest in the acquisition and management of a portfolio of patents or other intellectual property rights of any nature or origin;
- borrow in any form, issue notes, bonds and any kind of debt and equity securities;
- lend funds, including, without limitation, the proceeds of any borrowings, to its subsidiaries, affiliated companies and any other companies;
- give guarantees and pledge, transfer, encumber or otherwise create and grant security over some or all of its assets to guarantee its own obligations and those of any other company, and, generally, for its own benefit and that of any other company or person (for the avoidance of doubt, Telenet may not carry out any regulated financial sector activities without having obtained the requisite authorization);
- use any techniques, legal means and instruments to manage its investments efficiently and protect itself against credit risks, currency exchange exposure, interest rate risks and other risks; and
- carry out any commercial, financial or industrial operation and any transaction with respect to real estate or movable property, which directly or indirectly, favors or relates to its corporate object.

See also “Summary Corporate and Financing Structure”, “Summary Condensed Consolidated Historical Financial and Other Data of Telenet”, “Description of Telenet's Business”, “Industry and Market Overview”, “Management and Governance of Telenet”, “Principal Shareholders of Telenet” and “Certain Relationships and Related Party Transactions of Telenet”, for further information in respect of the Telenet Group as a whole.

Telenet International Finance is the borrower of the Finco Loan made by the Issuer in connection with the offering of the Notes. The payments made by Telenet International Finance to the Issuer under the Finco Loan will service the payment obligations of the Issuer under the Notes. The Notes will be offered by the Issuer on a limited recourse basis. The Noteholders will not have a direct claim against the cash flow or assets of Telenet International Finance, or any member of the Telenet Group, and no member of the Telenet Group will have any direct obligation to holders of the Notes to pay amounts due under the Notes.

The Finco Loan will be made by the Issuer to Telenet International Finance pursuant to the existing Senior Credit Facility of the Telenet Group, to which the Issuer will accede as an additional lender under the Facility O Accession Agreement. The Finco Loan will be effected by an additional tranche under the Senior Credit Facility (Facility O), and its terms will be documented in the Facility O Accession Agreement. Each of Telenet International Finance and Telenet NV act as a Facility Agreement Obligor in respect of the Senior Credit Facility, each acting in the capacity of borrower and guarantor under the Senior Credit Facility. Telenet NV will accordingly guarantee the repayment obligations of Telenet

International Finance under the Finco Loan, and the Finco Loan will rank *pari passu* with the other term loans and revolving loans under the Senior Credit Facility.

The Finco Loan will be secured by the same security interests under the Senior Credit Facility, which comprises security over substantially all of the material assets of the Telenet Group. Accordingly, holders of the Notes will be provided indirectly with the benefits, rights and protections granted to the Issuer as lender under the Senior Credit Facility, including the indirect benefit of the covenants contained in the Senior Credit Facility and the security granted for the benefit of the lenders.

Each of Telenet International Finance and Telenet NV also has certain obligations to the Issuer in respect of the Notes under the Related Agreements. See “*Description of the Senior Credit Facility and the Related Agreements—Description of the Related Agreements*”.

Since the date of its incorporation, Telenet International Finance is not and has not been involved in any governmental, legal or arbitration proceedings that may have, or have had in the recent past, a significant effect on Telenet International Finance’s financial position or profitability, nor is Telenet International Finance aware that any such proceedings are pending or threatened.

### **Financial Information**

Telenet International Finance was incorporated on August 17, 2010. Accordingly, as at the date of this offering memorandum, limited historical financial information relating to Telenet International Finance is available. Going forward, Telenet International Finance will be included within the consolidated financial statements of Telenet Group Holding and will not publish stand-alone financial information.

The statutory auditors of Telenet International Finance are KPMG Audit, a private limited liability company with registered office at 9, Allée Scheffer, L-2520 Luxembourg, RCS Luxembourg, B 103590. KPMG Audit is member of the Luxembourg *Institut des Réviseurs d’Entreprises*.

### **Significant Changes in Telenet International Finance’s Financial Position**

In August 2010, Telenet NV, as borrower, offered the lenders under Facility A, Facility B, Facility C, Facility D, Facility E and Facility F of the Facility Agreement the opportunity to exchange their loans for loans under new Telenet Additional Facilities with Telenet International Finance as borrower. See “*Description of the Senior Credit Facility and the Related Agreements—The 2010 Tranche Exchange*”. On October 4, 2010, Telenet International Finance drew the new Facilities G, H, I, J, K, L1 and L2 that were created as Telenet Additional Facilities with Telenet Luxembourg Finance Center S.à r.l. (formerly Telenet Luxembourg Finance Center S.A.) as lender for a total amount of €2,118 million. With effect from October 4, 2010, Telenet International Finance, Telenet NV and certain lenders under the Facilities A, B, C, D, E and F executed novation agreements pursuant to which those lenders exchanged their loans for loans under the Telenet Additional Facilities G, H, I, J, K, L1 and L2. This exchange took place on a cashless basis. With effect on October 4, 2010, Telenet International Finance additionally transferred its claims pursuant to an intra-group loan between itself as lender and Telenet Luxembourg Finance Center S.à r.l. as borrower for a total amount of €2,118 million to Telenet NV. As consideration for this transfer, an intra-group loan was created for a total amount of €2,118 million (an amount equal to the proceeds from the Telenet Additional Facilities G, H, I, J, K, L1 and L2) with Telenet International Finance as lender and Telenet NV as borrower.

On November 3, 2010, Telenet Finance Luxembourg issued the Telenet Finance Luxembourg Notes, the proceeds of which were used to fund Facility M under the Senior Credit Facility. On November 15, 2010, Telenet used approximately €202 million of the proceeds from Facility M to repay tranches H, I and L2 under the Senior Credit Facility.

On November 26, 2010, Telenet Finance Luxembourg II issued the Telenet Finance Luxembourg II Notes, the proceeds of which were used to fund Facility N under the Senior Credit Facility.

The table below shows the term loan structure prior to and post the 2010 Tranche Exchange and the issuance of the Telenet Finance Luxembourg Notes and the Telenet Finance Luxembourg II Notes. See

“Capitalization of Telenet and the Issuer” and “Description of the Senior Credit Facility and the Related Agreements—The 2010 Tranche Exchange”:

Prior to 2010 Tranche Exchange and debt issuances			
Facility	Amount in EUR millions	Maturity	Interest Margin <sup>(1)</sup>
Term Loan A . . . . .	77.2	August 2012	2.25%
Term Loan B . . . . .	114.0	January 2014 (amortizing)	2.50%
Term Loan C . . . . .	83.3	August 2015	2.75%
Term Loan D . . . . .	452.8	December 2014	3.00%
Term Loan E . . . . .	418.5	March 2015	3.50%
Term Loan F . . . . .	979.2	July 2017	3.75%
Revolving Facility (undrawn) . . . . .	175.0	August 2014	2.125%
<b>Total Facility . . . . .</b>	<b>2,300.0</b>	<b>5.4 years<sup>(2)</sup></b>	<b>3.4%<sup>(2)</sup></b>

(1) Represents % margin over EURIBOR.

(2) Represents a weighted average that excludes Telenet’s Revolving Facility which is fully undrawn at present, calculated on the basis of one-month EURIBOR as of December 31, 2010 (0.769%).

Post 2010 Tranche Exchange and debt issuances			
Facility	Amount in EUR millions	Maturity	Interest %
<b>Borrower: Telenet International Finance</b>			
Term Loan G . . . . .	1,470.5	July 2017	3.75% <sup>(1)</sup>
Term Loan J . . . . .	79.3	August 2015	2.75% <sup>(1)</sup>
Term Loan K . . . . .	158.0	December 2014	3.00% <sup>(1)</sup>
Term Loan L1 . . . . .	208.5	March 2015	3.50% <sup>(1)</sup>
Term Loan M . . . . .	500.0	November 2020	6.375%
Term Loan N . . . . .	100.0	November 2016	5.30%
Revolving Facility (undrawn) . . . . .	175.0	August 2014	2.125% <sup>(1)(2)</sup>
<b>Total Facility . . . . .</b>	<b>2,691.3</b>	<b>6.8 years<sup>(3)</sup></b>	<b>4.84%<sup>(3)</sup></b>

(1) Represents % margin over EURIBOR.

(2) The Revolving Facility can be drawn on by either Telenet NV or Telenet International Finance.

(3) Represents a weighted average that excludes Telenet’s Revolving Facility, which is fully undrawn at present, calculated on the basis of one-month EURIBOR as of December 31, 2010 (0.769%).

## Management

Telenet International Finance is managed by a board of managers, which must consist of at least three managers. The managers at present are as follows, each appointed for a period of four years from the date of incorporation:

- Mr. Renaat Berckmoes;
- Mr. Luc Machtelinckx;
- Mr. Vincent Bruyneel; and
- Ms. Nancy Bleumer.

The brief professional biographies of the members of the board of managers of Telenet International Finance, each of which, except for Ms Bleumer, has its professional address at Liersesteenweg 4, 2800 Mechelen, Belgium, are as follows:

### *Renaat Berckmoes*

See “Management and Corporate Governance—Senior Management”.

*Luc Machtelinckx*

See “*Management and Corporate Governance—Senior Management*”.

*Vincent Bruyneel*

Vincent Bruyneel started his career in 1998 with Procter & Gamble as Financial Controller for the European Headquarters. In 2000, he moved on to Capco, a global financial services consulting firm, to become Financial Analyst with a focus on corporate planning and reporting. After an international assignment in New York, he became global head of corporate planning and reporting. He concluded his tenure at Capco as Principal Consultant overlooking the firm’s corporate finance activities. Mr. Bruyneel joined Telenet in late 2004 and was appointed Manager Group Planning & Reporting, responsible for the company’s long-range plan, budgets and corporate reporting. In 2007, he became Director Investor Relations and assumed additional responsibilities as Group Treasurer in 2008. Since 2010, Mr. Bruyneel has been appointed Vice President Investor Relations, Corporate Finance and Corporate Development.

*Nancy Bleumer*

Nancy Bleumer started her career in 1996 with Banque Generale du Luxembourg as an investment adviser. Between 1997 and 2002, Ms. Bleumer worked at Rabo Robeco Bank (Luxembourg) S.A. where she was a relationship manager of the private banking department. In 2003, Ms. Bleumer moved to Intertrust (Luxembourg) S.A. as manager where she continues to work today. Ms. Bleumer has been active in the Luxembourg financial sector for more than 14 years and is experienced in the Luxembourg debt capital markets. Ms. Bleumer has a masters in economics with a specialization in international economics and finance from the University of Nijmegen, The Netherlands.

Telenet International Finance is unaware of any conflicts of interest between the duties that any director owes to Telenet International Finance and such director’s private interests or other duties.

### **Share Capital**

Telenet International Finance has a share capital of €31,000 comprising 1,000 shares without par value, each being fully paid up. All of the issued shares of Telenet International Finance are held by Telenet NV. See “*Description of Telenet NV*” for further details of Telenet NV.

## DESCRIPTION OF TELENET NV

### Incorporation

Telenet NV is a public limited liability company (*naamloze vennootschap/société anonyme*) organized and existing under the laws of Belgium. Telenet NV was incorporated pursuant to the laws of Belgium on December 1, 2000 for an indefinite period of time. Its registered office is located at Liersesteenweg 4, 2800 Mechelen, Belgium. The company is registered with the register of enterprises of Belgium under number 0473.416.418 (*RPR (Register of Legal Entities) Mechelen*). The telephone number of Telenet NV is +32 15 333 000.

### Business

Telenet NV is the principal operating company of the Telenet Group. See “*Summary Corporate and Financing Structure*”, “*Summary Condensed Consolidated Historical Financial And Other Data Of Telenet*”, “*Description of Telenet’s Business*”, “*Industry and Market Overview*”, “*Principal Shareholders of Telenet*” Management and Governance of Telenet and “*Certain Relationships And Related Party Transactions of Telenet*”, for further information in respect of Telenet NV and the Telenet Group as a whole. On the basis that Telenet Group Holding’s principle assets comprise its shares in Telenet NV, where information contained in this offering memorandum refers to the activities of “Telenet” and “the Telenet Group”, including but not limited to the sections of this offering memorandum titled “*Risk Factors*”, “*Description of Telenet’s Business*” and “*Industry and Market Overview*”, these may be read to relate more specifically to the activities of Telenet NV and its operating subsidiaries.

Telenet NV’s corporate purposes are set out in article 4 of its articles of association, which include:

- to conceive, develop, establish, adapt, maintain, supply, manufacture and operate existing and new cable networks, wholly or partially, for fixed networks as well as mobile or satellite networks and a terrestrial (broadcasting) network. These telecommunication networks are considered in the broadest sense of the word, including, but not limited to, telephony;
- to conceive, develop, establish, adapt, maintain, supply, manufacture and operate existing and new integral or mixed mobile and fixed (whether electronic or not) communication systems, networks, infrastructures, transmission installations and broadcasting services;
- to render all services on these or other networks, systems, infrastructures or installations, both to intermediaries and end-users, whether private individuals, public authorities or businesses; both to closed user groups and to the public or to other interested users of telecommunication services. These telecommunication networks are considered in the broadest sense of the word, including, but not limited to, telephony and (whether or not electronic) communication services;
- to develop, gather, structure, manage and exploit multimedia data and other information, be it data, text, graphics, sound or a combination thereof;
- to prepare and offer, in analog and/or digital format, pay and free-to-air (television or radio) broadcasting services and programs or other content;
- the distribution and delivery of information and communication signals, including branching off, provision and delivery of audiovisual and television signals and the exploitation of a cable television network in Belgian territory and possibly outside such territory;
- the transport of information and communication signals, including digital, audiovisual and television signals;
- the installation, maintenance and operation of systems for bi-directional communication and any applications thereof that are in accordance with applicable law;
- to conceive, develop, establish, manage and operate radio, television or other broadcasters, broadcasting programs, broadcasters, services and/or programs, through any kind of transmission and/or through any kind of broadcasting or communication network, both pay and free-to-air, for the general audience and specific target groups, on specific and general themes, for specific and general



purposes (including entertainment, news spreading, teleshopping or any other possible purpose), as well as all activities in relation thereto, including without limitation:

- attracting publicity and sponsorship, management of intellectual rights, production and sale and purchase of formats and programs, information services, and sale and purchase and lease of technical and facilitating equipment,
- conceiving, establishing, managing and operating applications, derivations, products and services including interactive applications, products and services, and derivations of programs or other content distributed through the aforementioned network systems or infrastructures, through every possible medium and every possible broadcasting and communications network, and
- the publication, distribution and exploitation of copyright protected acts and performances, the organization of cultural and entertainment activities and the professional management of artistic matters;
- to realize all possible applications of the infrastructures (installations, core and distribution networks) that relate directly to the aforementioned activities;
- the management and exploitation of, and the ensuring of all services for, for its own account or for the account of its shareholders, the aforementioned installations, core and distribution networks;
- to acquire by means of subscription, contribution, merger, co-operation, financial intervention or in any other way, an interest or a participation in all companies, businesses, enterprises and associations, whether already existing or still to be incorporated, without any distinction, both in Belgium and abroad;
- to manage, increase the value of, and liquidate such participations or interests;
- to directly or indirectly participate in the management, administration, supervision and liquidation of the enterprises, companies, business activities or associations in which it holds a participation or an interest; and
- to advise and assist in any field of the conduct of business, the management and the direction of the enterprises, companies, business activities or associations in which it holds an interest or a participation, and in general to undertake all actions that wholly or partially, directly or indirectly, belong to the activities of a holding company.

Telenet NV may additionally take all technical, economic, social, intellectual, organizational, civil, commercial, industrial, financial, tangible and intangible actions that are directly or indirectly related to or useful to accomplish the corporate purposes described above. Telenet NV can guarantee and provide security interests for affiliates and non-affiliates.

Telenet NV is a Facility Agreement Obligor, being a borrower and guarantor under the Facility Agreement, which includes the guarantee of Telenet International Finance's repayment obligations under the Finco Loan. See "*Description of the Senior Credit Facility and the Related Agreements*". Each of Telenet NV and Telenet International Finance also has certain obligations to the Issuer in respect of the Notes under the Related Agreements. The Notes will be offered by the Issuer to Noteholders on a limited recourse basis and the Noteholders will not have a direct claim against the cash flow or assets of Telenet NV, or any other member of the Telenet Group, and no member of the Telenet Group will have any direct obligation to any Noteholder to pay amounts due under the Notes.

### **Financial Information**

Telenet NV is not required by Belgian law to prepare consolidated financial statements in accordance with IFRS. It does however prepare, on an annual basis, statutory financial statements in accordance with the financial reporting framework and company law applicable in Belgium. Pursuant to the financial reporting framework applicable in Belgium, Telenet NV is exempt from preparing consolidated financial statements in accordance with the generally accepted accounting principles in Belgium ("Belgian GAAP"), on the basis that Telenet NV, together with its subsidiaries, is included in the consolidated financial statements of Telenet Group Holding. See "*Summary Condensed Consolidated Historical Financial And Other Data Of Telenet*", for financial information relating to the Telenet Group taken as whole, and "*Group Structure*" for a description of the corporate structure of the Telenet Group as a whole and an indication of the

consolidation of Telenet Group Holding's subsidiaries for the purposes of the Telenet Group Financial Statements.

The statutory auditors of Telenet NV are KPMG Bedrijfsrevisoren CVBA, located at Bourgetlaan 40, 1130 Brussels, Belgium. KPMG Bedrijfsrevisoren CVBA is a member of the Belgian *Instituut van de Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises*.

## **Management**

Telenet NV's board of directors comprises 15 directors. With the exception of three directors who serve as the independent directors on the board, the remaining members of the board of directors are identical to those of Telenet Group Holding. See "*Management and Governance*".

## **Share Capital**

The share capital of Telenet NV at the date of this offering memorandum is €647,513,101.79, divided into 28,379,618 fully paid-up shares with no par value (*nominale waarde/valeur nominale*) and each representing a *pro rata* portion of the share capital. All 28,379,618 shares of Telenet NV are owned by Telenet Group Holding. Telenet Group Holding is a public limited liability company (*naamloze vennootschap/société anonyme*) organized and existing under the laws of Belgium. Telenet Group Holding was incorporated pursuant to the laws of Belgium on June 3, 2002 for an indefinite period of time. Its registered office is located at Liersesteenweg 4, 2800 Mechelen, Belgium. The company is registered with the register of enterprises of Belgium under number 0477.702.333 (*RPR (Register of Legal Entities) Mechelen*). Telenet Group Holding is the holding company of the Telenet Group. See "*Principal Shareholders*" for information in relation to the shareholders of the Telenet Group.

On December 22, 2010, the sole shareholder of Telenet NV (Telenet Group Holding NV) decreased the capital of Telenet NV. In accordance with Belgian company law, creditors of Telenet NV whose claims have not yet become due have the right, during a period of two months from the publication of the capital decrease in the Belgian Official Gazette, to request that Telenet NV provides additional security. This capital decrease was published in the Belgian Official Gazette on January 6, 2011, meaning that creditors of Telenet NV can request the granting of additional security by Telenet NV until March 6, 2011. In the event this would happen, Telenet NV would have to provide additional security upon such request or reach another agreement with the relevant creditor or alternatively the dispute could be referred to the president of the commercial court.

## DESCRIPTION OF THE SENIOR CREDIT FACILITY AND THE RELATED AGREEMENTS

The following contains a summary of the material provisions of the Senior Credit Facility, the Facility Offer Agreement (together the Senior Credit Facility) and the Related Agreements. It does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the underlying documents. Some of the terms used herein are defined in these agreements, and the Issuer has not included all of such definitions herein.

### Senior Credit Facility

#### Overview

On 1 August 2007, Telenet NV, BNP Paribas (subsequently replaced by Toronto Dominion (Texas) LLC and thereafter replaced by The Bank of Nova Scotia), as facility agent, KBC Bank NV, as security agent, the other financial institutions thereto and certain others entered into an agreement of up to €2,300,000,000 credit facilities (as amended, amended and restated or otherwise modified from time to time, the “Senior Credit Agreement”). A copy of the Senior Credit Agreement is set forth as Annex A to this offering memorandum.

Pursuant to the Senior Credit Agreement, The Bank of Nova Scotia as facility agent, and a number of banks and financial institutions, have agreed to make available to the Borrowers (as defined below) certain term and revolving loans, as well as certain additional facilities, from time to time, by procuring additional lenders to accede to the Senior Credit Facility and to make available such term and revolving loans by way of additional facilities. Telenet NV and certain of its subsidiaries are guarantors under the Senior Credit Facility.

#### The Senior Credit Agreement

Telenet NV and Telenet International Finance are borrowers under the Senior Credit Facility (the “Borrowers”) and guarantors under the Senior Credit Agreement. The details of borrowings under the Senior Credit Agreement as of the date of this offering memorandum (and prior to the application of proceeds of the Finco Loan) are summarized in the following table:

Facility	As of the date of this Offering Memorandum		
	Amount in € millions	Maturity	Interest %
<b>Borrower: Telenet International Finance</b>			
Term Loan G . . . . .	1,470.5	July 2017	3.75% <sup>(1)</sup>
Term Loan J . . . . .	79.3	August 2015	2.75% <sup>(1)</sup>
Term Loan K . . . . .	158.0	December 2014	3.00% <sup>(1)</sup>
Term Loan L1 . . . . .	208.5	March 2015	3.50% <sup>(1)</sup>
Term Loan M . . . . .	500.0	November 2020	6.375%
Term Loan N . . . . .	100.0	November 2016	5.30%
Revolving Facility (undrawn) . . . . .	175.0	August 2014	2.125% <sup>(1)(2)</sup>
<b>Total Facility . . . . .</b>	<b>2,691.3</b>	<b>6.8 years<sup>(3)</sup></b>	<b>4.84%<sup>(3)</sup></b>

(1) Represents % margin over EURIBOR

(2) The Revolving Facility can be drawn on by either Telenet NV or Telenet International Finance.

(3) Represents a weighted average that excludes Telenet’s Revolving Facility which is fully undrawn at present, calculated on the basis of one-month EURIBOR as of December 31, 2010 (0.769%).

#### Interest Rates

Under the Senior Credit Agreement, the rate of interest for each interest period in respect of each facility is the percentage rate per annum equal to the aggregate of a margin, EURIBOR (or, although no such Loans are currently in existence, in relation to any loan drawn under any facility in U.S. dollars, LIBOR) and any mandatory cost. Interest accrues daily from and including the first day of an interest period and is payable on the last day of the applicable interest period if such interest period is longer than six months, at six monthly intervals from the first day of that interest period, and is calculated on the basis of a 360-day year.

## *Guarantees and Security*

Telenet NV and Telenet International Finance guarantee the obligations of the Obligors under the Senior Credit Agreement (subject to certain specified guarantee limitations, including, but not limited to, the exclusion of liability to the extent that such guarantee would constitute unlawful financial assistance under applicable law). In addition, the Senior Credit Agreement requires that additional members of the Group, as defined below, become guarantors under the Senior Credit Agreement, (a) in the event that they become “Material Subsidiaries”, as defined below, or (b) where necessary in order to ensure that the aggregate EBITDA, gross assets or turnover, of all borrowers and guarantors under the Senior Credit Agreement (Obligors) (on an unconsolidated basis and excluding intra group items) equal or exceed, respectively, 85% of the consolidated EBITDA, consolidated gross assets or consolidated turnover (as appropriate) of Telenet NV (excluding intra group items).

Security has been granted in respect of the indebtedness under the Senior Credit Agreement by all members of the Telenet Group (except for C-CURE NV, Hostbasket NV, T-VGAS NV, Telenet Mobile NV, Telenet Solutions Luxembourg S.A. and Telenet Luxembourg Finance Center S.à r.l.) over substantially all their assets. Such security includes:

- (a) share pledges given in respect of all the shares of Telenet NV, Telenet Vlaanderen NV and Telenet International Finance;
- (b) non-joined (non-cumulative) mortgages granted by Telenet NV and Telenet Vlaanderen NV;
- (c) non-exercised mortgage mandates granted by Telenet NV and Telenet Vlaanderen NV;
- (d) non-joined (non-cumulative) floating charges (*pand op handelszaak/gage sur fonds de commerce*) granted by Telenet NV and Telenet Vlaanderen NV; a portion of floating charges have been granted in a non-joined manner (non-cumulative) with certain mortgages;
- (e) a non-exercised floating charge mandate granted by Telenet NV; and
- (f) pledges on bank accounts and of all present and future receivables granted by Telenet Group Holding, Telenet NV, Telenet Vlaanderen NV and Telenet International Finance.

## *Prepayment*

The Senior Credit Agreement contains detailed provisions in relation to voluntary and mandatory prepayment. Such prepayments are subject to certain conditions and exceptions, and the Senior Credit Agreement also contains detailed provisions regarding the order in which such prepayment proceeds are applied.

In addition to scheduled repayments of principal and interest, the Senior Credit Agreement must be prepaid (each tranche in such proportion as described in the Senior Credit Agreement) on the occurrence of any of the following events: (i) a change of control of Telenet NV followed by a request for repayment from the Facility Agent, acting on the instructions of the Majority Lenders; (ii) if it becomes illegal for a Lender to perform any of its obligations relating to the Senior Credit Agreement (in which case, that Lender must be prepaid); or (iii) with the net proceeds of a Permitted Disposal as defined therein (and subject to certain conditions). Any mandatory prepayment is to be applied first against the term loans, and then against the revolving credit facility, in each case in such proportions as in such proportion as the relevant Borrower stipulates or, if the relevant Borrower fails to stipulate, *pro rata*.

Further, the indebtedness under the Senior Credit Agreement may be voluntarily prepaid in whole or in part, on giving at least five business days' prior written notice, in a minimum amount of €5,000,000 and in integral multiples of €1,000,000, without premium or penalty but subject to break funding costs.

## *Undertakings*

The Senior Credit Agreement contains certain undertakings that, subject to certain customary and other agreed exceptions, limit the ability of each Obligor and, in certain cases, each Group member, to, amongst other things:

- incur, create or otherwise permit to be outstanding, any financial indebtedness;
- reduce its capital or purchase or redeem any class of its shares or any other ownership interest in it;

- create or permit to subsist any security interest on or over the whole or any part of its present or future assets, rights or remedies or prefer any future indebtedness of any member of the Telenet Group or any other person;
- dispose of all or any part of its assets;
- engage in or incur capital expenditure in relation to activities outside of the Permitted Business as defined therein;
- make acquisitions or merge or consolidate with another company or person;
- grant or make any loans, any credit or any guarantees or enter into any transaction having the effect of lending money to any person;
- amend its constitutional documents in a manner that would or would be reasonably likely to materially adversely affect any charge or pledge granted over the shares or partnership interest of any member of the Telenet Group in connection with the Senior Credit Agreement;
- declare, make or pay any dividend on or make any distribution or pay any other amounts in respect of, or redeem its share capital, capital stock or other securities to any affiliate of the borrower, other than to a member of the Telenet Group;
- make any payment of principal or interest on any loans, or any direct or indirect distribution dividend or other payment on account of any class of share capital to any Affiliate (as defined therein) of Telenet which is not a subsidiary of Telenet NV;
- enter into any interest rate or currency swaps or other hedging arrangements other than as permitted under the Senior Credit Agreement; and
- issue any shares of any class to any person other than to a member of the Telenet Group, provided that the shares are subject to security in favor of the Lenders.

In addition, the Senior Credit Agreement also requires each Obligor to observe certain affirmative undertakings subject to materiality and other customary and agreed exceptions.

#### *Principal Terms and Tranches*

1. **Borrowers** Telenet NV and Telenet International Finance together with any member of the Group which becomes an “Additional Borrower”.
2. **Guarantors** Telenet NV and Telenet International Finance. Additionally, Telenet NV shall procure that:
  - (a) the aggregate gross assets, earnings before interest, tax, depreciation and amortization or turnover, of the Borrowers and Guarantors (the “Obligors”) (on an unconsolidated basis and excluding intra group items) equal or exceed, respectively 85% of the consolidated EBITDA, consolidated gross assets or consolidated turnover (as appropriate) of Telenet (excluding intra group items); and
  - (b) each “Material Subsidiary”, namely any subsidiary of Telenet NV (subject to certain exceptions) whose gross assets, earnings before interest, depreciation, amortization and taxes or turnover (excluding intra-group items) equal or exceed, respectively, 10% of the consolidated gross assets, earnings before depreciation, amortization, interest and taxes or turnover (as applicable) of Telenet Group Holding and its subsidiaries (excluding intra-group items), becomes a Guarantor within 30 days of becoming such.
3. **Group** Group means Telenet NV and its subsidiaries from time to time excluding “Non-Recourse Subsidiaries”. A “Non-Recourse Subsidiary” means a company or partnership (in which no member of the Group is a general partner), none of whose indebtedness or any other obligations benefits from any recourse whatsoever to any member of the Group in respect of the repayment or payment thereof and which has been notified as such to the Facility Agent.
4. **Facility Agent** The Bank of Nova Scotia.



5. **Security Agent** KBC Bank NV.
6. **Majority Lenders** Lenders whose share in the outstanding Loans and whose undrawn commitments then aggregate 66⅔% (two thirds) or more of the aggregate of all the outstanding loans and the undrawn commitments of all the Lenders.
7. **Material Adverse Effect** Any event or circumstance, which has a material adverse effect on the ability of the Obligors (as a whole) to perform their payment or other material obligations under any of the Finance Documents (as defined therein) (a “MAE”).
8. **Additional Facilities**

There have been a number of “Telenet Additional Facilities” provided under the Senior Credit Agreement previously and there are currently 15 Telenet Additional Facilities outstanding. For further details, please refer to “—Overview” above.

Any person may become a Lender under the Senior Credit Agreement by delivering to the Facility Agent a Telenet Additional Facility Accession Agreement (a “Telenet Additional Facility Accession Agreement”), which must be duly executed by that person, the Facility Agent and the Security Agent. That Lender will grant to the relevant Borrower a term loan or revolving loan facility (the “Additional Facility”) in the amount specified in the Telenet Additional Facility Accession Agreement in euros or U.S. dollars. Upon the relevant person becoming a Lender, the total commitments under the Senior Credit Agreement shall be increased by the amount in the Telenet Additional Facility Accession Agreement. An Additional Facility may only be arranged if:

  - (a) after giving effect to the utilization thereof, the ratio of Net Total Debt to Consolidated Annualized EBITDA would not be greater than 5.00:1; and
  - (b) either:
    - (i) the average maturity date of the Telenet Additional Facility (taking into account any scheduled amortization and any voluntary or mandatory cancellation which is anticipated when the Telenet Additional Facility is arranged) is no earlier than July 31, 2017; or
    - (ii) after giving effect to the utilization in full of such Telenet Additional Facility the ratio of Net Total Debt to Consolidated Annualized EBITDA would not be greater than 4.00:1.
9. **Purpose** Each term loan Facility A, Facility B1 and Facility C (in the case of the first €462,500,000 available to be drawn under Facility C) were used to refinance certain amounts owed by the Group at 1 August 2007. Any remaining Facility C along with any Facility B2A was used for a reduction in capital of Telenet Group Holding and for general corporate purposes. Each term loan Facility D, Facility E1, Facility E2, Facility F and Revolving Credit Facility Loan were used for general corporate purposes only. Facility G, Facility H, Facility I, Facility J, Facility K, Facility L1 and Facility L2 are for general corporate purposes.
10. **Final Maturity Date**

The Final Maturity Date for each Facility is as follows:

Term Loan G—July 31, 2017

Term Loan J—August 1, 2015

Term Loan K—December 31, 2014

Term Loan L1—March 31, 2015

Term Loan M—November 15, 2020

Term Loan N—November 15, 2016

Revolving Credit Facility—August 1, 2014

As of the date of this offering memorandum, all other tranches have been repaid.
11. **Interest** Except for Term Loan M and Term Loan N, under the Senior Credit Agreement the rate of interest for each advance (for an interest period of one, two, three or six

months at the relevant Borrower's option, or any shorter period agreed by Telenet NV and the Facility Agent or any longer period agreed by Telenet NV and the Majority Lenders) is expressed to be the rate per annum determined by the Facility Agent to be the aggregate of:

- (a) the applicable margin;
- (b) LIBOR (in the case of an advance denominated in U.S. dollars or other currency) or EURIBOR (in the case of an advance denominated in euros); and
- (c) mandatory costs (calculated in accordance with the standard LMA calculations and formulae).

The margin for each Facility is as follows:

Term Loan G—3.75%

Term Loan J—2.75%

Term Loan K—3.00%

Term Loan L1—3.50%

Revolving Credit Facility—2.125%

The interest rates in relation to Term Loan M and Term Loan N are fixed rates of 6.375% and 5.3%, respectively.

Interest is payable on the last day of each interest period. Default margin for unpaid amounts shall be 1% above the standard margin level.

## **12. Repayment**

The repayment profile of each Facility is as follows:

Facility G—in full on July 31, 2017

Facility J—in full on August 1, 2015

Facility K—in full on December 31, 2014

Facility L1—in full on March 31, 2015

Facility M—in full on November 15, 2020

Facility N—in full on November 15, 2016

Revolving Credit Facility—in full on August 1, 2014

As of the date of this offering memorandum, all other tranches have been repaid.

## **13. Mandatory Prepayment**

Mandatory prepayment and cancellation of a Loan is required in the circumstances set out in greater detail in the Senior Credit Agreement, including in the circumstances described below:

- (a) upon notice from a Lender that it is unlawful in any applicable jurisdiction for that Lender to perform any of its obligations under a Finance Document or to fund or maintain its share in any Loan. Each Borrower must prepay the share of that Lender in each Loan made to it on the last day of the current term of that Loan or an earlier date if specified by the Lender;
- (b) if so instructed by the Majority Lenders, the Facility Agent shall cancel all commitments and make all outstanding Loans due and payable if any person or group of persons other than a "Permitted Holder" becomes the beneficial owner of a majority of the aggregate voting power of the shares in Telenet or no Permitted Holder controls (directly or indirectly) Telenet. "Permitted Holder" means Liberty Global Europe, Inc. (formerly UGC Europe Inc.), any subsidiary thereof, and, in the event of a spin-off, such company whose shares are distributed in connection with the spin-off and its subsidiaries.

“control” means the power to direct or cause the direction of the management and policies by means of holding shares, voting powers or any other powers conferred by the articles of associations or other documents;

- (c) upon the receipt of proceeds from certain Permitted Disposals, Telenet shall prepay an amount of the facilities equal to five times the annualized EBITDA of the person or the asset disposed of for the most recent financial period of two quarters for which financial statements have been delivered to the Facility Agent, provided that the amount prepaid shall not exceed the net proceeds of the disposal and that no prepayment is required where:
  - (i) the amount of such prepayment would be less than €200,000,000; or
  - (ii) the amount that would be required to be prepaid is instead deposited into a blocked account on terms that such amount may only be released to make a prepayment in relation to a disposal or to reinvest in assets (including acquisitions and capital expenditure). Any amount not reinvested within 12 months will be applied in prepayment of the facilities.

Any prepayment of the Additional Facilities from disposal proceeds will be applied first against the term loan facilities in such proportion as may be specified by Telenet, and second against any revolving facilities in such proportion as may be specified by Telenet or, if Telenet fails to specify a proportion, pro rata against the term loan facilities.

**14. Voluntary  
Prepayment**

Voluntary prepayment of any loan by Telenet is permitted at any time on not less than five business days' prior notice (such notice to be irrevocable) and in a minimum amount of €5,000,000 and an integral multiple of €1,000,000.

**15. Cancellation**

Any unutilized amount of the total commitments may be cancelled by Telenet NV, in whole or in part, at any time on not less than five business days' prior notice (such notice to be irrevocable).

Partial cancellation must be in a minimum amount of €5,000,000 and an integral multiple of €1,000,000. No premium or penalty shall apply in respect of any repayment save for break costs, and amounts cancelled may not be reinstated. Telenet must first cancel the whole of the unutilized B2A and B2B facility commitments, and second cancel the whole of the unutilized C facility, before it can cancel the unutilized amount of any other commitment.

The undrawn amount of any commitment under any facility shall be automatically cancelled at the close of business on the last day of the availability period of that facility.

**16. Security**

Security has been granted by all members of the Telenet Group (except for C-CURE NV, Hostbasket NV, T-VGAS NV, Telenet Mobile NV, Telenet Solutions Luxembourg S.A. and Telenet Luxembourg Finance Center S.à r.l.) over substantially all their assets and includes:

- (a) share pledges given in respect of all the shares of Telenet NV, Telenet Vlaanderen NV and Telenet International Finance;
- (b) non-joined (non-cumulative) mortgages granted by Telenet NV and Telenet Vlaanderen NV;
- (c) non-exercised mortgage mandates granted by Telenet NV and Telenet Vlaanderen NV;
- (d) non-joined (non-cumulative) floating charges granted by Telenet NV and Telenet Vlaanderen NV; a portion of floating charges have been granted in a non-joined manner (non-cumulative) with certain mortgages;
- (e) a non-exercised floating charge mandate granted by Telenet NV; and

- (f) pledges on bank accounts and of all present and future receivables granted by Telenet Group Holding, Telenet NV, Telenet Vlaanderen NV and Telenet International Finance.

**17. Representations and Warranties**

Usual representations and warranties package for this type of agreement (subject to agreed exceptions, materiality and material adverse effect qualifications and disclosures as detailed in the Senior Credit Agreement), given by each Obligor, or where applicable, Telenet NV, to the finance parties, in respect of itself and, where applicable, its subsidiaries, including, but not limited to:

- (a) status and due incorporation;
- (b) power and authority to perform obligations under the Finance Documents;
- (c) legal validity of the Finance Documents, recognition of choice of law and recognition of jurisdiction and judgments;
- (d) execution and performance of the Finance Documents does not violate any laws, constitutional documents or other documents;
- (e) all necessary licenses and authorizations are in full force and effect;
- (f) enforceability of material contracts and no breach or amendment of material contracts;
- (g) no event of default under any other agreement;
- (h) the financial statements delivered give a true and fair view of (if audited) or fairly represent (if unaudited) the financial condition of the Obligors (consolidated, if applicable) as the date to which they were drawn up and have been prepared in all material respects in accordance with those principles and practices generally applied in Belgium, including IFRS;
- (i) all necessary environmental licenses have been acquired and complied with, environmental law compliance and no material environmental claims;
- (j) no litigation or similar proceedings;
- (k) ownership, maintenance and non-infringement of intellectual property rights;
- (l) ownership of assets necessary to conduct business;
- (m) relevant United States regulations compliance;
- (n) anti-terrorism laws;
- (o) non-engagement in business of extending credit for purchasing or carrying margin stock;
- (p) ERISA compliance; and
- (q) compliance with U.S. Investment Company Act of 1940, as amended.

The representations and warranties listed above other than (e), (j) (l) and (p) are deemed to be repeated by each relevant Obligor on the date of each request, the first day of each term and on each utilization date.

**18. Non-Financial Undertakings**

Customary for this type of agreement (subject to agreed exceptions, materiality and MAE qualifications and disclosures as detailed in the Senior Credit Agreement), binding on each Obligor in respect of itself and, where applicable, its subsidiaries which are members of the Group, including, but not limited to:

- (a) timely delivery of information in relation to the Group, including:
  - (i) audited consolidated financial statements of Telenet Group Holding NV, as soon as available and within 150 days of financial year end;
  - (ii) unaudited quarterly management accounts of Telenet Group Holding NV, as soon as available and within 60 days of the end of each

financial quarter respectively or, in the case of fourth quarter management accounts, within 150 days of each such financial quarter;

- (iii) annual budgets of Telenet for each financial year, by no later than 90 days after the end of the previous financial year; and
- (iv) compliance certificate with each set of its financial statements;
- (b) notice of default, notice of material non-compliance with any law or regulation relating to an ERISA plan and at any time while an event of default is continuing or the agent has reasonable grounds to believe that an event of default may exist, access to properties, books and records, principal officers and auditors;
- (c) obtain, maintain, comply and renew all necessary licenses, filings, consents and authorizations required to perform its obligations under the finance documents and ensure that no necessary authorizations or licenses are revoked;
- (d) *pari passu* ranking of payment obligations;
- (e) negative pledge;
- (f) restriction on engaging in activities outside the permitted business, which includes the carrying on of the business principally in Belgium, The Netherlands or Luxembourg and/or maintenance of the business of acting as holder of shares of other members of the Group;
- (g) compliance in all material respects with applicable laws, regulations and rules;
- (h) disposals restriction;
- (i) restriction on mergers and acquisitions;
- (j) restriction on incurring financial indebtedness;
- (k) restriction on the payment of dividends and distributions, principal or interest on any loan and the transfer of any assets other than permitted payments (payments of principal and interest on shareholder loans or dividends or other distributions if the ratio of Net Total Debt to Consolidated Annualised EBITDA is 5:1 or less (before and after such payment) and no default or event of default has occurred and is continuing or would occur as a result of such payment);
- (l) restriction on entry into any transaction with a restricted person (defined as any subsidiary or holding company of Telenet (not being a member of the Group)) other than on arm's length commercial terms, which is fair and reasonable and in the best interests of the group;
- (m) restriction on loans and guarantees and other extensions of credit granted or issued for the benefit of persons who are not members of the Group;
- (n) compliance with environmental laws, obtaining all requisite environmental approvals and compliance with all environmental licenses and obligations, notification of any claim under applicable environmental law;
- (o) maintenance of insurance cover;
- (p) restrictions on hedging arrangements;
- (q) maintenance, protection, preservation, of intellectual property rights;
- (r) restriction on reduction, purchase or redemption of any class of shares or other ownership interest;



- (s) Telenet NV shall procure that Telenet Group Holding NV shall not trade, carry on any business, own any asset or incur any liabilities other than:
  - (i) the provision of administrative services to other members of the Group of a type customarily provided by a holding company; and
  - (ii) ownership of shares in its subsidiaries, intra-group debt and credit balances, cash and cash equivalent investments;
- (t) restrictions on the issue of shares by members of the Group;
- (u) restricted persons to enter into a pledge of subordinated shareholder loans and security provider's deed of accession, before making any financial indebtedness available to the group;
- (v) Group members to maintain a financial year-end of December 31;
- (w) capital expenditure of the Group restricted to its permitted business;
- (x) restrictions on amendments to the constitutive documents of members of the Group; and
- (y) compliance with ERISA.

**19. Financial Covenants**

The Senior Credit Agreement requires Telenet to procure the maintenance of the following financial ratios (each as defined therein) and sets out, specific ratios to be met in relation to each of the below, to be tested quarterly:

- (a) ratio of net total debt to consolidated annualized EBITDA to be no more than 6.00:1; and
- (b) ratio of consolidated EBITDA to total cash interest to be no less than 2.10:1.

Telenet may, subject to certain limitations set forth in the Senior Credit Agreement, cure a breach of the financial ratios by procuring that additional equity is injected into the Group by one or more Restricted Persons and/or additional Subordinated Shareholder Loans are provided by the Group.

**20. Events of Default**

Customary for this type of agreement, including without limitation (and subject to agreed exceptions, thresholds, materiality and material adverse effect qualifications and grace periods):

- (a) non-payment under the finance documents;
- (b) breach of covenants or breach of other provisions of the Finance Documents;
- (c) a representation or warranty is incorrect in any material respect;
- (d) cross default:
  - (i) non-payment of financial indebtedness by a member of the Group or Telenet Group Holding;
  - (ii) any financial indebtedness of the Group or Telenet Group Holding is prematurely due and payable or placed on demand or capable of being declared to be prematurely due and payable or of being placed on demand in each case as a result of an event of default or any provision having similar effect; or
  - (iii) any commitment for financial indebtedness of the Group or Telenet Group Holding is cancelled or suspended as a result of an event of default;
- (e) insolvency, bankruptcy, winding up, moratorium, administration, enforcement proceedings, assignment for the benefit of creditors or similar, of any Obligor or Material Subsidiary;
- (f) any formal voluntary steps towards insolvency proceedings, any meetings or filing in connection with such proceedings, any petition for winding-up or similar, or the appointment, or request of appointment, of liquidator,

administrator, receiver or similar in respect of any Obligor or Material Subsidiary;

- (g) enforcement of a creditor's process against any Obligor or Material Subsidiary;
- (h) unlawfulness of performance of obligations under the Finance Documents or the repudiation of any Finance Document;
- (i) cessation of business by an Obligor or member of the Group;
- (j) change in the ownership of an Obligor (other than Telenet NV);
- (k) expropriation events;
- (l) breach of the terms of the Intercreditor Agreement by any Obligor, member of the Group or Telenet Group Holding;
- (m) loss, breach or failure to renew material licenses;
- (n) termination, suspension, alteration, breach or repudiation of material contracts;
- (o) event or series of events reasonably likely to have an MAE; and
- (p) certain ERISA events.

**21. Tax**

All payments must be made free and clear of any taxes, deductions or withholdings unless required by law. Borrower to gross-up if necessary with respect to a Lender that is a Qualifying Lender and Lenders to reimburse any tax credit received as a result. If any gross-up is necessary, Borrower may, while the requirement continues, give notice requesting prepayment and cancellation in respect of the relevant Lender.

**22. Amendments and Waivers**

Any term of the Finance Documents can be amended or waived only with the consent of the Majority Lenders and Telenet. However certain waivers and amendments require the consent of all Lenders: these include waivers and amendments relating to extensions of maturity, reduction in fees, margin, principal or any other amount payable to a Lender and increasing additional facility commitments. Telenet can request that Lenders take a transfer of the rights and obligations of a non-consenting Lender. Any non-consenting Lender is required to transfer its rights and obligations to Lenders who agree to accept such a transfer.

**23. Transferability**

Obligors restricted from transferring or assigning their interests under the Finance Documents without the prior consent of all Lenders.

Lenders can transfer (by way of novation) their rights and obligations under the Finance Documents at any time subject to the following:

- (a) partial transfer must be in a minimum amount of €2,000,000 (or if less, the aggregate of the commitments of the existing lender and other existing lender that is managed or controlled by the same investment manager, subject to a threshold of €1,000,000);
- (b) prior consent (not to be unreasonably withheld or delayed) of Telenet required unless transfer is to another Lender, an affiliate of a Lender or an event of default is outstanding;
- (c) transfer effected by novation certificate duly executed by the parties and the Facility Agent and the new lender and particulars concerning the transferred interests are entered into the register; and
- (d) €2,500 fee.

The existing Lender is not responsible to the new Lender and the new Lender confirms it has carried out its own appraisal of the Obligors. No restriction on sub-participations.

**24. Law**

English.

25. **Miscellaneous**      The Senior Credit Agreement is subject to the non-exclusive jurisdiction of the English courts and contains service of process, waiver of immunity and waiver of trial by jury clauses.

*Description of Tranche Restructurings*

*The 2009 Tranche Exchange*

The Senior Credit Agreement originally provided for three tranches of term loans—Term Loan A, Term Loan B and Term Loan C (the “Original Facilities”). In August 2009, Telenet offered the lenders under the Original Facilities the opportunity to exchange their outstanding loans for loans under the Term Loan D Facility, Term Loan E1 Facility, Term Loan E2 Facility and Term Loan F Facility (the “New Facilities”). The New Facilities are identical to the corresponding Original Facilities, save that they each have longer maturities and higher margins than their corresponding Original Facility (see chart above for details).

The New Facilities were created by having Telenet Mobile NV accede to the Senior Credit Agreement as a Lender and provide the New Facilities as Telenet Additional Facilities. Telenet Mobile NV obtained the funds to provide the New Facilities from a matching intra-group loan from Telenet NV, so that the amounts owed to Telenet Mobile NV under the New Facilities nets off against amounts owed by Telenet Mobile NV under the intra-group loan. Telenet Mobile NV then executed novation agreements with certain Lenders under the Original Facilities pursuant to which those Lenders exchanged their loans for loans under the New Facilities. The exchange took place on a cashless basis.

One of the results of the provision of the New Facilities, and their subsequent exchange for loans under the Original Facilities is that Telenet Mobile NV is now a lender in respect of certain loans under the Original Facilities. In order to enhance the protection offered to the other lenders under the Senior Credit Agreement, Telenet Mobile NV entered into the following documents at the same time as the New Facilities were provided:

- (a) a renunciation and restriction deed, pursuant to which:
  - (i) Telenet Mobile NV renounced its rights to the security and guarantees which other Lenders benefit from under the Senior Credit Agreement;
  - (ii) (Telenet Mobile NV agreed that, in respect of any request for a consent, waiver or amendment or any other vote under a Finance Document, exercise its voting rights as a Lender in accordance with Lenders who are not affiliates of Telenet NV and whose commitments constitute at least 66.6% of the total outstanding loans (other than loans owed to Telenet Mobile NV);
- (b) a facility agent joint instruction letter, pursuant to which Telenet Mobile NV and Telenet NV instruct the facility agent to apply payments due to Telenet Mobile NV under the Original Facilities towards Telenet Mobile NV’s obligations to Telenet under the intra-group loan on a cashless basis; and
- (c) a netting agreement, pursuant to which the intra-group loan between Telenet NV and Telenet Mobile NV shall be netted off against the amounts owed by Telenet NV to Telenet Mobile NV under the Original Facilities at maturity.

*The 2010 Tranche Exchange*

In August 2010, Telenet NV, as borrower, offered the lenders under Facility A, Facility B, Facility D and Facility E of the Senior Credit Agreement the opportunity to exchange their loans for loans under new Telenet Additional Facility G with Telenet International Finance as borrower, providing for an extension of their maturity profiles to 2017. In addition, Lenders under Facilities A, B, C, D, E (who did not consent to extend their maturity profile) and Lenders under Facility F (together with A, B, C, D and E, the “Original Facilities”) exchanged their existing loans for loans under a new facility which would be identical to their existing facility, save that the borrower would be Telenet International Finance.

The new Facilities G, H, I, J, K, L1 and L2 (the “New Facilities”) borrowed by Telenet International Finance were created by having Telenet Luxembourg Finance Center S.à r.l. (formerly Telenet Luxembourg Finance Center S.A.) accede to the Senior Credit Agreement as a lender and provide the new Facilities as Telenet Additional Facilities. Telenet Luxembourg Finance Center S.à r.l. obtained the funds to provide the new Facilities from a matching intra-group loan from Telenet International Finance, so that

the amounts owed to Telenet Luxembourg Finance Center S.à r.l. under the new Facilities net off against amounts owed by Telenet Luxembourg Finance Center S.à r.l. under the intra-group loan. Accordingly, with effect from October 4, 2010, Term Loan G Facility, Term Loan H Facility, Term Loan I Facility, Term Loan J Facility, Term Loan K Facility, Term Loan L1 Facility and Term Loan L2 Facility were created, and Telenet Luxembourg Finance Center S.à r.l. executed novation agreements with certain lenders under the Original Facilities pursuant to which those lenders exchanged their loans and the New Facilities.

As a result of the provision of the new Facilities G, H, I, J, K, L1 and L2 and their subsequent exchange for loans under existing Facilities, Telenet Luxembourg Finance Center S.à r.l. is now a lender in respect of certain loans under the Senior Credit Agreement. In order to enhance the protection offered to the other lenders under the Senior Credit Agreement, Telenet Luxembourg Finance Center S.à r.l. acceded to the renunciation and restriction deed entered into by Telenet Mobile NV in 2009 when the Facilities G, H, I, J, K, L1 and L2 were created. In addition, Telenet Luxembourg Finance Center S.à r.l. also entered into a facility agent joint instruction letter and a netting agreement similar to those entered into by Telenet Mobile NV in 2009, in each case together with Telenet NV and Telenet International Finance. See “—*The 2009 Tranche Exchange*”.

#### *October 29, 2010 Repayment*

On October 29, 2010, Telenet NV repaid the existing tranches B1 and F under the Senior Credit Facility out of its cash balance.

#### *Facility M*

On November 3, 2010 Telenet Finance Luxembourg issued the Telenet Finance Luxembourg Notes, the proceeds of which were used to fund Facility M under the Senior Credit Facility. On November 15, 2010, Telenet used approximately €202 million of the proceeds from Facility M to repay tranches H, I and L2 under the Senior Credit Facility.

#### *Facility N*

On November 26, 2010, Telenet Finance Luxembourg II issued the Telenet Finance Luxembourg II Notes, the proceeds of which were used to fund Facility N under the Senior Credit Facility.

#### *The Facility O Accession Agreement*

The Issuer acceded to the Senior Credit Agreement as an additional lender and extended an additional tranche (the Finco Loan) to Telenet International Finance as borrower (Facility O) with the proceeds of the offering of the Notes, pursuant to the Facility O Accession Agreement (also referred to herein as the “Finco Accession Agreement”). Principal and interest on the Notes will be financed by principal and interest payable on the Finco Loan, on a limited recourse basis. The Facility O Accession Agreement which documents the terms of the Finco Loan has the following principal terms, which shall be read in conjunction with the terms of the Senior Credit Agreement specified elsewhere herein:

- |                               |   |
|-------------------------------|---|
| 1. <b>Acceding Lender</b>     | Issuer.   |
| 2. <b>Borrower</b>            | Telenet International Finance.  |
| 3. <b>Facility</b>            | Term Loan O.  |
| 4. <b>Facility Commitment</b> | <b>Term Loan of €300,000,000; may be drawn by one Loan on the date of the Facility O Accession Agreement for only the principal amount of the Facility O Commitment.</b>  |
| 5. <b>Interest Rate</b>       | 6.625% per annum.   |
| 6. <b>Final Maturity Date</b> | February 15, 2021.  |
| 7. <b>Interest Term</b>       | Initially, from the date the Facility O Accession Agreement takes effect (in accordance with the satisfaction of the conditions precedents stipulated therein), up to and including August 15, 2011; and thereafter, each subsequent Term will be 6 months. |

**8. Mandatory Prepayments**

Upon the occurrence of a mandatory prepayment of the Term Loan O Facility following a change of control (as defined in the Senior Credit Agreement), the Borrower will pay to the Facility Agent an amount equal to 1% of the principal amount of the Term Loan O Facility, plus accrued and unpaid interest to the date of such prepayment.

Following certain transfers of the assets or shares of Telenet NV (a “Telenet Group Transfer”), (a) if the majority in aggregate principal amount of the Notes consent to the Telenet Group Transfer, Telenet International Finance may, at its option, voluntarily prepay a principal amount of the Term Loan O Facility equal to the aggregate principal amount of the Notes whose holders did not consent to the Telenet Group Transfer plus accrued and unpaid interest to the date of prepayment plus an additional payment equal to 1% of the principal amount of the Term Loan O Facility prepaid; or (b) if the holders of a majority of the aggregate principal amount of the Notes do not consent to such transfer, Telenet International Finance will prepay the Term Loan O Facility in a principal amount equal to the aggregate principal amount of the Notes tendered in the offer to purchase by the Issuer plus accrued and unpaid interest to the date of purchase plus an additional payment equal to 1% of the principal amount of the Term Loan O Facility prepaid on the date of purchase.

With respect to certain asset sales, Telenet NV and Telenet International Finance may elect, at their option, to (i) prepay a principal amount of the Term Loan O Facility equal to the aggregate principal amount of the Notes tendered in a related asset sale offer to be made by the Issuer (not to exceed the amount of the available proceeds from the related asset sale); or (ii) subject to the payment of certain premiums, prepay the Term Loan O Facility in an amount equal to available proceeds from the related asset sale.

**9. Voluntary Prepayments**

At any time prior to February 15, 2016, upon a voluntary prepayment of any or all of the Term Loan O Facility (other than a payment in connection with a Telenet Group Transfer), the Borrower will pay to the Facility Agent an amount equal to the Additional Amount (as defined in the Facility O Accession Agreement).

On or after February 15, 2016, upon a voluntary prepayment of any or all of the Term Loan O Facility (other than a payment in connection with a Telenet Group Transfer), the Borrower will pay to the Facility Agent an amount equal to the relevant percentage of the principal amount of the Term Loan O Facility being prepaid as set forth below (plus accrued and unpaid interest then due), plus accrued and unpaid interest to the date of such prepayment, if prepaid during the twelve-month period beginning on February 15 of the years indicated below.

<u>Year</u>	<u>Prepayment Amount</u>
2016 . . . . .	3.313%
2017 . . . . .	2.209%
2018 . . . . .	1.104%
2019 and thereafter . . . . .	0.000%

**10. Incurrence Covenant**

Telenet NV is required under the Facility O Accession Agreement to meet a net senior secured leverage ratio before entering into additional facilities under the Senior Credit Agreement.

**The Intercreditor Agreement**

The Intercreditor Agreement was entered into on October 10, 2007, between, among others, and various creditors of the Telenet Group including the Obligors, the security agent and the facility agent, together with the following:

**Hedging Banks:**

Certain persons to whom indebtedness (the “**Hedging Debt**”) is owed by an Obligor under any interest rate swap and/or interest rate cap, floor, collar or option or other interest rate or currency hedge, that is



put in place in accordance with the terms of the Senior Credit Agreement and Intercreditor Agreement.

**Intercompany Creditors:** Members of the Telenet Group to whom intercompany indebtedness (the “**Intercompany Debt**”) is owed by another member of the Telenet Group.

**Subordinated Creditors:** Affiliates of Telenet which are not members of the Telenet Group to whom any indebtedness (the “**Subordinated Debt**”) is owed by a member of the Group.

The Intercreditor Agreement regulates the relationship and rights between these creditors, including (but not limited to) the ranking of their claims, the enforcement of security, the turnover of proceeds and the sharing of losses. A copy of the Intercreditor Agreement is set forth as Annex C to this offering memorandum.

The Issuer will accede to the Intercreditor Agreement as a lender and will be bound by the terms and provisions of the Intercreditor Agreement in its capacity as a Lender.

### ***Ranking and Subordination***

The Intercreditor Agreement provides that the indebtedness owed by the Obligors to the Lenders party to the Senior Credit Agreement, the Facility Agent or the Security Agent in any manner whatsoever under or in connection with the Finance Documents (the “**Senior Debt**”), the Hedging Debt, the Intercompany Debt and the Subordinated Debt shall rank as follows:

- First: the Senior Debt and the Hedging Debt (*pari passu* among themselves);
- Second: the Subordinated Debt; and
- Third: the Intercompany Debt.

As such, with certain exceptions, Intercompany Creditors and Subordinated Creditors shall only be eligible to receive repayment in the event that the Senior Debt and the Hedging Debt have been fully paid and discharged and all commitments under the Finance Documents to provide any financial accommodation of all of the Lenders and the Hedging Banks have been cancelled to the satisfaction of the Facility Agent acting reasonably (in the case of the Senior Debt) and the Hedging Banks acting reasonably (in the case of the Hedging Debt) (the “**Senior Discharge Date**”).

### ***Undertakings***

In order to facilitate the ranking as described, certain parties to the Intercreditor Agreement have provided undertakings restricting their ability to take various steps that might affect such ranking. In particular:

- The debtors in respect of the Subordinated Debt (each a “**Subordinated Debtor**”) and the Obligors have undertaken, among other things, that they will not, until the Senior Discharge Date, pay, discharge, permit any security to subsist for, or give any guarantee, indemnity or assurance in respect of, the Subordinated Debt or Intercompany Debt, except for, among others, Permitted Payments (defined below).
- Each Hedging Bank has undertaken, among other things, that they will not, until the Senior Discharge Date or without the Majority Lenders’ consent, terminate or close out any hedging transaction prior to its maturity date unless certain exceptions apply or demand or receive payment from the Obligors, except for scheduled payments arising under the original terms of the hedging documents and any proceeds of the enforcement of security received by it in accordance with the Intercreditor Agreement.

“**Permitted Payments**” mean, prior to the Senior Discharge Date:

- scheduled payments arising under the original terms of the hedging documents; and
- the making of any payment if it is not prohibited by the Senior Credit Agreement.

Any member of the Group may make payments in respect of the Subordinated Debt after the Senior Discharge Date but prior to the Subordinated Discharge Date.

### ***Turnover***

The Intercreditor Agreement contains a covenant which, among other things, requires any Hedging Bank, Intercompany Creditor or Subordinated Creditor that receives a payment or distribution in cash or in kind in respect of any Hedging Debt, Intercompany Debt or Subordinated Debt other than as permitted under the Intercreditor Agreement, to hold that payment as fiduciary agent in a segregated account for the Lenders, the Facility Agent, the Security Agent and the Hedging Banks (the “Senior Creditors”) and (promptly following receipt) will pay and distribute to the Security Agent for application in accordance with the payment waterfall set out in the Intercreditor Agreement.

### ***Security—Enforcement***

The Intercreditor Agreement also provides that no Senior Creditor may, without the consent of the Majority Lenders, (i) enforce any Security Document (as defined in the Senior Credit Agreement), (ii) sue for or institute any creditors’ process or conservatory seizure in respect of any Senior Debt or Hedging Debt, (iii) take any step for the winding up of, or any insolvency proceeding or creditors’ process in relation to, any Obligor or for a voluntary arrangement or scheme of arrangement in relation to any Obligor or (iv) apply for an injunction or specific performance in relation to the Senior Finance Documents (defined therein).

The Security Agent shall only take action (or refrain from acting) in respect of the enforcement of the Senior Security in accordance with the instructions of the Majority Senior Creditors (defined below). The manner of enforcement shall also be determined by the Majority Senior Creditors. In the absence of any instructions from the Majority Senior Creditors, the Security Agent shall enforce the Senior Security in such manner as it sees fit, and solely having regard to the interests of the Lenders and the Hedging Banks. On an enforcement of the Security Documents, the Security Agent is authorized to execute any release of security and where such being released comprises all of the shares in the capital of an Obligor, a release of such Obligor from all present and future liabilities (both actual and contingent) under the Finance Documents if, in each case, provided that the proceeds of such enforcement are to be applied in the manner provided for in the Intercreditor Agreement.

“**Majority Senior Creditors**” means the Majority Lenders, provided that, following the acceleration of the Senior Debt, and commencement of enforcement of the Security in accordance with the Intercreditor Agreement, for the purposes only of calculating voting rights under the Intercreditor Agreement, the total commitments under the Senior Credit Agreement will be notionally increased by an amount equal to the aggregate of the Hedging Debt of Hedging Banks that each have a commitment under the Senior Credit Agreement of at least €10,000,000, and each of those Hedging Banks will be deemed to have the aggregate amount of its commitments under the Senior Credit Agreement increased by an amount equal to its Hedging Debt.

### ***Security—Distribution of Proceeds***

The proceeds resulting from the enforcement of Security Documents are to be applied by the Security Agent in the following order:

- First: in payment of all costs charges expenses and liabilities (and all interest due thereon) incurred by or on behalf of the Security Agent or by such other party as the case may be in connection with the realization of the security and any receiver, attorney or agent, in each case in connection with the carrying out or purporting to carry out, its duties or exercising its powers, and the remuneration of any such receiver;
- Second: in payment (i) to the Facility Agent for application towards the Senior Debt and (ii) in payment to the Hedging Banks for application towards the Hedging Debt, in each case pro rata; and
- Third: to the extent there is a surplus, to the Obligors.

### ***Restricted Amendments***

The Intercreditor Agreement restricts certain amendments to the terms of the Hedging Debt, Subordinated Debt and Intercompany Debt. In particular:

- In respect of the Hedging Debt, neither the Hedging Banks nor the Obligors are permitted, without the written consent of the Majority Senior Creditors, to make any amendments to the hedging documents that would result in:
  - an Obligor being subject to more onerous restrictions than those originally provided;
  - any payment being due from an Obligor earlier than originally provided for; or
  - any additional payment being due from an Obligor.
- In respect of the Subordinated Debt, neither the Subordinated Debtors nor Subordinated Creditors shall prior to the Senior Discharge Date, without the written consent of the Majority Senior Creditors (such consent not to be unreasonably withheld or delayed), make any amendment which would:
  - result in the interests of the Lenders or the Hedging Banks or the ranking and/or subordination arrangements provided for in the Intercreditor Agreement being adversely affected;
  - impose any material additional obligation on any Subordinated Debtor; or
  - result in any Subordinated Debtor becoming liable to make any additional payment or unscheduled payment.
- In respect of the Intercompany Debt neither the Obligors nor any Intercompany creditor shall, prior to the Senior Discharge Date, without the consent of the Majority Senior Creditors Lenders and in respect of any provisions affecting the Subordinated Creditors' rights against the Obligors, the Majority Subordinated Creditors (defined below), and following the Senior Discharge Date but prior to the Subordinated Discharge Date make any amendment which would:
  - result in the interests of the Lenders or the Subordinated Lenders or the ranking and/or subordination arrangements provided for in the Intercreditor Agreement being adversely affected;
  - impose any material additional obligation on any Obligor; or
  - result in any Obligor becoming liable to make any additional payment or unscheduled payment.

“Majority Subordinated Creditors” means the Subordinated Creditors whose share in the outstanding Subordinated Debt then aggregate 66⅔% or more of the aggregate of all outstanding Subordinated Debt.

### ***Equalization and Loss Sharing***

In the event that any Senior Creditor makes any Recovery (defined therein) other than by reason of a receipt by the Security Agent falling to be dealt with as described in “Security—Distribution of Proceeds” it shall inform the Security Agent of such receipt, and pay to the Security Agent such sum as the Security Agent determines represents the amount by which such payment exceeds the sum such Lender or Hedging Bank is entitled to.

If for any reason any of the Senior Debt remain undischarged, any losses relating thereto shall be borne between the Senior Creditors pro rata.

### **Description of the Related Agreements**

#### ***Telenet Service Agreement***

The Telenet Service Agreement is the agreement dated February 15, 2011 between the Issuer, Telenet International Finance and Telenet NV, pursuant to which Telenet International Finance has agreed to reimburse the Issuer for certain recurring costs (the “Recurring Costs”) which may be incurred by the Issuer in connection with the offering of the Notes and the subsequent Finco Loan including, but not limited to, fees and disbursements of legal counsel, fees in connection with the appointments of the Trustee and any paying agents in connection with the Notes, fees and expenses incurred in connection with the performance by the Issuer of its business including any indemnification of the Trustee, payments in respect of any applicable taxes owing by the Issuer and any Additional Amounts (as defined in “*Description of the*

Notes”) payable in respect of the Notes which the Issuer is required to pay to holders of the Notes; and any amounts equal to any withholding taxes withheld on payments under the Finco Loan to the Issuer, to the extent not grossed up. Telenet International Finance’s obligations under the Telenet Service Agreement will be limited so that the maximum amount owed by it at any one time does not exceed the greater of €10 million and the available unused portion at that time of the basket described in paragraph (p) of the definition of “Permitted Financial Indebtedness” in the Senior Credit Facility. The Telenet Service Agreement also provides that Telenet International Finance will agree certain undertakings in order to ensure compliance by the Issuer with certain covenants included in the Indenture. Telenet NV has agreed to guarantee the payment obligations of Telenet International Finance of such sums under the Telenet Service Agreement to the Issuer.

#### ***Telenet Fee Letter***

The Telenet Fee Letter is the agreement dated February 15, 2011 between the Issuer, Telenet International Finance and Telenet NV, pursuant to which Telenet International Finance has agreed to pay the Issuer certain upfront fees for a determined amount of non-recurring up-front fees (the “Non-Recurring Costs”) incurred by the Issuer in connection with its accession to the Senior Credit Facility pursuant to the Facility O Accession Agreement and the subsequent Finco Loan. Telenet NV agreed to guarantee the payment obligations of Telenet International Finance of such sums under the Telenet Fee Letter to the Issuer.

## DESCRIPTION OF OTHER INDEBTEDNESS OF TELENET

### **Telenet Finance Luxembourg Notes and Facility M under the Senior Credit Facility**

On November 3, 2010, Telenet Finance Luxembourg, an unaffiliated special purpose financing company created for the primary purpose of issuing senior notes, issued €500.0 million principal amount of 6¾% senior secured notes due 2020 at par (the “Telenet Finance Luxembourg Notes”). Telenet Finance Luxembourg used the proceeds from the Telenet Finance Luxembourg Notes to fund a new Facility M under the Senior Credit Facility, with Telenet International Finance, a direct subsidiary of Telenet NV, as the borrower. Telenet International Finance used approximately €202 million of the proceeds from Facility M to repay tranches H, I and L2 under the Senior Credit Facility, respectively, and to service certain payments to Telenet Finance Luxembourg in connection with the issuance of the Telenet Finance Luxembourg Notes. The remainder of the proceeds from the new Facility M was used for the general corporate purposes of the Telenet Group.

Telenet Finance Luxembourg is dependent on payments from Telenet International Finance under Facility M in order to service its payment obligations under the Telenet Finance Luxembourg Notes. Although Telenet International Finance has no equity or voting interest in Telenet Finance Luxembourg, the Facility M loan creates a variable interest in Telenet Finance Luxembourg for which Telenet International Finance is the primary beneficiary, as contemplated by IFRS. As such, Telenet International Finance and its parent entities, including Telenet Group Holding, are required by the provisions of IFRS to consolidate Telenet Finance Luxembourg following the issuance of the Telenet Finance Luxembourg Notes. Accordingly, the amounts outstanding under Facility M will be eliminated within Telenet Group Holding’s consolidated financial statements.

The Telenet Finance Luxembourg Notes have been issued pursuant to an indenture, dated November 3, 2010. Facility M is made pursuant to a Facility M Accession Agreement (the “Facility M Accession Agreement”). Pursuant to the Facility M Accession Agreement, the call provisions, maturity and applicable interest rate for Facility M are the same as those of the Telenet Finance Luxembourg Notes. Telenet Finance Luxembourg, as a lender under the Senior Credit Facility, will be treated the same as the other lenders under the Senior Credit Facility and will have benefits, rights and protections that are similar to those benefits, rights and protections afforded to the other lenders.

Telenet Finance Luxembourg is prohibited from incurring any additional indebtedness, subject to certain exceptions under the indenture governing the Telenet Finance Luxembourg Notes.

Telenet Finance Luxembourg Notes are non-callable until November 15, 2015. At any time prior to January 15, 2015, upon the occurrence of an Early Redemption Event (being a voluntary prepayment of all or a portion of Facility M), Telenet Finance Luxembourg will redeem an aggregate principal amount of the Telenet Finance Luxembourg Notes equal to the amount of Facility M prepaid, at a redemption price equal to the sum of (i) 100% of the principal amount thereof, (ii) the excess of (a) the present value at such redemption date of (1) the redemption price on November 15, 2015, plus (2) all required remaining scheduled interest payments due through November 15, 2015, computed using the discount rate specified in the indenture, over (b) the principal amount of the Telenet Finance Luxembourg Notes on the redemption date and (iii) accrued but unpaid interest and additional amounts, if any, to the applicable redemption date. On or after November 15, 2015, upon the occurrence of an Early Redemption Event (as defined in the indenture), Telenet Finance Luxembourg will redeem an aggregate principal amount of the Telenet Finance Luxembourg Notes equal to the principal amount of Facility M prepaid at the redemption prices set forth in the indenture governing the Telenet Finance Luxembourg Notes, plus accrued and unpaid interest and additional amounts, if any, to the applicable redemption date.

### ***Telenet Finance Luxembourg II Notes and Facility N under the Senior Credit Facility***

On November 26, 2010, Telenet Finance Luxembourg II, an unaffiliated special purpose financing company created for the primary purpose of issuing senior notes, issued €100.0 million principal amount of 5.3% senior secured fixed rate notes at 101.75% (the “Telenet Finance Luxembourg II Notes”). Telenet Finance Luxembourg II used the proceeds from the Telenet Finance Luxembourg II Notes to fund a new Facility N under the Senior Credit Facility, with Telenet International Finance, a direct subsidiary of Telenet NV, as the borrower. Telenet International Finance used the proceeds from Facility N for the general corporate purposes of the Telenet Group.

Telenet Finance Luxembourg II is dependent on payments from Telenet International Finance under Facility N in order to service its payment obligations under the Telenet Finance Luxembourg II Notes.



Although Telenet International Finance has no equity or voting interest in Telenet Finance Luxembourg II, the Facility N loan creates a variable interest in Telenet Finance Luxembourg II for which Telenet International Finance is the primary beneficiary, as contemplated by IFRS. As such, Telenet International Finance and its parent entities, including Telenet Group Holding, are required by the provisions of IFRS to consolidate Telenet Finance Luxembourg II following the issuance of the Telenet Finance Luxembourg II Notes. Accordingly, the amounts outstanding under Facility N will be eliminated within Telenet Group Holding's consolidated financial statements.

The Telenet Finance Luxembourg II Notes have been issued pursuant to a trust deed, dated November 26, 2010. Facility N is made pursuant to a Facility N Accession Agreement (the "Facility N Accession Agreement"). Pursuant to the Facility N Accession Agreement, the call provisions, maturity and applicable interest rate for Facility N are the same as those of the Telenet Finance Luxembourg II Notes. Telenet Finance Luxembourg II, as a lender under the Senior Credit Facility Facility, will be treated the same as the other lenders under the Senior Credit Facility and will have benefits, rights and protections that are similar to those benefits, rights and protections afforded to the other lenders.

Telenet Finance Luxembourg II is prohibited from incurring any additional indebtedness, subject to certain exceptions under the trust deed governing the Telenet Finance Luxembourg II Notes.

Telenet Finance Luxembourg II Notes are non-callable until November 15, 2013. On or after November 15, 2013, upon a voluntary prepayment of Facility N, Telenet Finance Luxembourg II will redeem an aggregate principal amount of the Telenet Finance Luxembourg II Notes equal to the principal amount of Facility N prepaid at the redemption prices set forth in the trust deed governing the Telenet Finance Luxembourg II Notes, plus accrued and unpaid interest and additional amounts, if any, to the applicable redemption date.

## DESCRIPTION OF THE NOTES

Telenet Finance III Luxembourg S.C.A. (the “**Issuer**”) issued the Notes (as defined below) under an indenture dated February 15, 2011 (the “**Indenture**”) entered into by and among itself, The Bank of New York Mellon as trustee (the “**Trustee**”), transfer agent and principal paying agent, and The Bank of New York Mellon (Luxembourg) S.A. as registrar in a private transaction that is not subject to the registration requirements of the U.S. Securities Act of 1933, as amended (the “**U.S. Securities Act**”). The Notes Security Documents referred to below under the caption “—Security” define the terms of the mortgages, charges and/or assignments that will secure the Notes.

You can find the definitions of certain terms used in this description under the subheading “Certain Definitions”. In this description:

- (1) the term “**Telenet NV**” refers only to Telenet NV and not to any of its subsidiaries;
- (2) the term “**Telenet Group**” refers to Telenet and its subsidiaries; and
- (3) the term “**Telenet International Finance**” refers only to Telenet International Finance S.à r.l. and not to any of its subsidiaries.

The following is a description of the material provisions of the Indenture and refers to the Senior Credit Facility, the Finco Accession Agreement, the Telenet Fee Letter, the Telenet Service Agreement and the Notes Security Documents. It does not restate those agreements in their entirety. We urge you to read the Indenture, the Senior Credit Facility, the Finco Accession Agreement, the Telenet Fee Letter, the Telenet Service Agreement and the Notes Security Documents for a more complete description of your direct and indirect rights as holders of the Notes. Copies of the Indenture, the Senior Credit Facility, the Finco Accession Agreement, the Telenet Fee Letter, the Telenet Service Agreement and the Notes Security Documents are available as described below under “—Additional Information”. The Senior Credit Facility is attached as Annex A to this offering memorandum, and a form of the Finco Accession Agreement (also referred to in the offering memorandum as the “Facility O Accession Agreement”) is attached as Annex B to this offering memorandum.

The Notes will initially not be held in definitive form and the registered holder of a Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Indenture.

### Brief Description of the Structure of the Offering

In connection with the offering of the Notes, the Issuer entered into the Finco Accession Agreement with Telenet International Finance and the facility agent under the Senior Credit Facility pursuant to which the Issuer made available to Telenet International Finance an additional facility under the Senior Credit Facility in a principal amount equal to the aggregate principal amount of the Notes issued in the offering. On the Issue Date, the Issuer advanced the proceeds of the issuance of the Notes to Telenet International Finance pursuant to the Finco Accession Agreement.

The Issuer, as a lender under the Senior Credit Facility (a “**Telenet Lender**”), will be treated the same as all other lenders under that facility and will have benefits, rights and protections that are similar to those benefits, rights and protections afforded to other Telenet Lenders. Through the covenants in the Indenture and the security interests over all of the issued shares of the Issuer held by the Foundation and all the issued shares of the GP, and the security interests over the Finco Loan granted to the Trustee on behalf of itself and the holders of the Notes to secure the Issuer’s obligations under the Notes, the holders of Notes will be provided indirectly with the benefits, rights and protections granted to the Issuer as a Telenet Lender, including the indirect benefit of the covenants contained in the Senior Credit Facility, the guarantees granted by the members of the Telenet Group that are guarantors under the Senior Credit Facility and the security granted for the benefit of the Telenet Lenders. See “Description of the Senior Credit Facility”. Thus, in the case of the ongoing obligations of the Telenet Group and Telenet International Finance under the Senior Credit Facility, the Issuer will be treated in the same way as the other Telenet Lenders, with the right to vote as part of the lending group at the direction of the holders of the Notes and to receive principal and interest on the Finco Loan, which it will in turn use to make payments on the Notes. For a description of procedures under the Indenture and the Finco Accession Agreement regarding voting rights of holders of the Notes with respect to decisions under the Senior Credit Facility, see below under “—Amendment, Supplement and Waiver—To the Senior Credit Facility or the Finco Accession Agreement”.

Under the Senior Credit Facility, to the extent the Telenet Group is in compliance with certain financial ratios, the borrowers under the Senior Credit Facility, at their discretion and without the consent of the Telenet Lenders, are permitted to incur additional *pari passu* indebtedness pursuant to additional facilities under the Senior Credit Facility (the existing facilities, and any additional facilities under the Senior Credit Facility, the “**Facilities**”), which benefit from the protections provided to all Telenet Lenders, including the representations and warranties, covenants, guarantees and security provided thereunder. For a further description of the Senior Credit Facility, see “Description of the Senior Credit Facility”. The Senior Credit Facility is attached as Annex A to this offering memorandum.

However, the Senior Credit Facility limits the ability of the Telenet Group to issue the Notes directly. As a result, we have implemented the structure for this offering pursuant to which the Issuer will loan the proceeds of this offering of the Notes to Telenet International Finance, thus indirectly affording holders of Notes the ability to participate in the Senior Credit Facility.

On the Issue Date, the gross proceeds of the offering, together with the fees payable to the Issuer from Telenet International Finance under the Telenet Fee Letter, will be used by the Issuer to fund a loan (the “**Finco Loan**”) borrowed under an additional facility (the “**Finco Facility**”) under the Senior Credit Facility, and the Issuer will become a Telenet Lender. In addition to indirect benefits arising from the protections and security afforded to the Issuer as a Telenet Lender, holders of Notes will also benefit directly from the first-ranking security interests in the Note Collateral described below under “—Security”.

The principal amount of the Notes due at maturity, as well as the maturity date, rate of interest and currency, among other things, will be identical to the corresponding provisions of the Finco Loan.

Further, if an Event of Default is continuing under the Indenture or the Notes, holders of Notes will be entitled to direct the Trustee to enforce their rights under the Notes, the Indenture and the Note Security Documents, in which case the holders of Notes will have multiple available remedies (through the Trustee), including:

- declaring the Notes due and payable (other than an Event of Default arising from a Telenet Event of Default, as defined below under “—Events of Default and Remedies”);
- enforcing all rights available to the Issuer as a Telenet Lender, subject to any limitations set forth in the Senior Credit Facility;
- enforcing the security over the shares of the Issuer and/or the Issuer’s bank accounts and directing performance by the Issuer of its obligations under certain agreements and other documents to which it is a party;
- requiring the Issuer to sell the Finco Loan to third parties; and/or
- exchanging their Notes for Telenet Loans.

For more information on Events of Default and Remedies, see “—Events of Default and Remedies”.

### ***Issuance of Notes***

In this offering, the Issuer will issue €300 million aggregate principal amount of Notes (the “**Notes**”). The Notes will be issued under the Indenture and will benefit from the security interests described below under “—Security”.

### ***The Finco Loan***

The gross proceeds from the issuance of the Notes, together with the fees payable to the Issuer from Telenet International Finance under the Telenet Fee Letter, will be used by the Issuer to fund the Finco Loan pursuant to the Finco Facility under the Senior Credit Facility. As of September 30, 2010, as adjusted to give effect to (i) the borrowing under Facility M and Facility N under the Senior Credit Facility in the amount of €500 million and €100 million, respectively, (ii) the repayment of Facilities H, I and L2 with the proceeds from Facility M under the Senior Credit Facility, (iii) the borrowing of the Finco Loan and the application of the proceeds therefrom to reduce borrowings under Facilities J, K and L1 and (iv) the use of €7 million of cash and cash equivalents to repay Facility B1 and Facility F under the Senior Credit Facility, €2,516.3 million (equivalent) of borrowings would have been outstanding under the Senior Credit Facility, of which €300 million, or 11.92% of the aggregate principal amount outstanding under the Senior Credit Facility, would have been the Finco Loan.

### *Certain Transaction Documents*

*Finco Accession Agreement.* In connection with the Finco Loan, the Issuer and Telenet International Finance entered into an accession agreement (the “**Finco Accession Agreement**” (also referred to in the offering memorandum as the “Facility O Accession Agreement”)) pursuant to which the Issuer acceded to the Senior Credit Facility as a Telenet Lender. The Finco Accession Agreement sets out the principal economic terms of the Finco Facility. The form of the Finco Accession Agreement is attached as Annex B to this offering memorandum.

Upon acceding to the Senior Credit Facility pursuant to the Finco Accession Agreement, the Issuer will benefit from all the rights of a lender under the Senior Credit Facility, including the protections of the affirmative, negative and financial covenants and events of default set out in the Senior Credit Facility. In addition, the Finco Loan will be secured by the assets of the Telenet Group granted to the Telenet Security Agent to secure the Telenet Loans.

The Finco Accession Agreement will be similar in form to the accession agreement entered into by other Telenet Lenders and will include additional rights that are specific to the Finco Loan, including the maturity date of, the rate of interest accruing on, and the interest periods applicable to the Finco Loan. In addition, the Finco Accession Agreement will provide for the payment of certain premiums in connection with certain voluntary and mandatory prepayments of the Finco Loan that will enable the Issuer to pay the premiums applicable to corresponding redemptions of the Notes, as described below under “—Redemption and Repurchase”. The Finco Accession Agreement will constitute a “Finance Document” for purposes of the Senior Credit Facility.

In addition, Telenet NV will, pursuant to the Senior Credit Facility and the Finco Accession Agreement, agree not to arrange an Additional Facility (as defined Senior Credit Facility) if (in addition to any applicable requirements set forth in clause 2.8(e) of the Senior Credit Facility):

- (1) after giving effect to the utilisation (and, for the avoidance of doubt, the application of the net proceeds) of the Total Telenet Additional Facility Commitments under such Telenet Additional Facility, the ratio of Net Total Debt to Consolidated Annualised EBITDA would be greater than 5.00:1; and
- (2) after giving effect to the utilisation (and, for the avoidance of doubt, the application of the net proceeds) of the Total Telenet Additional Facility Commitments under such Telenet Additional Facility, the ratio of Net Total Senior Debt (as defined below) to Consolidated Annualised EBITDA would be greater than 4.50:1.

“Net Total Senior Debt” means, at any time, that part of Total Debt which is attributable to indebtedness outstanding under the Finance Documents less Cash and Cash Equivalents. Terms used in this paragraph and not otherwise defined in this description have the meanings given to them in the Senior Credit Facility.

Furthermore, following a Telenet Group Transfer:

- (a) if the holders of a majority of the aggregate principal amount of the Notes consent to the Telenet Group Transfer, Telenet International Finance may, at its option, voluntarily prepay a principal amount of Finco Loan equal to the aggregate principal amount of the Notes whose holders did not consent to the Telenet Group Transfer *plus* accrued and unpaid interest to the date of prepayment (which prepayment date will be the date of redemption of the Notes as described in clause (a) of the first paragraph under the caption “Redemption and Repurchase—Transfer of Shares of Telenet Group Holding NV”) *plus* an additional payment equal to 1% of the principal amount of the Finco Loan prepaid; or
- (b) if the holders of a majority of the aggregate principal amount of the Notes do not consent to the Telenet Group Transfer, Telenet International Finance has agreed that it will prepay the Finco Loan in a principal amount equal to the aggregate principal amount of the Notes tendered in the offer to purchase described in clause (b) of the first paragraph under the caption “Redemption and Repurchase—Transfer of Shares of Telenet Group Holding NV” *plus* accrued and unpaid interest to the date of purchase *plus* an additional payment equal to 1% of the principal amount of the Finco Loan prepaid on the date of purchase described in such clause (b).

The Finco Accession Agreement will further provide that the Issuer will accede to the Intercreditor Agreement as a lender and will be bound by the terms and provisions of the Intercreditor Agreement in its capacity as a lender.

*Telenet Fee Letter.* The Issuer, Telenet International Finance and Telenet NV entered into a fee letter (the “**Telenet Fee Letter**”) relating to the payment by Telenet International Finance of certain up-front fees to the Issuer. Under the Telenet Fee Letter, Telenet NV guaranteed the obligations of Telenet International Finance to the Issuer under the Telenet Fee Letter.

*Telenet Service Agreement.* The Issuer, Telenet International Finance and Telenet NV entered into a service agreement (the “**Telenet Service Agreement**”) in respect of the reimbursement by Telenet International Finance of certain ongoing obligations of the Issuer, including in respect of the maintenance of the Issuer’s existence, the payment of certain tax liabilities of the Issuer, the payment of Additional Amounts pursuant to the Indenture following certain tax events and the payment of additional interest required to be paid under the Notes on overdue principal and interest. The reimbursement obligations of Telenet International Finance under the Telenet Service Agreement are limited so that the maximum amount owed at any one time does not exceed the greater of €10 million and the available unused portion at that time of the basket described in paragraph (p) of the definition of Permitted Financial Indebtedness in the Senior Credit Facility. Failure by the Issuer to pay any Additional Amounts or default interest on the Notes will constitute a Default under the Indenture whether or not such amounts exceed the amount payable by Telenet International Finance under the Telenet Service Agreement.

The Telenet Service Agreement also provides that Telenet International Finance will agree to certain undertakings in order to ensure compliance by the Issuer with certain covenants included in the Indenture. Under the Telenet Service Agreement, Telenet NV agrees to guarantee the obligations of Telenet International Finance to the Issuer.

The Finco Accession Agreement, the Telenet Fee Letter and the Telenet Service Agreement are collectively referred to herein as the “**Transaction Documents**”.

### **Brief Description of the Notes**

The Notes:

- will be general obligations of the Issuer;
- will be secured by the Note Collateral; and
- will rank *pari passu* in right of payment to all Financial Indebtedness of the Issuer that is not subordinated to the Notes.

The Issuer will not be entitled to incur any additional Financial Indebtedness. See “—Certain Covenants—Limitations with Respect to Business Activities of the Issuer”.

### **The Issuer**

The Issuer has been formed as a special purpose financing company for the primary purpose of facilitating the offering of the Notes. All of the Issuer’s issued ordinary shares are held by the Foundation and the Issuer’s general partner share is held by the GP. The Foundation is a foundation established under the laws of the Netherlands, and the GP is a private limited company incorporated under the laws of Luxembourg. The Issuer has no material business operations and upon completion of this offering will have no material assets other than the Finco Loan advanced in connection with the offering of the Notes as described below under “—Finco Accession Agreement and the Senior Credit Facility” and its rights under the Transaction Documents. The Issuer is dependent on payments by Telenet International Finance under the Finco Loan in order to service its obligations under the Notes. The Issuer will file U.S. Internal Revenue Service Form 8832, electing to be treated as a partnership or a disregarded entity for U.S. federal tax purposes, to be effective on or prior to the issuance of the Notes.

### **Finco Accession Agreement and the Senior Credit Facility**

The proceeds from the issuance of the Notes will be used by the Issuer to fund the Finco Loan, denominated in euro, to Telenet International Finance under the Finco Facility.



Under the terms of the Senior Credit Facility, the Finco Accession Agreement and the related arrangements described below, the Issuer will benefit from:

- (1) all the rights of a Telenet Lender under the Senior Credit Facility and the Finco Accession Agreement, including the indirect benefit of the Senior Facility Collateral and the guarantees of the Senior Facility Guarantors;
- (2) rights under the Telenet Fee Letter relating to certain fees payable to the Issuer in connection with the entering into of the Finco Accession Agreement and the advancing of the Finco Loan;
- (3) rights under the Telenet Service Agreement relating to the payment of (i) the fees and expenses of the Issuer incurred from time to time in connection with or related to the Issuer's performance of its obligations under the Indenture and the maintenance of the Issuer's existence, (ii) certain tax liabilities of the Issuer, (iii) any Additional Amounts, if any, payable under the Indenture and (iv) any additional interest required to be paid under the Notes on overdue principal and interest; and
- (4) rights under the Telenet Service Agreement relating to the obligations of Telenet International Finance to ensure compliance by the Issuer with the covenants described below under “—Redemption and Repurchase—Redemption with Disposal Proceeds”, “—Redemption and Repurchase—Open Market Purchases of Telenet Loans”, “—Certain Covenants—Maintenance of Rating”, “—Certain Covenants—Minimum Period for Consents under Loan Documents”, “—Certain Covenants—Payments for Consents”, “—Certain Covenants—Amendments to Loan Documents to be Applied Equally to all Telenet Lenders”.

Under the Senior Credit Facility, Telenet Lenders are not allowed to split or divide their votes with respect to matters arising thereunder requiring the vote (or other consent) of Telenet Lenders. For a description of procedures under the Indenture regarding voting rights of holders of the Notes with respect to decisions under the Senior Credit Facility, see below under “—Amendment, Supplement and Waiver—To the Senior Credit Facility or the Finco Accession Agreement”.

References in this Description of the Notes and the Indenture to numbered clauses or sections in the Senior Credit Facility refer to such clauses or sections as numbered as of the date of the Indenture and, in the event the Senior Credit Facility is amended or supplemented after the date of the Indenture, to any substantially similar clause or section after such amendment or supplement whether numbered the same or differently after such amendment or supplement.

For a further description of the Senior Credit Facility, see “Description of the Senior Credit Facility”.

### **Senior Credit Facility Collateral**

The Finco Loan will be secured by the security interests on substantially all assets of the Telenet Group granted to the Telenet Security Agent to secure the Telenet Loans. The Telenet Loans are secured on a first-ranking basis by substantially all of the properties and assets of the borrowers and Senior Facility Guarantors, and certain other security providers, under the Senior Credit Facility (collectively, the “**Senior Facility Collateral**”), including:

- (a) share pledges over all the shares of Telenet NV, Telenet Vlaanderen NV and Telenet International Finance;
- (b) mortgages over all real property and the network assets of Telenet NV and Telenet Vlaanderen NV;
- (c) floating charges over all moveable property of Telenet NV and Telenet Vlaanderen NV; and
- (d) pledges on bank accounts and of all present and future receivables of Telenet Group Holding, Telenet NV, Telenet Vlaanderen NV and Telenet International Finance.

For a further description of the security with respect to the Telenet Loans and the Senior Credit Facility, see “Description of the Senior Credit Facility—Security”.

## Note Collateral

In addition, subject to limitations under Luxembourg law described above, the holders of the Notes will benefit directly from first-ranking security interests to be granted to the Trustee on behalf of itself and the holders of the Notes in the following rights, property and assets (collectively, the **“Note Collateral”**):

- (1) all of the issued shares of the Issuer held by the Foundation and all of the issued shares of the GP;
- (2) the following assets of the Issuer:
  - (a) the Issuer’s rights to and benefit in the Finco Loan (including all rights of the Issuer as a Telenet Lender under the Senior Credit Facility and the Finco Accession Agreement) (the **“Telenet Loan Collateral”**);
  - (b) the Issuer’s rights under the Telenet Fee Letter (the **“Telenet Fee Letter Collateral”**);
  - (c) the Issuer’s rights under the Telenet Service Agreement (excluding the Issuer’s rights to be indemnified in respect of fees, costs, expenses and any other amounts payable to parties that do not benefit from the security interests in the Note Collateral) (the **“Telenet Service Agreement Collateral”**); and
  - (d) sums of money held from time to time in all bank accounts of the Issuer (the **“Bank Account Collateral”**).

The Trustee will enter into the Notes Security Documents relating to the Note Collateral described above with the other relevant parties thereto. The first-ranking security interests in the Note Collateral will secure the performance of the obligations of the Issuer under the Indenture and the Notes as provided in the relevant Notes Security Document and to the extent specified therein, subject to the provisions, among others, described below under **“—Events of Default and Remedies”** and **“—Amendment, Supplement and Waiver”**.

The Notes Security Documents provide for the Trustee to release the security created thereby upon discharge of the Indenture, in accordance with its terms, as described below under **“—Satisfaction and Discharge”**.

Neither the Trustee nor any of its respective officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any property securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Notes Security Documents, for the creation, perfection, priority, sufficiency or protection of any security interest under any Notes Security Document, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Notes Security Documents or any delay in doing so.

## Limited Recourse Obligations

The obligations of the Issuer under the Indenture, the Notes and the Note Security Documents to which it is a party will be limited as set forth in the Indenture. All payments to be made by the Issuer under the Indenture (including any Additional Amounts), the Notes and the Notes Security Documents to which it is a party will be made only from and to the extent of such sums received or recovered by or on behalf of the Issuer or the Trustee under the Note Collateral, including the Issuer’s right under the Senior Credit Facility and the Transaction Documents and none of the Trustee, the Principal Paying Agent, the Registrar or the holders of Notes will have any further recourse to the Issuer in respect thereof in the event that the amount due and payable by the Issuer under the Indenture, the Notes and the Note Security Documents exceeds the amounts so received or recovered under the Note Collateral, including the Issuer’s right under the Senior Credit Facility and the Transaction Documents.

In addition, holders of the Notes will not have a direct claim on the cash flow or assets of any member of the Telenet Group and no member of the Telenet Group will have any obligation, contingent or otherwise, to pay amounts due under the Notes, or to make funds available to the Issuer for those payments, other than the obligations of Telenet International Finance and the Senior Facility Guarantors to make payments to Telenet Lenders under the Senior Credit Facility and the Finco Accession Agreement.

Because the holders of Notes will benefit from the assignment of rights under certain agreements between the Issuer and members of the Telenet Group, in certain circumstances described below under **“—Events**

of Default and Remedies”, the Trustee, on behalf of the holders of the Notes, will be able to assert the contractual rights of the Issuer against members of the Telenet Group (and in an enforcement action holders of Notes may instruct the Trustee to demand such performance); however, these rights are limited to the Issuer’s contractual rights against the Telenet Group and provide for no direct claims into the Telenet Group.

No member of the Telenet Group will guarantee the Issuer’s obligations under the Notes.

### **Principal, Maturity and Interest**

The Issuer will issue in this offering €300 million in aggregate principal amount of Notes.

The Issuer will issue Notes in denominations of €100,000 and integral multiples of €1,000 above €100,000. Notes will only be issued in minimum denominations of €100,000 principal amount. The Notes will mature on February 15, 2021. On February 15, 2021, the Issuer will redeem the Notes that have not been previously redeemed or purchased and cancelled at 100% of their principal amount plus accrued and unpaid interest thereon, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Interest on the Notes will accrue at the rate of 6.625% per annum and interest will be payable semi-annually in arrears on each February 15 and August 15, commencing on August 15, 2011. Interest on overdue principal and interest then due will accrue at a rate that is 2.0% higher than the then applicable interest rate on the Notes. Pursuant to the terms of the Telenet Service Agreement described above, Telenet International Finance will make payments to the Issuer to enable it to pay the additional interest required to be paid under the Notes on overdue principal and interest. The Issuer will make each interest payment to the holders of record on the immediately preceding February 1 and August 1.

Interest on the Notes will accrue from the Issue Date or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

### **Principal Paying Agent and Registrar for the Notes**

The Bank of New York Mellon will initially act as Principal Paying Agent and The Bank of New York Mellon (Luxembourg) S.A. as Registrar, respectively for the Notes. The Issuer may change the Principal Paying Agent or Registrar for the Notes, and the Issuer may act as Principal Paying Agent or Registrar for the Notes. In addition, the Issuer undertakes that it will ensure that it maintains a paying agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the European Council of Economics and Finance Ministers (“**ECOFIN**”) meeting of November 26-27, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive. Upon written request from the Issuer, the Registrar shall provide the Issuer with a copy of the Register to enable it to maintain a register of the Notes at its registered office.

### **Security Agent**

The Bank of New York Mellon will act as security agent under the Notes Security Documents until such time, if any, that a new Trustee is appointed under the relevant provisions of the Indenture.

Neither the Trustee nor any of its officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any property securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Notes Security Documents, for the creation, perfection, priority, sufficiency or protection of any security interest under any Notes Security Document, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Notes Security Documents or any delay in doing so.

### **Redemption and Repurchase**

#### *Disposal Proceeds*

Under the Senior Credit Facility, Telenet NV and Telenet International Finance are required to prepay, or to procure that there is prepaid (in either case, unless otherwise waived in accordance with the provisions of the Senior Credit Facility), the Facilities under the Senior Credit Facility with certain proceeds of asset

disposals (“**Disposal Proceeds**”), subject to certain exceptions. See paragraph (13) under “Description of the Senior Credit Facility and the Related Agreements—Senior Credit Facility—Mandatory Prepayment”. Telenet NV may elect which Facility or Facilities are to be prepaid in connection with any mandatory prepayment with Disposal Proceeds. Under the Telenet Service Agreement, Telenet NV and Telenet International Finance will agree that with respect to any Disposal Proceeds that are required to be applied to prepay any Facilities pursuant to Clause 7.3 (Mandatory prepayment from disposal proceeds) of the Senior Credit Facility, an amount of such Disposal Proceeds that bears the same proportion to the total Disposal Proceeds as the aggregate principal amount that the Finco Loan bears to the aggregate principal amount of all outstanding Telenet Loans (the “**Available Disposal Proceeds**”) will be available for prepayment of the Finco Loan.

In respect of the Available Disposal Proceeds, Telenet NV and Telenet International Finance may elect, at their option:

- (1) offer to prepay a principal amount of the Finco Loan equal to the aggregate principal amount of the Notes tendered in an Asset Sale Offer (as defined below) to be made by the Issuer following receipt of notice from Telenet NV as set forth below, not to exceed the amount of the Available Disposal Proceeds; or
- (2) to prepay the Finco Loan in an amount equal to the Available Disposal Proceeds, in which case the Issuer will redeem an aggregate principal amount of the Notes equal to the amount of the Finco Loan prepaid,

in each case, as described below.

#### *Asset Sale Offer*

Following receipt of notice of an asset disposal from Telenet NV delivered pursuant to Clause 6.1(a) of the Telenet Service Agreement, the Issuer will, within five Business Days of receipt of such notice, make an offer to all holders of Notes (an “**Asset Sale Offer**”) to purchase the maximum principal amount of Notes that may be purchased out of the Available Disposal Proceeds stated in such notice at an offer price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date, which offer price will be payable in cash.

Under the Telenet Service Agreement, Telenet NV and Telenet International Finance have agreed to pay (or procure the payment of) the Finco Loan in an amount equal to the lesser of (i) the Available Disposal Proceeds and (ii) the aggregate principal amount of Notes tendered in such Asset Sale Offer, and the Issuer will accept for purchase an equal aggregate principal amount of the Notes in such Asset Sale Offer. The Issuer will apply any such prepayment of the Finco Loan, together with all accrued and unpaid interest on the Finco Loan to the date of prepayment, to pay the purchase price of all Notes accepted for purchase in such Asset Sale Offer.

The Issuer and the Trustee will promptly notify Telenet NV and Telenet International Finance of the aggregate principal amount of Notes tendered into such Asset Sale Offer. If the aggregate principal amount of Notes tendered into such Asset Sale Offer exceeds the amount of the Available Disposal Proceeds, the Trustee will select the Notes to be purchased on a pro rata basis, based on the amounts tendered.

The Issuer will comply with the requirements of Rule 14e-1 under the U.S. Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with each repurchase of Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Asset Sale Offer provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Asset Sale Offer provisions of the Indenture by virtue of such compliance.

#### *Redemption with Disposal Proceeds*

Under the Telenet Service Agreement, if Telenet NV and Telenet International Finance elect not to offer to prepay the Finco Loan in an amount equal to the aggregate principal amount of the Notes tendered in an Asset Sale Offer as described above, not to exceed the amount of the Available Disposal Proceeds, they are required to prepay (or procure the payment of) the Finco Loan at the applicable prepayment price for

any voluntary prepayment in an amount equal to the Available Disposal Proceeds, plus accrued and unpaid interest on the Finco Loan to the date of prepayment. Telenet NV and Telenet International Finance are required to give not less than ten Business Days' notice of any such prepayment.

Following receipt of prepayment of the Finco Loan described in the preceding paragraph, the Issuer will promptly redeem an aggregate principal amount of the Notes equal to the Available Disposal Proceeds at a redemption price in cash equal to the redemption price that would be payable if such Notes were redeemed on such date pursuant to the provisions described below under “—Optional Redemption”, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date.

#### *Transfer of Shares of Telenet Group Holding NV*

Upon the occurrence of a Telenet Group Transfer:

- (a) if the holders of a majority of the aggregate principal amount of the Notes outstanding consent to the Telenet Group Transfer, the Issuer will, to the extent Telenet International Finance notifies the Issuer that it intends to prepay a corresponding principal amount of the Finco Loan, redeem all, but not less than all, of the Notes of all holders who do not consent to the Telenet Group Transfer upon not less than 30 nor more than 60 days' notice (which notice of redemption will be given no later than ten Business Days following consummation of the Telenet Group Transfer) at a redemption price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, on the Notes redeemed to the date of redemption (subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date); or
- (b) if the holders of a majority of the aggregate principal amount of the Notes outstanding do not consent to the Telenet Group Transfer, the Issuer will make an offer to all holders of the Notes to purchase their Notes for cash at a price equal to 101% of the principal amount of such Notes, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase (subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date).

Telenet NV will promptly notify the Issuer of the occurrence of a Telenet Group Transfer. Within ten days after the occurrence of a Telenet Group Transfer, the Issuer will mail a notice to each holder describing the transaction or transactions that constitute the Telenet Group Transfer and request the holders of the Notes to consent to the Telenet Group Transfer, *provided* that the period during which such holders may consent shall not be less than 15 Business Days from the date such notice is sent to holders. Upon completion of the consent solicitation with respect to the Telenet Group Transfer, the Issuer will promptly notify Telenet NV of the results of such consent solicitation. If the holders of a majority of the aggregate principal amount of the Notes outstanding do not consent to the Telenet Group Transfer, the Issuer will, within ten days after the completion of such consent solicitation, commence the offer to purchase referred to in clause (b) of the preceding paragraph.

The Issuer will comply with the selection and notice provisions of the Indenture in connection with any redemption or offer to purchase conducted in accordance with the provisions of this covenant.

#### *Redemption upon a Change of Control*

Upon the occurrence of any mandatory prepayment of any or all of the Finco Loan following a Change of Control (as defined under Clause 7.2 (*Mandatory prepayment—change of control*) of the Senior Credit Facility), the Issuer will redeem the corresponding aggregate principal amount of the Notes, subject to and in accordance with the notice provisions of the Senior Credit Facility, at a redemption price equal to 101% of the principal amount of Notes redeemed plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption, subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date.

Under the terms of the Senior Credit Facility, upon the occurrence of a Change of Control, the Telenet Loans (including the Finco Loan) will only become due and payable if the Majority Lenders so require. The Issuer, as a Telenet Lender, will be entitled to vote the Finco Loan in accordance with the provisions described below under “—Amendment, Supplement and Waiver—To the Senior Credit Facility or the Finco Accession Agreement”. Depending on how the other Telenet Lenders vote in the determination of whether to require prepayment, holders of Notes may have no right to demand redemption of the Notes by the Issuer following the occurrence of a Change of Control.



### ***Optional Redemption***

In the event that all or any portion of the Finco Loan is voluntarily prepaid by Telenet NV pursuant to Clause 7.6 (*Voluntary Prepayment*) of the Senior Credit Facility other than in connection with a Telenet Group Transfer (an “**Early Redemption Event**”), subject to and in accordance with the terms of the Senior Credit Facility and the Finco Accession Agreement, the Finco Accession Agreement will provide for the payment of certain additional payments to be made to the Issuer that correspond to the premiums payable to holders of the Notes upon early redemption, as described below.

#### ***Redemption prior to February 15, 2016***

At any time prior to February 15, 2016, upon the occurrence of an Early Redemption Event, the Issuer will redeem an aggregate principal amount of the Notes equal to the principal amount of the Finco Loan prepaid in such Early Redemption Event, upon not less than 30 days nor more than 60 days’ notice, at a redemption price equal to 100% of the principal amount of Notes redeemed plus the Applicable Premium (calculated as of a date no more than three Business Days prior to the date of the relevant redemption notice), and accrued and unpaid interest and Additional Amounts, if any, to the date of redemption, subject to the rights of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date.

#### ***Redemption on or after February 15, 2016***

On or after February 15, 2016, upon the occurrence of an Early Redemption Event, the Issuer will redeem an aggregate principal amount of the Notes equal to the principal amount of the Finco Loan prepaid in such Early Redemption Event, upon not less than 30 days nor more than 60 days’ notice, at the following redemption prices (expressed as a percentage of principal amount), plus accrued and unpaid interest and Additional Amounts, if any, to the applicable redemption date (subject to the rights of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period commencing on February 15 of the years set out below:

	<b>Redemption Price</b>
2016.....	103.313%
2017.....	102.209%
2018.....	101.104%
2019 and thereafter.....	100.000%

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

#### ***Redemption for Changes in Withholding Taxes***

Upon the occurrence of an Early Redemption Event effected at any time following the occurrence of an Issuer Tax Event (as defined below) under “—Withholding Taxes” or an optional prepayment of the Finco Loan pursuant to Clause 7.9(a)(i) (*Right of repayment and cancellation of a single Lender*) of the Senior Credit Facility, the Issuer may redeem the Notes, in whole but not in part, at its discretion at any time, upon not less than 30 days nor more than 60 days’ notice (which notice will be irrevocable and given in accordance with the procedures described in “—Selection and Notice”), at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest then due on the Notes redeemed, to the applicable redemption date (a “**Tax Redemption Date**”) (subject to the rights of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date), if, in the case of an Issuer Tax Event only, on the next date on which any amount would be payable in respect of the Notes, the Issuer has or would be required to pay Additional Amounts as a result of:

- (1) any change in, or amendment to, the laws or treaties (or any regulations or rulings promulgated thereunder) of the Relevant Tax Jurisdiction (as defined below under “—Withholding Taxes”) affecting taxation;
- (2) any change in official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

and the Issuer cannot avoid any such payment obligation taking reasonable measures available. For this purpose, reasonable measures shall not include the Issuer changing or moving jurisdictions.

In the case of an Issuer Tax Event, the Issuer will not give any such notice of redemption earlier than 90 days prior to the earliest date on which the Issuer would be obligated to make such payment or withholding if a payment in respect of the Notes were then due. Notwithstanding the foregoing, the Issuer may not redeem the Notes under this provision if the Relevant Tax Jurisdiction changes under the Indenture and the Issuer is obligated to pay any Additional Amounts as a result of any change in, or amendment to, the laws or treaties (or any regulations or rulings promulgated thereunder), or any change in official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings, of the then current Relevant Tax Jurisdiction which, at the time such Relevant Tax Jurisdiction became the applicable Tax Jurisdiction under the Indenture, was publicly announced or formally proposed. Prior to the publication or, where relevant, mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer will deliver to the Trustee an opinion of counsel to the effect that there has been such change or amendment. In addition, before the Issuer publishes or mails notice of redemption of the Notes as described above, it will deliver to the Trustee an Officer's Certificate to the effect that it cannot avoid its obligation to pay Additional Amounts by the Issuer taking reasonable measures (for this purpose, reasonable measures shall not include the Issuer changing or moving jurisdictions) available to it.

The Trustee is entitled to accept such Officer's Certificate and Opinion of Counsel as sufficient evidence of the satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders of Notes.

The foregoing provisions regarding redemption for changes in withholding taxes will apply *mutatis mutandis* to any successor to the Issuer after such successor person becomes a party to the Indenture.

#### **Open Market Purchases of Telenet Loans**

In the event that any member of the Telenet Group makes any offer to purchase or otherwise acquire any Telenet Loans (whether through a tender offer process or other process) at a price below the relevant prevailing market price for such Telenet Loans, and such offer includes all or a portion of the Finco Loan held by the Issuer, the Issuer shall make a contemporaneous offer to purchase the Notes on substantially similar terms as the offer to purchase Telenet Loans; *provided*, (1) in no event will holders of Notes be required to participate in any such offer, (2) the consideration offered to holders of Notes will not be less than the consideration they would have received as Telenet Lenders in connection with such offer to purchase Telenet Loans and (3) Telenet International Finance and/or the Issuer shall have confirmed to the Trustee that such purchases will not result in taxable income for the Issuer, including upon the extinguishment of Indebtedness in connection therewith, or that Telenet NV or Telenet International Finance will have agreed to pay such income tax payable. Prior to undertaking any such repurchases, one or more members of the Telenet Group will enter into arrangements providing for the payment of any fees and expenses incurred in connection with any such offer.

#### **Selection and Notice**

If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption on a *pro rata* basis unless otherwise required by law or applicable stock exchange requirements. The Trustee will not be liable for selections made by it in accordance with this paragraph.

No Notes of €100,000 can be redeemed in part. Notices of redemption will be delivered to holders through the applicable clearing systems in accordance with the procedures specified above. Notices of redemption may not be conditional.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of that Note that is to be redeemed. A new Note, in principal amount equal to the unredeemed portion of the Note, will be issued in the name of the holder of the Note upon cancellation of the original Note, as applicable. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes which have been redeemed on such redemption date.

For Notes which are represented by global certificates held on behalf of Euroclear or Clearstream, notices may be given by delivery of the relevant notices to Euroclear or Clearstream for communication to entitled account holders in substitution for the aforesaid mailing. So long as any Notes are listed on the Official

List Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market, and so long as the rules of the Luxembourg Stock Exchange so require, any such notice to the holders of the relevant Notes will also be published in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)), and, in connection with any redemption, the Issuer (or a member of the Telenet Group on behalf of the Issuer) will notify the Luxembourg Stock Exchange of any change in the principal amount of Notes outstanding.

### **Withholding Taxes**

All payments made by the Issuer or any successor thereto (a “**Payor**”) on the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“**Taxes**”) unless the withholding or deduction of such Taxes is then required by law or by the official interpretation or administration thereof. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

- (1) Luxembourg or any political subdivision or governmental authority thereof or therein having power to tax;
- (2) any jurisdiction from or through which payment on the Notes is made, or any political subdivision or governmental authority thereof or therein having the power to tax; or
- (3) any other jurisdiction in which a Payor is organized or otherwise considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax (each of clause (1), (2) and (3), a “**Relevant Tax Jurisdiction**”),

will at any time be required from any payments made with respect to the Notes (an “**Issuer Tax Event**”), including payments of principal, redemption price, interest or premium, the Payor will make such deduction or withholding, make payment of the amount so withheld to the Relevant Tax Jurisdiction and pay such additional amounts (the “**Additional Amounts**”) as may be necessary in order that the net amounts received in respect of such payments by each holder of the Notes, as the case may be, after such withholding or deduction (including any such deduction or withholding from such Additional Amounts) equal the amounts which would have been received in respect of such payments in the absence of such withholding or deduction; *provided, however*, that no such Additional Amounts will be payable with respect to:

- (a) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant holder or beneficial owner and the Relevant Tax Jurisdiction imposing such Taxes (other than the mere ownership or holding of such Note or enforcement of rights thereunder or under the Indenture or the receipt of payments in respect thereof);
- (b) any Taxes that would not have been so imposed but for the failure of the holder or beneficial owner of such Note to make a declaration of non-residence or any other claim or filing for exemption to which it is entitled after receiving reasonable written notices, *provided* that (x) such declaration of non-residence or other claim or filing for exemption is required by the applicable law of the Relevant Tax Jurisdiction as a precondition to exemption from the requirement to deduct or withhold all or a part of any such Taxes and (y) within a reasonable period of time prior to the first payment date with respect to which such declaration of non-residence or other claim or filing for exemption is required under the applicable law of the Relevant Tax Jurisdiction, the relevant holder at that time has been notified (in accordance with the procedures set forth in the Indenture) by the Payor or any other person through whom payment may be made that a declaration of non-residence or other claim or filing for exemption is required to be made;
- (c) any Note presented for payment (where presentation is required) more than 30 days after the relevant payment is first made available for payment to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented during such 30-day period);
- (d) any Taxes that are payable otherwise than by withholding from a payment of the principal of, premium, if any, or interest on the Notes;
- (e) any estate, inheritance, gift, sale, transfer, personal property, capital gains, excise or similar tax, assessment or other governmental charge;

- (f) any withholding or deduction imposed on a payment to an individual and required to be made pursuant to the European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such directive; or
- (g) any Taxes which could have been avoided by the presentation (where presentation is required) of the relevant Note to another paying agent in a member state of the European Union.

Such Additional Amounts will also not be payable where, had the beneficial owner of the Note been the holder of the Note, it would not have been entitled to payment of Additional Amounts by reason of any of clauses (a) to (g) inclusive above.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Tax Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Tax Jurisdiction imposing such Taxes and will provide such certified copies (or, if certified copies are not available despite reasonable efforts of the Payor, other evidence of payment reasonably satisfactory to the Trustee) to each holder. The Payor will attach to each certified copy (or other evidence) a certificate stating (x) that the amount of withholding Taxes evidenced by the certified copy was paid in connection with payments in respect of the principal amount of Notes then outstanding and (y) the amount of such withholding Taxes paid per €1,000 principal amount of the Notes. Copies of such documentation will be available for inspection during ordinary business hours at the office of the Trustee by the holders of the Notes upon request and will be made available at the offices of the Listing Agent if the Notes are then listed on the Official List of the Luxembourg Stock Exchange.

Wherever mentioned in the Indenture, the Notes or this description of the Notes, in any context: (1) the payment of principal, (2) purchase prices in connection with a purchase of Notes, (3) interest, or (4) any other amount payable on or with respect to the Notes, such reference will be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

In the event the Payor is required to pay Additional Amounts, pursuant to the terms of the Telenet Service Agreement, Telenet International Finance will pay to the Payor an amount in cash equal to such Additional Amounts to enable the Payor to make such payment.

The foregoing obligations regarding withholding taxes will survive any termination, defeasance or discharge of the Indenture.

## **Certain Covenants**

### *Limitations with Respect to Business Activities of the Issuer*

The Indenture will provide that:

- (1) the Issuer will not engage in any business activity or undertake any other activity, except any activity: (a) relating to the offering, sale, or issuance of the Notes and the lending or otherwise advancing of the proceeds thereof to the Telenet Group and any other activities in connection therewith, (b) undertaken with the purpose of, and directly related to, fulfilling any other obligations or enforcing any rights under the Indenture, the Finco Loan, the Finco Accession Agreement and any Notes Security Document to which it is a party or any other document relating to the Notes or the Telenet Service Agreement or the Telenet Fee Letter, (c) undertaken as investments in the Finco Loan or cash and Cash Equivalents, or (d) directly related or reasonably incidental to the establishment and/or maintenance of the Issuer's corporate existence;
- (2) the Issuer will not take any action which would cause it to no longer satisfy the requirements of an available exemption from the provisions of the U.S. Investment Company Act of 1940, as amended;
- (3) the Issuer will not (a) incur any Financial Indebtedness other than as expressly permitted by clause (1) above, (b) guarantee any obligations of any other Person, (c) issue any shares (other than shares issued to the Foundation and the General Partner on or prior to the date of the

Indenture), (d) incur any Liens (other than Permitted Issuer Liens) or (e) deposit additional amounts in its Share Capital Account;

- (4) for so long as any Notes are outstanding, the Issuer will not commence or take any action or facilitate a winding-up, liquidation, dissolution or other analogous proceeding;
- (5) the Issuer will not amend its constitutive documents in any manner which would adversely affect the rights of holders of the Notes in any material respect;
- (6) except as otherwise provided herein, the Issuer will take all actions necessary and within its power to prohibit the transfer of the issued shares in the Issuer by the Foundation and the GP, except to the extent set forth below under “—Events of Default and Remedies”;
- (7) the Issuer will not merge, consolidate, amalgamate or otherwise combine with or into any Person or sell, transfer, lease or otherwise dispose of any material property or assets to any Person (other than any sale or other disposal of property or assets in connection with the incurrence of a Permitted Issuer Lien, following any enforcement action or as otherwise expressly permitted by the Indenture);
- (8) the Issuer will use all reasonable efforts to: (a) maintain books and records separate from any other person or entity; (b) maintain its accounts separate from those of any other person or entity; (c) not commingle its assets with those of any other person or entity; (d) conduct its own business in its own name; (e) observe all corporate formalities; (f) maintain an arms’-length relationship with any affiliates; (g) maintain separate financial statements; (h) pay its own liabilities out of its own funds (other than those contemplated under the Finco Loan, the Finco Accession Agreement, the Telenet Fee Letter and the Telenet Service Agreement and any related or similar agreement); (i) use separate stationery; (j) hold itself out as a separate entity; and (k) correct any known misunderstanding regarding its separate identity;
- (9) the Issuer (a) will not take any action that would impair any security interests over the Note Collateral benefiting the Notes in any material respect (other than Permitted Issuer Liens) and (b) will take all actions (including making all filings and registrations) that may be necessary for the purpose of the creation, perfection, protection or maintenance of any Note Collateral subject to any Notes Security Document;
- (10) the Issuer will use all amounts received (other than amounts not corresponding to required payments under the Notes) under any Finco Loan for application towards amounts payable under the Notes; and
- (11) the Issuer will not grant any waiver or agree to any amendment or waive any rights under any of the Transaction Documents, except in compliance with the provisions of “—Amendment, Supplement and Waiver”.

#### *Maintenance of the Existence of the Issuer*

The Issuer shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, in accordance with the its constitutional documents (as the same may be amended from time to time) and the rights (contractual and statutory), licenses and franchises of the Issuer.

In addition, the Issuer will agree that, except as described below under “—Events of Default and Remedies”, it will not register any transfer of its issued shares by the Foundation or the GP.

#### *Maintenance of Listing*

The Issuer will use its reasonable best efforts to list and maintain the listing of the Notes on the Euro MTF Market for so long as the Notes are outstanding; *provided, however*, that if at any time the Issuer is unable to list the Notes on the Euro MTF Market or if maintenance of such listing becomes unduly burdensome, it will, prior to the delisting of the Notes from the Euro MTF Market, use its reasonable best efforts to list and maintain a listing of the Notes on another “recognized stock exchange” as defined in Section 841 of the Income and Corporation Taxes Act of 1988 of the United Kingdom.

#### *Maintenance of Rating*

The Issuer will use its reasonable best efforts to maintain a rating of the Notes by Moody’s, *provided that*, in the event Moody’s is no longer available to rate the Notes, the Issuer will use its reasonable best efforts



to maintain a rating of the Notes with another “nationally recognized statistical rating organization” as such term is defined for purposes of Section 3(a)(62) of the U.S. Exchange Act, such that in each case at least one “nationally recognized statistical rating organization” rates the Notes. For as long as the Notes are so rated, the Issuer will furnish Moody’s or such other nationally recognized statistical rating organization from time to time with any and all documents, instruments, information and undertakings that may be necessary in accordance with Moody’s or such other nationally recognized statistical rating organization’s normal requirements in respect of the Notes.

#### *Minimum Period for Consents under Loan Documents*

In the event that the Issuer, as a Telenet Lender, is eligible or required to vote (or otherwise consent) with respect to any request by any member of the Telenet Group for any waiver, amendment or supplement to any Telenet Loan Document or any other determination to be made by the Telenet Lenders, the Issuer will procure the agreement from the applicable member of the Telenet Group that the period during which the Issuer, as a Telenet Lender, will be eligible to validly vote (or otherwise consent) with respect to any such waiver, amendment, supplement or determination will not be less than 15 Business Days from the date when written request for such waiver, amendment or supplement is first made to the Telenet Lenders. The Issuer will distribute to holders of the Notes and all holders of Book-Entry Interests in a Global Note or otherwise make available (including through the facilities of Euroclear and Clearstream) all documents related to any such waiver, amendment, supplement or other determination distributed to the Issuer as a Telenet Lender, including all documentation necessary to enable the holders of Notes to vote in the manner set forth under “—Amendment, Supplement and Waiver”, within three Business Days after the date when written request for such waiver, amendment or supplement is first made to the Telenet Lenders.

#### *Payments for Consent*

*Senior Credit Facility.* The Issuer will not, and will procure that no member of the Telenet Group will, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Telenet Lender for or as an inducement to any consent, waiver or amendment under any Telenet Loan Document which is subject to the consent of Majority Lenders or all Telenet Lenders unless (i) such consideration is also offered to be paid to the Issuer (as a Telenet Lender) and (ii) if the Issuer consents, waives or agrees to such consent, waiver or amendment in accordance with the provisions of the Indenture described below under “—Amendment, Supplement and Waiver—To the Senior Credit Facility or the Finco Accession Agreement” in the time frame set forth in the solicitation documents relating thereto (including any amendment or supplement thereto), the Issuer is paid such consideration. The Issuer will promptly pay any such consideration received by it to all consenting holders of Notes on a *pro rata* basis.

*Indenture.* The Issuer will not, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of Notes for or as an inducement to any consent, waiver, amendment or supplement of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid and is paid to all holders of the Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver, amendment or supplement.

#### *Amendments to Loan Documents to be applied equally to all Telenet Lenders*

The Issuer will procure that no member of the Telenet Group will amend, waive or supplement any Telenet Loan Document requiring the consent of Majority Lenders or all Telenet Lenders to amend, waive or supplement, unless such amendment, waiver or supplement applies to all Telenet Lenders; *provided*, this covenant will not apply to (a) any such amendment, waiver or supplement that does not adversely affect the rights of the Issuer or the holders of the Notes in any material respect, (b) any amendment, waiver or supplement consented to by holders of a majority in aggregate principal amount of the then outstanding Notes in compliance with the provisions of the Indenture described below under “—Amendment, Supplement and Waiver—To the Indenture and the Notes” as if such amendment, waiver or supplement were subject to the majority consent provisions described thereunder or (c) such amendment, waiver or supplement has been consented to by the requisite Telenet Lenders (as determined in accordance with the Senior Credit Facility), including the Issuer, but irrespective of whether the Issuer, acting on the instructions of the holders of the Notes in accordance with the terms of the Indenture, has voted in favor of the amendment, waiver, or supplement.

## *Information*

For so long as any Notes are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act, the Issuer will, during any period in which it is neither subject to Section 13 or 15(d) of the U.S. Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner or to the Trustee for delivery to such holder, beneficial owner or prospective purchaser, in each case upon the request of such holder, beneficial owner, prospective purchaser or Trustee, the information satisfying the requirements of Rule 144A(d)(4) under the U.S. Securities Act.

Upon receipt from Telenet NV or the Telenet Facility Agent of any report or other information pursuant to the terms of or in respect of the Senior Credit Facility, the Issuer will promptly (and in any event, within three Business Days of receipt) deliver any such report or other information to the holders of Notes. In the event such reports or other information are furnished by or at the direction of Telenet NV or the Telenet Facility Agent to “public” Telenet Lenders via an Internet website or an electronic information provider, the Issuer shall procure that the Trustee, the holders of the Notes and Book-Entry Interests are granted access to such website or electronic information supplier in order to receive such reports or other information at the same time as other “public” Telenet Lenders.

The Issuer will provide to the Trustee and will post by website (or make similar disclosure) and shall make available to potential investors in the Notes, within 150 days after the end of each fiscal year ending subsequent to the Issue Date, the audited consolidated balance sheets of the Issuer as of the end of the two most recent fiscal years (or such shorter period as the Issuer has been in existence) and audited consolidated income statements and statements of cash flow of Issuer for the three most recent fiscal years (or such shorter period as the Issuer has been in existence), in each case prepared in accordance with IFRS, including appropriate footnotes to such financial statements and a report of the independent auditors on the financial statements.

The Issuer is required to deliver to the Trustee annually a statement regarding compliance with the Indenture. Upon becoming aware of any Default or Event of Default, the Issuer is required to deliver to the Trustee a statement specifying such Default or Event of Default and the action that is being taken in respect of such Default or Event of Default. The Issuer, Telenet NV and Telenet International will notify promptly the Issuer, the Trustee, the holders of Notes and the holders of Book-Entry Interests in the Notes upon becoming aware of any default (or event that would constitute or would be reasonably likely to result in a default) under the Senior Credit Facility, the Finco Accession Agreement, the Telenet Fee Letter or the Telenet Service Agreement.

## **Events of Default and Remedies**

### ***Events of Default***

Each of the following is an “*Event of Default*”:

- (1) default for three Business Days in the payment when due of interest on the Notes;
- (2) default for one Business Day in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Notes;
- (3) failure by Issuer to comply with Clauses (4), (5), (7) or (11) under the captions “—Certain Covenants—Limitations with Respect to Business Activities of the Issuer” or the provisions of “—Certain Covenants—Maintenance of Existence of the Issuer” or “—Certain Covenants—Minimum Period for Consents under Loan Documents”;
- (4) failure by the Issuer for 28 days after notice to the Issuer by the Trustee or the holders of at least 25% in aggregate principal amount of Notes then outstanding to comply with any of the agreements in the Indenture (other than those described in clauses (1), (2) and (3) above) or the Notes;
- (5) breach by the Issuer, the Foundation or the GP of any material representation or warranty in any Notes Security Document to which it is a party, the repudiation by the Issuer, the Foundation or the General Partner of any of its obligations under any Notes Security Document to which it is a party or the unenforceability for any reason against the Issuer, the Foundation or the GP of any Notes Security Document to which it is a party;

- (6) certain events of bankruptcy or insolvency described in the Indenture with respect to the Issuer;
- (7) (a) failure by any party thereto for 28 days to comply with any of the agreements in the Telenet Service Agreement or the Telenet Fee Letter in any material respect or (b) the repudiation by any party thereto of any of its obligations under any of the Telenet Service Agreement or the Telenet Fee Letter, the unenforceability for any reason against any party thereto of the Telenet Service Agreement or the Telenet Fee Letter or any breach by any party thereto of any material representation or warranty in the Telenet Service Agreement or the Telenet Fee Letter; or
- (8) (a) the occurrence of a Telenet Event of Default that is continuing or (b) any breach by Telenet NV or Telenet International Finance of any material representation or warranty or any material agreement in the Finco Accession Agreement.

For purposes of clause (8) above, “**Telenet Event of Default**” means an “Event of Default” as defined in the Senior Credit Facility (including the Finco Accession Agreement) as then in effect.

### ***Remedies***

In the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the Issuer, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default (other than any Event of Default described in Clause (8) above) occurs and is continuing, the holders of at least 25% in aggregate principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately.

Whether or not the Notes are accelerated pursuant to the provisions of the immediately preceding paragraph, if any Event of Default (other than any Event of Default described in Clause (8) above) occurs and is continuing, any Lien over the Note Collateral granted under any Security Document will become enforceable; *provided however*, if an Event of Default as described in Clause (8) above occurs and is continuing, any Lien over the Telenet Loan Collateral, and Telenet Service Agreement Collateral granted under any Security Document will become enforceable. If such Lien over the Note Collateral becomes enforceable, the Trustee may at its discretion and shall if so requested in writing by holders representing at least 25% of the principal amount of the Notes then outstanding enforce such Lien in any manner permitted by the Notes Security Documents, including taking possession of, appointing a receiver in respect of and/or realizing all or any part of the Note Collateral. Pursuant to the Finco Accession Agreement, Telenet NV has consented to any assignment, transfer or novation of rights and/or obligations (in whole or in part) of the Finco Loan following an Event of Default under the Indenture, including any subsequent assignment, transfer or novation of the Finco Loan, subject to minimum transfer amount of €2,000,000 and other requirements of a Telenet Lender under the Senior Credit Facility.

Holders of a majority in aggregate principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from holders of the Notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, interest, premium or Additional Amounts (if any).

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any holders of Notes unless such holders have offered to the Trustee indemnity or security satisfactory to it against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts (if any) when due, no holder of a Note may pursue any remedy (other than the exchange of Notes for Telenet Exchange Loans as described below) with respect to the Indenture or the Notes unless:

- (1) such holder has previously given the Trustee notice that an Event of Default is continuing;
- (2) holders of at least 25% in aggregate principal amount of the then outstanding Notes have requested the Trustee to pursue the remedy;
- (3) such holders have offered the Trustee reasonable security or indemnity satisfactory to it against any loss, liability or expense;

- (4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and
- (5) holders of a majority in aggregate principal amount of the then outstanding Notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

The holders of a majority in aggregate principal amount of the then outstanding Notes by notice to the Trustee may, on behalf of the holders of all of the Notes, rescind an acceleration or an enforcement action or waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest or premium on, Additional Amounts with respect to, or the principal of, the Notes.

Notwithstanding any provision in the Indenture, the Notes, the Note Security Documents or otherwise to the contrary, the obligations of the Issuer to the Trustee, the Principal Paying Agent, the Registrar and the holders of the Notes under the Indenture, the Notes and the Note Security Documents shall be limited to the proceeds of the realization of the Note Collateral once the proceeds have been applied in accordance with the terms of the Indenture, the Notes and the Note Security Documents. Having realized all the Note Collateral in accordance with the Note Security Documents and distributed the net proceeds thereof in accordance with the Indenture, none of the Trustee, the Principal Paying Agent, the Registrar and the holders of the Notes may take any further steps to recover any sum still unpaid in respect of the Notes, the Indenture or any of the Note Security Documents or otherwise and all claims against the Issuer in respect of any such sum due but still unpaid shall be extinguished.

#### ***Exchange of Notes for Telenet Loans***

Upon the occurrence of an Event of Default under the Indenture which is continuing (an “**Exchange Triggering Event**”), a holder of Notes may exchange all or part of its Notes (including in connection with a transfer to a third party) into a like aggregate principal amount of Finco Loan equal to the aggregate principal amount of Notes so exchanged, in each case, plus accrued interest up to but not including the day of exchange (each, a “**Telenet Exchange Loan**”), subject to the following procedures and conditions:

- (1) the date specified for exchange (the “**Exchange Date**”) shall be a date to be agreed between the Issuer and the exchanging holder of Notes, *provided* that the Issuer’s consent to any Exchange Date requested by such exchanging holder will not be unreasonably withheld;
- (2) on or prior to the Exchange Date, Notes to be exchanged will be delivered to the Principal Paying Agent or Registrar for cancellation;
- (3) the Issuer or the Trustee promptly will deliver to the Telenet Facility Agent an executed Transfer Certificate (as defined in the Senior Credit Facility) designating such holder (or any Person designated by such Holder) as the New Lender (as defined in the Senior Credit Facility) in respect of such Telenet Exchange Loan;
- (4) the Telenet Exchange Loan will be denominated in the same currency as the Notes exchanged;
- (5) in consideration of the exchange of such Notes for the Telenet Exchange Loan, each of the Issuer, the holder of Notes and the Trustee hereby agrees to assign any right that such person may have pursuant to the terms of the Senior Credit Facility to receive payment of interest accrued on and prior to the Exchange Date on such Finco Loan transferred, and the Issuer will direct the Telenet Facility Agent to pay such interest to such holder on the next date on which interest is payable under such Finco Loan; and
- (6) the aggregate principal amount of Notes being exchanged on any Exchange Date by a holder is at least €2,000,000.

Telenet NV has irrevocably consented to the transfer to any holder of Notes each Telenet Exchange Loan exchanged for Notes pursuant to the terms of this section and each subsequent transfer of such Telenet Exchange Loan, subject to minimum transfer amounts as set forth in the Finco Accession Agreement and other requirements of a Telenet Lender under the Senior Credit Facility.

#### ***Non Petition***

Each of the Trustee, the Principal Paying Agent and the Registrar and each holder of Notes will agree that its rights against the Issuer under the Indenture and the Notes will be limited to the extent that it will not take any action or proceedings against the Issuer to recover any amounts due and payable by the Issuer to

it under the Indenture, the Notes or the Note Security Documents except as expressly permitted by the provisions of the Indenture, the Notes and the Note Security Documents. Each of the Trustee, the Principal Paying Agent and the Registrar and each Noteholder will further agree that it will not, and in the case of a Noteholder will not request that the Trustee on its behalf, petition a court for, or take any other action or commence any proceedings for, the liquidation or winding-up of the Issuer or any other bankruptcy or insolvency proceedings with respect to the Issuer.

### **No Personal Liability of Directors, Officers, Employees and Shareholders**

No director, officer, employee, incorporator or shareholder of the Issuer will have any liability for any obligations of the Issuer under the Notes, the Indenture and the Notes Security Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

### **Amendment, Supplement and Waiver**

#### ***To the Senior Credit Facility or the Finco Accession Agreement***

In the event that the Issuer, as a Telenet Lender, is eligible or required to vote (or otherwise consent) (including with respect to any enforcement decision) with respect to any matter arising from time to time under the Senior Credit Facility or under the Finco Accession Agreement in which all Telenet Lenders are eligible or required to vote (or otherwise consent) (a “**Senior Credit Facility Decision**”), the Issuer will solicit votes (or other consents) from the holders of Notes (each, a “**Noteholder Consent**”) with respect to such Senior Credit Facility Decision in accordance with the provisions of the Indenture described above under “—Certain Covenants—Minimum Period for Consents under Loan Documents”. Upon the expiration of the applicable consent period, the Trustee will inform the Telenet Facility Agent promptly in writing (and in no event more than one Business Day following such expiration) of the results of the Noteholder Consent.

Under the terms of the Senior Credit Facility, Telenet Lenders are not entitled to split their votes when voting on a proposed consent, waiver, amendment or other determination. The following voting mechanic is designed generally to achieve the same practical effect as allowing a Telenet Lender to split its vote (subject to the provisions set forth below) under the Senior Credit Facility.

Under the terms of the Finco Accession Agreement, the Telenet Facility Agent will be authorized to apply the Noteholder Consent to the Senior Credit Facility Decision, at the direction of the Issuer, as follows:

$$\frac{(OLC + BC + OBC)}{OL} = \text{Threshold Amount}$$

Where:

OLC = aggregate Commitments consenting (other than any Commitments of the Issuer and any other SPV Issuer) to such Senior Credit Facility Decision

BC = aggregate principal amount of Notes consenting; *provided* that, if at least a majority in aggregate principal amount of Notes that respond to such solicitation provide consent, BC will be deemed to equal the aggregate principal amount of the Notes outstanding

OBC = aggregate principal amount of SPV Notes issued by all SPV Issuers (other than any SPV Notes issued by the Issuer) consenting; *provided*, with respect to each SPV Issuer (other than the Issuer), where at least a majority in aggregate principal of SPV Notes issued by such SPV Issuer that respond to such solicitation provide consent, OBC with respect to such SPV Issuer will be deemed to equal the aggregate principal amount of the SPV Notes outstanding and issued by such SPV Issuer

OL = the aggregate Commitments under the Senior Credit Facility

“**Commitments**” means the aggregate undrawn Commitments (as defined in the Senior Credit Facility) and outstanding Loans (as defined in the Senior Credit Facility) under the Senior Credit Facility, *provided* that, solely for the purposes of determining whether any amendment or waiver of any term of the Senior Credit Facility has been approved by the Majority Lenders (as defined in the Senior Credit Facility), the amount of the Loans and undrawn Commitments shall be reduced by (i) the amount of the Loans and undrawn Commitments of any Lender that has not, on or before the day ten Business Days after the date



such request has been notified to the relevant Lenders by the Facility Agent, notified the Facility Agent of its decision or requested further information to enable it to make such decision, or notified the Facility Agent that it is actively reviewing such request with a view to making such decision and (ii) the amount of the Loans and undrawn Commitments of each Local Bond Issuer that have not, as of the date of determination of the Threshold Amount, been determined to have voted either in favor or against the Senior Credit Facility Decision.

In connection with any vote or consent, the Issuer will, on or prior to the tenth Business Day after the date such request has been notified to the relevant Lenders by the Facility Agent, instruct the Facility Agent to vote or consent in accordance with the voting mechanic described above, request further information from the Facility Agent or notify the Facility Agent that it is actively reviewing such request with a view to making such decision.

To the extent the Threshold Amount (expressed as a percentage) is greater than or equal to the required percentage of Telenet Lender consents with respect to any Senior Credit Facility Decision, the entire amount of the Finco Loan will be voted in favor of the matter that is the subject of such Senior Credit Facility Decision. To the extent the Threshold Amount is less than the required percentage of Telenet Lender consents with respect to any Senior Credit Facility Decision, the entire amount of the Finco Loan will be voted against the matter that is the subject of such Senior Credit Facility Decision.

Except as provided in the next succeeding paragraph, any provision or term of the Finco Accession Agreement and the Senior Credit Facility applicable only to the Finco Loan or to a several right of the Issuer, as a Telenet Lender, may be amended or supplemented with the consent of the holders of at least a majority in aggregate principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and any existing default or event of default in respect of, or compliance with, any such provision or term may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes).

Unless consented to by the holders of at least 90% of the aggregate principal amount of then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), an amendment, supplement or waiver of the Finco Accession Agreement may not (with respect to any Notes held by a non-consenting holder):

- (1) reduce the stated rate of or extend the stated time for payment of interest under the Finco Loan;
- (2) reduce any amounts payable in respect of any prepayment of the Finco Loan;
- (3) reduce the principal of or extend the Stated Maturity of the Finco Loan;
- (4) make the Finco Loan payable in currency other than that stated in the Finco Accession Agreement; or
- (5) modify the payment terms of the Finco Accession Agreement.

#### ***To the Indenture and the Notes***

Except as provided in the next succeeding paragraphs, the Indenture, the Notes, any Notes Security Document, the Telenet Fee Letter and the Telenet Service Agreement may be amended or supplemented with the consent of the holders of at least a majority in aggregate principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and any existing Default or Event of Default or compliance with any provision of the Indenture, the Notes, any Note Security Document, the Telenet Fee Letter and the Telenet Service Agreement may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes).

Unless consented to by the holders of at least 90% of the aggregate principal amount of then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), an amendment, supplement or waiver of the Indenture, the Notes, any Notes Security Document, the Telenet Fee Letter and the Telenet Service Agreement may not (with respect to any Notes held by a non-consenting holder):

- (1) reduce the principal amount of Notes whose holders must consent to an amendment waiver or other determination;

- (2) reduce the stated rate of or extend the stated time for payment of interest or Additional Amounts on any Note;
- (3) reduce the principal of or extend the Stated Maturity of any Note or alter the provisions with respect to the redemption of the Notes;
- (4) make any Note payable in currency other than that stated in the Note;
- (5) impair the right of any holder to receive payment of, premium, if any, principal of or interest or Additional Amounts, if any, on such holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such holder's Notes;
- (6) make any change in these amendment or waiver provisions;
- (7) impair the right of any holder of Notes to exchange its Notes for Telenet Exchange Loans in accordance with "—Events of Defaults and Remedies—Exchange of Notes into Telenet Loans"; or
- (8) release any lien on the Collateral except in accordance with the terms of the Indenture and the Notes Security Documents.

Notwithstanding the preceding two paragraphs, without the consent of any holder of Notes, the Issuer and the Trustee may amend or supplement the Indenture, the Notes, any Notes Security Document, the Telenet Fee Letter and the Telenet Service Agreement:

- (1) to cure any ambiguity, defect or inconsistency;
- (2) to provide for uncertificated Notes in addition to or in place of certificated Notes;
- (3) to make any change that would provide any additional rights or benefits to the holders of Notes or that does not adversely affect the legal rights under the Indenture of any such holder, to the extent such change would not violate the provisions of the Indenture;
- (4) to conform the text of the Indenture, the Notes or any Notes Security Document to any provision of this Description of the Notes to the extent that such provision in this Description of the Notes was intended to be a verbatim recitation of a provision of the Indenture, the Notes or any Notes Security Document;
- (5) to the extent necessary to allow the Issuer to participate on the same terms as other Telenet Lenders in an offer to purchase or otherwise acquire Telenet Loans by any member of the Telenet Group made in compliance with the requirements set out under "Redemption—Open Market Purchases of Telenet Loans";
- (6) to release any Lien in the Note Collateral in accordance with the terms of the Indenture and the Notes Security Documents; or
- (7) to evidence and provide for a successor Trustee as provided for in the Indenture.

In determining whether the holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Issuer or Telenet NV, or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuer or Telenet NV will be considered as though not outstanding.

The Trustee will be entitled to require and rely conclusively on such evidence as is reasonably appropriate in light of the nature of such amendment or supplement, including an Opinion of Counsel and an Officer's Certificate in connection with any request of the Issuer to amend the Indenture, the Notes or any Notes Security Document without the consent of any holder of Notes. In addition, the Issuer shall deliver to the Trustee, and the Trustee shall be entitled to rely conclusively on, an Officer's Certificate and/or an Opinion of Counsel, in each case, reasonably satisfactory to the Trustee stating that all conditions precedent to such amendment or supplement have been satisfied.

### **Satisfaction and Discharge**

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, when:

- (1) either:
  - (a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and

thereafter repaid to the Issuer, have been delivered to the Principal Paying Agent or Registrar for cancellation; or

- (b) all Notes that have not been delivered to the Principal Paying Agent or Registrar for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and the Issuer or a third party acting on behalf of the Issuer has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the holders, cash in euros, Cash Equivalents constituting of non-callable euro-denominated government securities or a combination of cash in euros and Cash Equivalents constituting of non-callable euro-denominated government securities in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Financial Indebtedness on the Notes of such series not delivered to the Principal Paying Agent or Registrar for cancellation for principal, premium and Additional Amounts (if any) and accrued interest to the date of maturity or redemption;
- (2) in the case of clause 1(b), no Default or Event of Default has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Issuer is a party or by which the Issuer is bound;
- (3) the Issuer has paid or caused to be paid all other amounts payable by it under the Indenture with respect to the Notes; and
- (4) the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

#### **Judgment Currency**

Any payment on account of an amount that is payable in euros (the “**Required Currency**”), which is made to or for the account of any holder of the Notes or the Trustee in lawful currency of any other jurisdiction (the “**Judgment Currency**”), will constitute a discharge of the Issuer’s obligation under the Indenture and the Notes only to the extent of the amount of the Required Currency which such holder or the Trustee, as the case may be, could purchase in the London foreign exchange markets with the amount of the Judgment Currency in accordance with normal banking procedures at the rate of exchange prevailing on the first Business Day following receipt of the payment in the Judgment Currency. If the amount of the Required Currency that could be so purchased is less than the amount of the Required Currency originally due to such Noteholder or the Trustee, as the case may be, the Issuer will indemnify and hold harmless the Noteholder or the Trustee, as the case may be, from and against all loss or damage arising out of, or as a result of, such deficiency. This indemnity will constitute an obligation separate and independent from the other obligations contained in the Indenture or the Notes, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by any Holder or the Trustee from time to time and will continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

#### **Concerning the Trustee**

The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days.

The holders of a majority in aggregate principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that in case an Event of Default occurs and is continuing, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of Notes, unless such holder has offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense. It may not be possible for the Trustee to take certain actions in relation to the Notes and accordingly in such circumstances the Trustee will be unable to take action, notwithstanding the provision of security or an indemnity to it.

## **Additional Information**

So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market, and so long as the rules of the Luxembourg Stock Exchange shall so require, copies of the Indenture, the Senior Credit Facility and the Finco Accession Agreement, the Telenet Fee Letter and the Telenet Service Agreement may be obtained, free of charge, during normal business hours at the offices of the Principal Paying Agent.

## **Governing Law**

The Indenture and the Notes will each be governed by, and construed in accordance with, the laws of the State of New York. Notwithstanding anything to the contrary, articles 86 to 97 of the Luxembourg law of August 1, 1915 on commercial companies shall not be applicable in respect of the Notes. The Senior Credit Facility, the Finco Accession Agreement, the Telenet Service Agreement and the Telenet Fee Letter will be governed by, and construed in accordance with, English law. The Notes Security Documents will be governed by, and construed in accordance with, Luxembourg or English law as applicable.

## **Consent to Jurisdiction and Service of Process**

The Issuer will irrevocably submit to the jurisdiction of any New York state or U.S. federal court located in The Borough of Manhattan, City of New York, State of New York in relation to any legal action or proceeding (1) arising out of, related to or in connection with the Indenture or the Notes and (2) arising under any U.S. federal or state securities laws. The Issuer will appoint an agent for service of process in New York in any such action or proceeding.

## **Enforceability of Judgments**

Since the assets of the Issuer are outside the United States, any judgment obtained in the United States against the Issuer, including judgments with respect to the payment of principal, premium, interest, Additional Amounts and any redemption price and any purchase price with respect to the Notes, may not be collectable within the United States.

## **Prescription**

Claims against the Issuer for the payment of principal or Additional Amounts, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

## **Transfer and Exchange**

The Notes will be issued in the form of several registered notes in global form, without interest coupons, as follows:

- Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act will initially be represented by a global note in registered form without interest coupons attached (the “**144A Global Notes**”).

The 144A Global Notes will, on the Issue Date, be deposited with and registered in the name of The Bank of New York Depository (Nominees) Limited, as the common depositary, for the accounts of Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream**”).

- Notes sold outside the United States pursuant to Regulation S under the U.S. Securities Act will initially be represented by a global note in registered form without interest coupons attached (the “**Regulation S Global Notes**”, and together with the 144A Global Notes, the “**Global Notes**”).

The Regulation S Global Notes will, on the closing date, be deposited with and registered in the name of The Bank of New York Depository (Nominees) Limited, as the common depositary, for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes (“**Book-Entry Interests**”) will be limited to persons that have accounts with Euroclear and Clearstream, or persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under “Notice to Investors”. In addition, transfers of Book-Entry Interests between participants in Euroclear or participants

in Clearstream will be effected by Euroclear or Clearstream, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear and Clearstream, and their respective participants.

Book-Entry Interests in the 144A Global Note may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Note denominated in the same currency only upon delivery by the transferor of a written certification (in the form provided in the indenture) to the effect that such transfer is being made in accordance with Regulation S under the U.S. Securities Act.

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under “Notice to Investors” and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred.

Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 principal amount, and integral multiples of €1,000 in excess thereof, upon receipt by the applicable Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer to be in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under “Transfer Restrictions”.

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the holder, other than any taxes, duties and governmental charges payable in connection with such transfer.

Notwithstanding the foregoing, the Issuer is not required to register the transfer or exchange of any Notes:

- (1) for a period of 15 days prior to any date fixed for the redemption of the Notes;
- (2) for a period of 15 days immediately prior to the date fixed for selection of Notes to be redeemed in part;
- (3) for a period of 15 days prior to the record date with respect to any Interest Payment Date.

### **Certain Definitions**

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

“**Applicable Premium**” means, with respect to a Note at any redemption date prior to February 15, 2016 applicable to the redemption of such Note, the excess of:

- (1) the present value at such redemption date of (i) the redemption price of the Note at February 15, 2016 (such redemption price being described under “Optional Redemption of the Finco Loan—Redemption on or after February 15, 2016”) plus (ii) all required remaining scheduled interest payments due on the Notes through February 15, 2016 (excluding accrued and unpaid interest to



the redemption date), computed using a discount rate equal to the Bund Rate plus 50 basis points; over

(2) the principal amount of the Note.

“**Bund Rate**” means, with respect to any relevant date, the rate per annum equal to the semi-annual equivalent yield to maturity as of such date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such relevant date, where:

- (1) “**Comparable German Bund Issue**” means the German *Bundesanleihe* security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such relevant date to February 15, 2016, and that would be utilized at the time of selection and in accordance with customary financial practice, in pricing new issues of euro denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Notes and of a maturity most nearly equal to February 15, 2016; *provided, however*, that, if the period from such relevant date to February 15, 2016, is not equal to the fixed maturity of the German *Bundesanleihe* security selected by such Reference German Bund Dealer, the Bund Rate shall be determined by linear interpolation (calculated to the nearest one-twelfth of a year) from the yields of German *Bundesanleihe* securities for which such yields are given, except that if the period from such relevant date to February 15, 2016, is less than one year, a fixed maturity of one year shall be used;
- (2) “**Comparable German Bund Price**” means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Issuer obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;
- (3) “**Reference German Bund Dealer**” means any dealer of German *Bundesanleihe* securities appointed by the Issuer in consultation with the Trustee; and
- (4) “**Reference German Bund Dealer Quotations**” means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Issuer of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference German Bund Dealer at 3:30 p.m. Frankfurt, Germany, time on the third Business Day in Frankfurt preceding the relevant date.

“**Business Day**” means (i) each day that is not a Saturday, Sunday or other day on which banking institutions in New York, New York or London, England are authorized or required by law to close, and (ii) a “Business Day”, as such term is defined in the Senior Credit Facility.

“**Cash Equivalents**” means:

- (1) securities issued or directly and fully guaranteed or insured by the United States Government or a member state of the European Union as of the Issue Date (each a “**Qualified Country**”) or any agency or instrumentality thereof (*provided* that the full faith and credit of such Qualified Country is pledged in support thereof), having maturities of not more than one year from the date of acquisition;
- (2) marketable general obligations issued by any political subdivision of any Qualified Country or any public instrumentality thereof maturing within one year from the date of acquisition of the United States (*provided* that the full faith and credit of the Qualified Country is pledged in support thereof) and, at the time of acquisition, having a credit rating of “A2” or better from either Standard & Poor’s Ratings Services or Moody’s Investors Service, Inc.;
- (3) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers’ acceptances having maturities of not more than one year from the date of acquisition thereof issued by any lender party to the Senior Credit Facility or by any bank or trust company (x) the long-term debt of which is rated at the time of acquisition thereof at least “A” or the equivalent thereof by S&P or “A” or the equivalent thereof by Moody’s (or if at the time neither is issuing comparable ratings, then a comparable rating of another nationally recognized rating agency);

- (4) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (1), (2) and (3) entered into with any bank meeting the qualifications specified in clause (3) above;
- (5) commercial paper rated at the time of acquisition thereof at least “A-2” or the equivalent thereof by S&P or “P-2” or the equivalent thereof by Moody’s, or carrying an equivalent rating by an internationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of investments, and in any case maturing within one year after the date of acquisition thereof; and
- (6) interests in any investment company or money market fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (5) above.

“**continuing**” means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

“**Default**” means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

“**euro**” or “**€**” means the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union.

“**European Union**” means the European Union as of the Issue Date, including Austria, Belgium, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom.

“**Financial Indebtedness**” has the meaning ascribed thereto in the Senior Credit Facility as in effect on the Issue Date.

“**Finco Accession Agreement**” means the €300 million additional facility accession agreement dated February 15, 2011 and between, among others, the Issuer and Telenet International Finance. Elsewhere in the offering memorandum, the Finco Accession Agreement is also referred to as the “Facility O Accession Agreement”.

“**Foundation**” means Stichting Telenet Finance III Luxembourg and any successor (by merger, consolidation, transfer, conversion of legal form or otherwise) to all or substantially all of its assets.

“**GAAP**” means generally accepted accounting principles in the United States (“**U.S. GAAP**”) as in effect as of the date of the Indenture or, with respect to the covenant “Reports”, as in effect from time to time.

“**GP**” means Telenet Finance III S.à r.l.

“**guarantee**” means a guarantee other than by endorsement of negotiable instruments for collection or deposit in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Financial Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise).

“**IFRS**” means the accounting standards issued by the International Accounting Standards Board and its predecessors. At any time after the Issue Date, the Issuer may elect to apply for all purposes of the Indenture, in lieu of IFRS, U.S. GAAP, and, upon such election, references to IFRS herein will be construed to mean U.S. GAAP as in effect at the Issue Date; *provided* that (1) any such election once made shall be irrevocable (unless (a) such an election was made in order to comply with applicable law with respect to the reporting standards of the Issuer and (b) subsequent to such election, such applicable law is modified or rescinded, and at the time of such modification or rescission, Telenet NV prepares its consolidated financial statements in accordance with IFRS), (2) all financial statements and reports to be provided, after such election, pursuant to the Indenture shall be prepared on the basis of U.S. GAAP as in effect from time to time (including that, upon first reporting its fiscal year results under U.S. GAAP, the Issuer shall restate its financial statements on the basis of U.S. GAAP for the fiscal year ending immediately prior to the first fiscal year for which financial statements have been prepared on the basis of U.S. GAAP), and (3) from and after such election, all ratios, computations, and other determinations based on IFRS contained in the Indenture shall be computed in conformity with U.S. GAAP with retroactive effect being given thereto assuming that such election had been made on the Issue Date.

**“Issue Date”** means February 15, 2011.

**“Issuer”** means Telenet Finance III Luxembourg S.C.A. and any successor (by merger, consolidation, transfer, conversion of legal form or otherwise) to all or substantially all of its assets.

**“Lien”** means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

**“Local Bond”** means the €100 million aggregate principal amount of 5.3% senior secured fixed rate notes due November 15, 2016 issued by Telenet Finance Luxembourg II S.A.

**“Local Bond Issuer”** means Telenet Finance Luxembourg II S.A. and any other special purpose financing company that has funded an Advance (under and as defined in the Senior Credit Facility) using the proceeds from the issuance of senior secured notes in an offering that is substantially similar to the Local Bond offering.

**“Majority Lenders”** has the meaning ascribed thereto in the Senior Credit Facility.

**“Moody’s”** means Moody’s Investors Service, Inc.

**“Note Collateral”** has the meaning set forth above under “—Security”.

**“Notes Security Documents”** means the documents evidencing the security interests granted over the Note Collateral and any other agreement or instrument from time to time governing a grant of a security interest permitted under the Indenture to secure the obligations under the Notes.

**“obligations”** means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities or amounts payable under the documentation governing any Financial Indebtedness.

**“Officer”** means any Director or the Secretary of the Issuer or any equivalent position.

**“Officer’s Certificate”** means a certificate signed by an Officer.

**“Opinion of Counsel”** means a written opinion of counsel, who may be counsel to the Issuer and/or a member of the Telenet Group (and may include employees of the issuer or a member of the Telenet Group) and who is reasonably acceptable to the Trustee.

**“Permitted Issuer Liens”** means:

- (1) Liens for taxes, assessments or government charges or levies on the assets of the Issuer if the same shall not at the time be delinquent or thereafter can be paid without penalty, or are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded, *provided* that any reserve or other appropriate provision that shall be required in conformity with IFRS shall have been made therefor;
- (2) Liens created for the benefit of (or to secure) the Notes (including any Liens granted pursuant to the Notes Security Documents);
- (3) Liens granted to the Trustee for its compensation and indemnities pursuant to the Indenture; and
- (4) Liens with respect to bankers’ liens, rights of set-off or similar rights or remedies in respect of cash maintained in bank accounts or certificates of deposit.

**“Person”** means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision hereof or other entity.

**“S&P”** means Standard and Poor’s Ratings Group.

**“Senior Credit Facility”** means the Senior Secured Credit Facility Agreement dated August 1, 2007 (as amended and restated by supplemental agreements dated August 22, 2007, September 11, 2007, October 8, 2007, June 23, 2009, August 25, 2009 and October 4, 2010, and as may be amended or restated from time to time) between, *inter alios*, Telenet NV, the obligors listed therein, The Bank of Nova Scotia, as facility agent, and KBC Bank NV, as security agent.

**“Senior Facility Guarantors”** means the guarantors under the Senior Credit Facility.

**“SPV Issuer”** means any lender under the Senior Credit Facility that is a special purpose financing company and that has funded an Advance (under and as defined in the Senior Credit Facility) using the proceeds from the issuance of senior secured notes, other than a Local Bond Issuer.

**“Stated Maturity”** means, with respect to any installment of interest or principal on any series of Financial Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Financial Indebtedness as of the date of the Indenture, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

**“Telenet Facility Agent”** means The Bank of Nova Scotia, acting as facility agent pursuant to the Senior Credit Facility or any successor or replacement Telenet Facility Agent, acting in such capacity.

**“Telenet Group Transfer”** means the occurrence of either of the following: (a) the consummation of any transaction (including, without limitation, any merger, consolidation, scheme of arrangement or amalgamation), the result of which is that Liberty Global Europe Financing B.V., UPC Holding B.V. and/or any of their Subsidiaries becomes the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of Telenet NV or (b) the direct or indirect sale, lease, transfer, conveyance or other disposition, in one or a series of related transactions, of all or substantially all of the properties or assets of Telenet NV and its Subsidiaries taken as a whole to Liberty Global Europe Financing B.V., UPC Holding B.V. and/or any of their Subsidiaries.

**“Telenet International Finance”** means Telenet International Finance S.à. r.l. and any successor (by merger, consolidation, transfer, conversion of legal form or otherwise) to all or substantially all of its assets.

**“Telenet Lender”** and **“Telenet Lenders”** means a lender or lenders under the Senior Credit Facility from time to time.

**“Telenet Loans”** means advances extended to Telenet International Finance and/or Telenet NV under the Senior Credit Facility.

**“Telenet Loan Documents”** means the Senior Credit Facility and any other agreements designated a “finance document” under the Senior Credit Facility.

**“Telenet NV”** means Telenet NV and any successor (by merger, consolidation, transfer, conversion of legal form or otherwise) to all or substantially all of its assets.

**“Telenet Security Agent”** means KBC Bank NV, acting as security agent pursuant to the Senior Credit Facility or any successor or replacement Telenet Security Agent, acting in such capacity.

**“U.S. Securities Act”** means the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated pursuant thereto.

**“U.S. Exchange Act”** means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated pursuant thereto.

## **BOOK-ENTRY, DELIVERY AND FORM**

### **General**

The Notes sold outside the United States pursuant to Regulation S under the U.S. Securities Act will initially be represented by a global note in registered form without interest coupons attached (the “Regulation S Global Note” and, together with the 144A Global Note (as defined below), the “Global Notes”). The Regulation S Global Note was deposited, on the closing date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream.

The Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act will initially be represented by a global note in registered form without interest coupons attached (the “144A Global Notes”). The 144A Global Note was deposited, on the closing date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream.

Ownership of interests in the 144A Global Note (“144A Book-Entry Interests”) and ownership of interests in the Regulation S Global Note (the “Regulation S Book-Entry Interest,” and together with the 144A Book-Entry Interests, the “Book-Entry Interests”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

The Book-Entry Interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, “holders” of Book-Entry Interests will not be considered the owners or “holders” of Notes for any purpose.

So long as the Notes are held in global form, Euroclear and/or Clearstream, as applicable, (or their respective nominees) will be considered the sole holders of Global Notes for all purposes under the Indenture. As such, participants must rely on the procedures of Euroclear and/or Clearstream and indirect participants must rely on the procedures of Euroclear and/or Clearstream and the participants through which they own Book-Entry Interests in order to exercise any rights of holders under the Indenture.

Neither the Issuer nor the Trustee under the Indenture nor any of the Issuer’s respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

### **Issuance of Definitive Registered Notes**

Under the terms of the Indenture, owners of Book-Entry Interests will receive definitive Notes in registered form (the “Definitive Registered Notes”):

- (1) if Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue to act as depository and a successor depository is not appointed by the Issuer within 120 days;
- (2) in whole, but not in part, if the Issuer, Euroclear or Clearstream so request following an event of default under the Indenture; or
- (3) if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear and/or Clearstream or to the Issuer following an Event of Default under the Indenture.

Euroclear has advised the Issuer that upon request by an owner of a Book-Entry Interest described in the immediately preceding clause (3), its current procedure is to request that the Issuer issue or cause to be issued the Notes in definitive registered form to all owners of Book-Entry Interests.

In such an event, the Registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream or the Issuer, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend referred to in “*Transfer Restrictions*” below, unless that legend is not required by the Indenture or applicable law.



The Issuer, the Trustee, the Principal Paying Agent and the Registrar shall treat the registered holder of any Global Note or Definitive Note as the absolute owner thereof, and no person will be liable for treating the registered holders as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Trustee, and such registration is a means of evidencing title to the Notes.

The Issuer will not impose any fees or other charges in respect of the Notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream, as applicable.

### **Redemption of Global Notes**

In the event any Global Note, or any portion thereof, is redeemed, Euroclear and/or Clearstream, as applicable, will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no Book-Entry Interest of less than €100,000 in principal amount at maturity, or less, may be redeemed in part.

### **Payments on Global Notes**

Payments of amounts owing in respect of the Global Notes (including principal, premium, interest, additional interest and additional amounts) will be made by the Issuer to the Principal Paying Agent. The Principal Paying Agent will, in turn, make such payments to the common depository for Euroclear or Clearstream, which will distribute such payments to participants in accordance with their respective procedures.

Under the terms of the Indenture, the Issuer and the Trustee will treat the registered holder of the Global Notes (*i.e.*, Euroclear or Clearstream (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, neither the Issuer nor the Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest; or
- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of subscribers registered in "street name."

### **Currency and Payment for the Global Notes**

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes, will be paid to holders of interest in such Notes (the "Holders") through Euroclear and/or Clearstream in euro.

### **Action by Owners of Book-Entry Interests**

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each

of Euroclear and Clearstream reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to their respective participants.

### **Transfers**

The Global Notes will bear a legend to the effect set forth in “*Transfer Restrictions*” below. Book-Entry Interests in the Global Notes will be subject to the restrictions on transfer referred to in “*Transfer Restrictions*”.

Book-Entry Interests in the 144A Global Note may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Note only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the U.S. Securities Act. Prior to 40 days after the date of initial issuance of the Notes, ownership of Regulation S Book-Entry Interests will be limited to persons that have accounts with Euroclear or Clearstream or persons who hold interests through Euroclear or Clearstream, and any sale or transfer of such interest to U.S. persons shall not be permitted during such periods unless such resale or transfer is made pursuant to Rule 144A. Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under “*Transfer Restrictions*” and in accordance with any applicable securities laws of any other jurisdiction.

Subject to the foregoing, and as set forth in “*Transfer Restrictions*”, Book-Entry Interests may be transferred and exchanged as described under “*Description of the Notes—Transfer and Exchange*”. Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in the other Global Note, and accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as that person retains such a Book-Entry Interest.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under “*Description of the Notes—Transfer and Exchange*” and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See “*Transfer Restrictions*”.

### **Information Concerning Euroclear and Clearstream**

All Book-Entry Interests will be subject to the operations and procedures of Euroclear or Clearstream, as applicable. The Issuer provides the summaries of those operations and procedures provided in this offering memorandum solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither the Issuer nor the Initial Purchasers are responsible for those operations or procedures.

Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream systems, or otherwise

take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the 144A Global Notes only through Euroclear or Clearstream participants.

### **Secondary Market Trading, Global Clearance and Settlement under the Book-Entry System**

Application has been made to the Luxembourg Stock Exchange for the Notes represented by the Global Notes to be admitted to listing and to trading on the Euro MTF Market of the Luxembourg Stock Exchange. The Issuer expects that secondary trading in any certificated Notes will also be settled in immediately available funds.

### **Initial Settlement**

Initial settlement for the Notes will be made in euro. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

### **Secondary Market Trading**

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

## TRANSFER RESTRICTIONS

The Notes have not been registered under the U.S. Securities Act and may not be offered, sold or otherwise transferred within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act) except to (i) qualified institutional buyers in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A or (ii) non-U.S. persons in offshore transactions in reliance on Regulation S.

By purchasing the Notes, you will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S under the U.S. Securities Act are used herein as defined therein):

- (1) You are not an “affiliate” (as defined in Rule 144 under the U.S. Securities Act) of the Issuer or Telenet Group Holding, you are not acting on behalf of the Issuer or Telenet Group Holding and you (A) (i) are a “qualified institutional buyer” (as defined in Rule 144A under the U.S. Securities Act), (ii) are aware that the sale to you is being made in reliance on Rule 144A; and (iii) are acquiring the Notes for your own account or for the account of a qualified institutional buyer; or (B) are not a U.S. person (as defined in Regulation S under the U.S. Securities Act) (and are not purchasing the Notes for the account or benefit of a U.S. person, other than a distributor) and are purchasing the Notes in an offshore transaction pursuant to Regulation S.
- (2) You understand that the Notes are being offered in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act, that the Notes have not been and will not be registered under the U.S. Securities Act or any other applicable securities laws and that (A) if in the future you decide to offer, resell, pledge or otherwise transfer any of the Notes, such Notes may be offered, resold, pledged or otherwise transferred only (i) for so long as the Notes are eligible for resale under Rule 144A, in the United States to a person whom you reasonably believe is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; (ii) outside the United States in a transaction complying with the provisions of Regulation S under the U.S. Securities Act; or (iii) to the Issuer, in each case in accordance with any applicable securities laws; and (B) you will, and each subsequent holder is required to, notify any subsequent purchaser of the Notes from you or it of the resale restrictions referred to the legend below.
- (3) You acknowledge that none of the Issuer, Telenet Group Holding, the Initial Purchasers or any person representing the Issuer, Telenet Group Holding or the Initial Purchasers has made any representation to you with respect to the Issuer, Telenet Group Holding or the offer or sale of any of the Notes, other than by Telenet Group Holding and the Issuer with respect to the information contained in this offering memorandum, which offering memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that the Initial Purchasers make no representation or warranty as to the accuracy or completeness of this offering memorandum. You acknowledge that the Initial Purchasers make no representation or warranty as to the accuracy or completeness of this offering memorandum. You have had access to such financial and other information concerning the Issuer, Telenet Group Holding, the Indenture governing the Notes, the Notes, the Senior Credit Facility and the security documents as you deemed necessary in connection with your decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, the Issuer, Telenet Group Holding and the Initial Purchasers.
- (4) You also acknowledge that:
  - (a) the Issuer and the Trustee reserve the right to require in connection with any offer, sale or other transfer of Notes under the paragraph two above the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Issuer and the Trustee; and
  - (b) each Global Note will contain a legend substantially to the following effect:

THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE “U.S. SECURITIES ACT”), AND THIS NOTE MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS

(AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT) EXCEPT TO (A) QUALIFIED INSTITUTIONAL BUYERS IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT PROVIDED BY RULE 144A OR (B) PERSONS IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE U.S. SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF THE ISSUER THAT (A) THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE UNDER RULE 144A, IN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A; (II) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT; OR (III) TO THE ISSUER, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN THIS LEGEND.

BY ACCEPTING THIS NOTE (OR AN INTEREST IN THE NOTES REPRESENTED HEREBY) EACH ACQUIRER AND EACH TRANSFEREE IS DEEMED TO REPRESENT, WARRANT AND AGREE THAT AT THE TIME OF ITS ACQUISITION AND THROUGHOUT THE PERIOD THAT IT HOLDS THIS NOTE OR ANY INTEREST HEREIN (1) EITHER (A) IT IS NOT, AND IT IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS SUCH NOTES OR ANY INTEREST THEREIN IT WILL NOT BE, AND WILL NOT BE ACTING ON BEHALF OF), AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”)), SUBJECT TO THE PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA, A PLAN TO WHICH SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED, (“CODE”), APPLIES, OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE “PLAN ASSETS” BY REASON OF SUCH AN EMPLOYEE BENEFIT PLAN’S AND/OR PLAN’S INVESTMENT IN SUCH ENTITY (EACH, A “BENEFIT PLAN INVESTOR”), OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY OR THE PROHIBITED TRANSACTION PROVISIONS OF ERISA AND/OR SECTION 4975 OF THE CODE (“SIMILAR LAWS”), AND NO PART OF THE ASSETS USED BY IT TO ACQUIRE OR HOLD THIS NOTE OR ANY INTEREST HEREIN CONSTITUTES THE ASSETS OF ANY BENEFIT PLAN INVESTOR OR SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE OR AN INTEREST HEREIN DOES NOT AND WILL NOT CONSTITUTE OR OTHERWISE RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA AND/OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, A NON-EXEMPT VIOLATION OF ANY SIMILAR LAWS); (2) NEITHER ISSUER NOR ANY OF ITS AFFILIATES IS A “FIDUCIARY” (WITHIN THE MEANING OF SECTION 3(21) OF ERISA OR, WITH RESPECT TO A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, ANY DEFINITION OF “FIDUCIARY” UNDER SIMILAR LAWS) WITH RESPECT TO THE PURCHASER OR HOLDER IN CONNECTION WITH ANY PURCHASE OR HOLDING OF THE NOTES, OR AS A RESULT OF ANY EXERCISE BY THE ISSUER OR ANY OF ITS AFFILIATES OF ANY RIGHTS IN CONNECTION WITH THE NOTES, AND NO ADVICE PROVIDED BY THE ISSUER OR ANY OF ITS AFFILIATES HAS FORMED



A PRIMARY BASIS FOR ANY INVESTMENT DECISION BY OR ON BEHALF OF THE PURCHASER AND HOLDER IN CONNECTION WITH THE NOTES AND THE TRANSACTIONS CONTEMPLATED WITH RESPECT TO THE NOTES; AND (3) IT WILL NOT SELL OR OTHERWISE TRANSFER THIS NOTE OR ANY INTEREST HEREIN OTHERWISE THAN TO A PURCHASER OR TRANSFEREE THAT IS DEEMED TO MAKE THESE SAME REPRESENTATIONS, WARRANTIES AND AGREEMENTS WITH RESPECT TO ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE.

- (c) The following legend shall also be included, if applicable:

THE FOLLOWING INFORMATION IS SUPPLIED SOLELY FOR U.S. FEDERAL INCOME TAX PURPOSES. THIS NOTE WAS ISSUED WITH “ORIGINAL ISSUE DISCOUNT” (“OID”) WITHIN THE MEANING OF SECTION 1273 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”), AND THIS LEGEND IS REQUIRED BY SECTION 1275(c) OF THE CODE:

Holders may obtain information regarding the amount of any OID, the issue price, the issue date, and the yield to maturity relating to the Notes by contacting the Treasurer, Telenet Group Holding N.V., Liersesteenweg 4, B-2800 Mechelen, Belgium, Tel +32 (0)15 333 000.

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

- (1) You acknowledge that the registrar will not be required to accept for registration of transfer any Notes acquired by you, except upon presentation of evidence satisfactory to the Issuer and the registrar that the restrictions set forth herein have been complied with.
- (2) You acknowledge that:
  - (a) The Issuer, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgments, representations and agreements set forth herein and you agree that, if any of your acknowledgments, representations or agreements herein cease to be accurate and complete, you will notify the Issuer and the Initial Purchasers promptly in writing; and
  - (b) if you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent with respect to each such account that:
    - (i) you have sole investment discretion; and
    - (ii) you have full power to make, and make, the foregoing acknowledgments, representations and agreements.
- (3) You agree that you will give to each person to whom you transfer these Notes notice of any restrictions on the transfer of the Notes.
- (4) You acknowledge that the above restrictions on resale will apply from the closing date until the date that is one year (in the case of Notes issued under Rule 144A under the U.S. Securities Act) or 40 days (in the case of Notes issued under Regulation S under the U.S. Securities Act) after the later of the closing date and the last date that the Issuer or any of its affiliates was the owner of the Notes or any predecessor of the Notes (the “Resale Restriction Period”), and will not apply after the applicable Resale Restriction Period ends.
- (5) The purchaser understands that no action has been taken in any jurisdiction (including the United States) by the Issuer or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for the purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth hereunder and under “*Plan of Distribution*”.

### **European Economic Area**

In relation to each member state of the EEA which has implemented the Prospectus Directive (each, a “Relevant Member State”), the Initial Purchasers have represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”), it has not made and will not make an offer of the Notes which are

the subject of the offering contemplated by this offering memorandum to the public in that Relevant Member State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Initial Purchaser or Initial Purchasers nominated by the Issuer for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive; provided that no such offer of the Notes shall require the publication by the Issuer or any Initial Purchaser of a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospective Directive other than in reliance of Article 3(2)(b).

For the purposes of this provision, the expression an “offer of the Notes to the public” in relation to the Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

### ***The Grand Duchy of Luxembourg***

In addition to the cases described in the section entitled Public Offer Selling Restriction under the Prospectus Directive in which the Initial Purchasers can make an offer of the Notes to the public in an EEA Member State (including Luxembourg), the Initial Purchasers can also make an offer of the Notes to the public in Luxembourg:

- (a) at any time, to national and regional governments, central banks, international and supranational institutions (such as the International Monetary Fund, the European Central Bank, the European Investment Bank) and other similar international organisations;
- (b) at any time, to legal entities which are authorised or regulated to operate in the financial markets (including credit institutions, investment firms, other authorised or regulated financial institutions, undertakings for collective investment and their management companies, pension and investment funds and their management companies, insurance undertakings and commodity dealers) as well as entities not so authorised or regulated whose corporate purpose is solely to invest in securities; and
- (c) at any time, to certain natural persons or small and medium-sized enterprises (as defined in the Luxembourg act dated 10 July 2005 on prospectuses for securities implementing the Directive 2003/71/EC (the “Prospectus Directive”) into Luxembourg law) recorded in the register of natural persons or small and medium-sized enterprises considered as qualified investors as held by the Commission de surveillance du secteur financier as competent authority in Luxembourg in accordance with the Prospectus Directive.

### ***ERISA Considerations***

By acquiring the Notes, you will be deemed to have further represented and agreed as follows:

- (1) With respect to the acquisition, holding and disposition of the Notes, or any interest therein, (A) either (i) you are not, and are not acting on behalf of (and for so long as you hold such Notes or any interest therein will not be, and will not be acting on behalf of), an employee benefit plan (as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”)), subject to the provisions of part 4 of subtitle B of Title I of ERISA, a plan to which Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (“Code”), applies, or any entity whose underlying assets include “plan assets” by reason of such an employee benefit plan’s and/or plan’s investment in such entity (each, a “Benefit Plan Investor”), or a governmental, church or non-U.S. plan which is subject to any federal, state, local, non-U.S. or other laws or regulations that are substantially similar to the fiduciary responsibility or prohibited transaction provisions of ERISA or the provisions of Section 4975 of the Code (“Similar Laws”),

and no part of the assets to be used by you to acquire or hold such Notes or any interest therein constitutes the assets of any such Benefit Plan Investor or such plan, or (ii) your acquisition, holding and disposition of such Note, or any interest therein does not and will not constitute or otherwise result in a non-exempt prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan, a non-exempt violation of any Similar Laws); and (B) neither Issuer nor any of its affiliates is a Fiduciary with respect to you, as the purchaser or holder, in connection with your purchase or holding of the Notes, or as a result of any exercise by the Issuer or any of its affiliates of any rights in connection with the Notes, and no advice provided by the Issuer or any of its affiliates has formed a primary basis for any investment decision by or on behalf of you as the purchaser and holder in connection with the Notes and the transactions contemplated with respect to the Notes; and (C) you will not sell or otherwise transfer such Notes or any interest therein otherwise than to a purchaser or transferee that is deemed to make these same representations, warranties and agreements with respect to its acquisition, holding and disposition of such Notes or any interest therein.

- (2) You and any fiduciary causing you to acquire an interest in the Notes agree to indemnify and hold harmless the Issuer, Telenet Group Holding, the Initial Purchasers and the Trustee and their respective affiliates, from and against any cost, damage or loss incurred by any of them as a result of any of the foregoing representations and agreements being or becoming false.
- (3) Any purported acquisition or transfer of any Note or beneficial interest therein to an acquirer or transferee that does not comply with the foregoing requirements shall be null and void *ab initio*.

## TAX CONSIDERATIONS

### **Luxembourg Taxation**

The following discussion summarizes certain important Luxembourg taxation principles that may be relevant to you if you invest in, own, hold or dispose of the Notes. Unless otherwise indicated, all information contained in this section is based on laws, regulations, practice and decision in effect in Luxembourg at the date of this Offering Memorandum (as referred to herein, collectively, “Luxembourg Tax Laws”), and as such, may be superseded after such date. Any subsequent changes to Luxembourg Tax Laws could apply retroactively and could affect the continued accuracy of this summary. This summary does not purport to be a comprehensive description of all Luxembourg Tax Laws and Luxembourg tax considerations that may be relevant to a decision to invest in, own, hold, or dispose of the Notes and is not intended as tax advice to any particular investor or potential investor in the Notes. You should consult your own tax advisors about the tax consequences of investing in, owning, holding or disposing of the Notes (including with respect to receiving interest on and redeeming the Notes). This summary does not describe any tax consequences arising under the laws of any state, locality or other taxing jurisdiction other than Luxembourg.

The residence concept used below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Any reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*), as well as personal income tax (*impôt sur le revenu*) generally. Corporate Noteholders may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

### ***Luxembourg tax residency of the Noteholders***

A Luxembourg non-resident Noteholder will not become resident, nor be deemed to be resident, in Luxembourg by reason only of the holding of the Notes, or the execution, performance, delivery and/or enforcement of their entitlements thereunder.

### ***Withholding Tax***

Except as indicated below, under the Luxembourg income tax law currently applicable there is no withholding tax on the payment of interest, principal, premium or (to the extent the transaction is conducted on an arms-length basis) accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes.

### ***Resident Noteholders***

Under the Luxembourg law dated December 23, 2005 a 10% withholding tax is levied on interest payments (or similar income) made by Luxembourg paying agents to or for the benefit of Luxembourg individual residents (including payments to residual entities for the benefit of Luxembourg resident individuals, except if the residual entity elects to exchange information or elects to be treated or is treated as an undertaking for collective investment in transferable securities authorised under the European Council Directive 85/611/EEC) (“UCITS”). This withholding tax also applies on accrued interest received upon disposal, redemption or repurchase of the Notes. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. As from 2009, Luxembourg resident individuals acting in the course of the management of their private wealth, who are the beneficial owners of interest payments made by a paying agent established outside Luxembourg in a Member State of the European Union or of the European Economic Area or in a dependent and associated territories (the “Territories”) in the sense of the European Council Directive 2003/48/EC on taxation of savings income (the “EU Savings Directive”), may also opt for a final 10% flat tax. In such case, the 10% flat tax is calculated on the same amounts as for the payments made by Luxembourg resident paying agents.

### *Non-resident Noteholders*

Under the June 2005 and December 2005 tax laws implementing the EU Savings Directive (the “Laws”) within the Luxembourg law, a Luxembourg based paying agent is required to withhold tax on interest and other similar income (including reimbursement of premium received at maturity) paid or ascribed by it to (or under certain circumstances, to or for the immediate benefit of) an individual resident or a residual entity established in another Member State of the European Union unless the beneficiary/residual entity of the interest payments elects for an exchange of information. The same regime applies to payments to individuals or residual entities resident in any of the Territories.

The withholding tax rate is currently 20% and will be increased to 35% as from July 1, 2011. The withholding tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain other countries.

In each case described here above, responsibility for the withholding tax will be assumed by the Luxembourg paying agent.

In this section, “interest”, “residual entities” and “paying agent” have the meaning given thereto in the Laws (or the relevant treaties). “Interest” will include accrued or capitalized interest at the sale, repayment or redemption of the Notes. “Residual entities” include, in general, all entities established in the EU and certain dependent or associated territories other than legal entities, UCITS, and entities taxed as enterprises. “Paying agent” is defined broadly for this purpose and in the context of the Notes means any economic entity established in Luxembourg which pays interest on the Notes to, or ascribes the payment of such interest to or for the immediate benefit of the beneficial owner or the residual entity whether the entity is, or acts on behalf of, the issuer or is instructed by, the beneficial owner, or the residual entity, as the case may be, to collect such payment of interest.

### ***Taxation of the Noteholders***

#### *Taxation of Luxembourg residents*

Noteholders who are residents of Luxembourg, or non-resident Noteholders who have a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable, must, for income tax purposes, include any interest paid or accrued in their taxable income. Specific exemptions may be available for certain tax payers benefiting from a particular status.

#### *Luxembourg resident individuals*

A Luxembourg resident individual Noteholder acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax at progressive rates in respect of interest received, redemption premiums or issue discounts under the Notes, except if a final withholding tax has been levied on such payments. See “—Withholding Tax—Resident Noteholders”.

Under Luxembourg domestic tax law, interest income received from Notes by Noteholders in the context of managing private wealth is subject to income tax at progressive income tax rates unless the final 10% withholding rate/flat tax is applied. Gains realised upon the sale, repurchase or redemption of the Notes by a Luxembourg resident individual Noteholder, who acts in the course of the management of his/her private wealth, in any form whatsoever, of Notes, are subject to Luxembourg income tax provided this sale or disposal took place prior to or within six months after the acquisition of the Notes. Usually, the said gains exclude the accrued but unpaid notes’ interest. A Luxembourg resident individual Noteholder, who acts in the course of the management of his/her private wealth, has further to include the portion of the gain corresponding to accrued but unpaid income in respect of the Notes in his/her taxable income (e.g. upon sale of Notes before their maturity).

Luxembourg resident individual Noteholders acting in the course of the management of a professional or business undertaking to which the Notes are attributable, may have to include any interest received or accrued, as well as any gain realised on the sale or disposal of the Notes, in their taxable income for Luxembourg income tax assessment purposes (income tax levied at progressive rates and municipal business tax). For Luxembourg resident individuals receiving interest as income from assets used in their professional capacity, the 10% withholding tax levied is credited against their final tax liability. The same tax treatment applies to non-resident Noteholders who have a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable.



### *Luxembourg corporate residents*

Luxembourg corporate Noteholders must include any interest received or accrued, as well as any gain realised on the sale or disposal of the Notes, in their taxable income for Luxembourg income tax assessment purposes (corporate income tax and municipal business tax).

### *Luxembourg corporate residents benefiting from a special tax regime*

Luxembourg corporate resident Noteholders who benefit from a special tax regime, such as, for example, (i) undertakings for collective investment subject to the amended laws of December 20, 2002, (ii) specialized investment funds subject to the law dated February 13, 2007 or (iii) family wealth management companies subject to the law dated May 11, 2007, are exempt from income tax in Luxembourg except for an annual subscription tax (*tax d'abonnement*) and thus income derived from the Notes, as well as gains realised thereon, are not subject to Luxembourg income taxes.

### *Taxation of non-resident Noteholders*

Noteholders who are non-residents of Luxembourg and who have neither a permanent establishment nor a permanent representative in Luxembourg to which the Notes are attributable are not liable to any Luxembourg income tax, whether they receive payments of principal or interest (including accrued but unpaid interest) or realise capital gains upon redemption, repurchase, sale or exchange of any Notes. Noteholders who are non-residents of Luxembourg and who have a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable have to include any interest received or accrued, as well as any capital gain realised on the sale or disposal of the Notes in their taxable income for Luxembourg income tax assessment purposes.

### **Net Wealth Tax**

Luxembourg resident Noteholders or non-resident Noteholders who have a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable, are subject to an annual Luxembourg net wealth tax on such Notes levied at a rate of 0.5%, except if the Noteholder is (i) a resident or non-resident individual taxpayer, (ii) an undertaking for collective investment subject to the amended law of December 20, 2002, (iii) governed by the law of March 22, 2004 on securitization (as amended), (iv) a company governed by the law of June 15, 2004 on venture capital vehicles, (v) a specialized investment fund subject to the law of February 13, 2007 or (vi) a family wealth management company subject to the law of May 11, 2007.

### **Other Taxes**

#### *Registration taxes and stamp duties*

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by the Noteholders as a consequence of the issuance of the Notes, nor will any of these taxes be payable as a consequence of a subsequent transfer, redemption or repurchase of the Notes. There is no obligation to register the Notes in Luxembourg. However, a registration duty may apply (i) upon voluntary registration of the Notes in Luxembourg, (ii) in the case of legal proceedings before Luxembourg courts or (iii) in the case that the documents relating to the Notes issuance must be produced before an official Luxembourg authority ("*autorité constituée*").

#### *Value added tax*

There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of the Notes or in respect of the payment of interest or principal under the Notes or the transfer of the Notes. Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Luxembourg value added tax purposes such services are rendered or are deemed to be rendered in Luxembourg and an exemption from Luxembourg value added tax does not apply with respect to such services. Due to the activity of the Issuer, this value-added tax could be a final cost. Foreign value-added tax that might be payable in respect of fees charged for certain services rendered to the Issuer could also be a final cost.

### *Inheritance tax and gift tax*

No estate or inheritance taxes are levied on the transfer of the Notes upon death of a Noteholder in cases where the deceased was not a resident of Luxembourg at the time of his death for inheritance tax purposes.

Gift tax may be due on a gift or donation of Notes in instances where the gift is recorded in a deed passed in front of a Luxembourg notary or otherwise registered in Luxembourg.

### **Belgian Taxation**

The following is a summary of the principal Belgian tax consequences for Belgian resident investors receiving interest in respect of, and disposing of, Notes and is of a general nature, for information purposes only and based on the Issuer's understanding of current law and practice. This summary is based on the laws, regulations and applicable tax treaties, all as in effect in Belgium on the date of this offering memorandum, and is subject to any changes in law and the interpretation and application thereof, possibly with retroactive effect.

This summary does not address all Belgian tax considerations that may be relevant to a particular investor in light of that investor's particular circumstances or to particular investors some of which may be subject to special tax rules. The present section does not address the tax situation of natural persons residing in Belgium and of investors residing outside of Belgium. This summary does not address local taxes or surcharges.

For the purposes of this summary, a Belgian investor is (i) a company subject to Belgian corporate income tax (*vennootschapsbelasting/impôt des sociétés*) having its registered seat, principal establishment or effective place of management in Belgium, not being a regulated corporate investment fund (herein referred to as a "Belgian Company"); or (ii) a legal entity subject to Belgian legal entities tax (*rechtspersonenbelasting/impôt des personnes morales*) having its registered seat, principal establishment or effective place of management in Belgium (herein referred to as a "Belgian Legal Entity").

### ***Interest***

For Belgian tax purposes, interest includes (i) periodic interest income, (ii) any amounts paid by the Issuer in excess of the issue price (upon full or partial redemption, whether or not at maturity, or upon purchase by the Issuer), and (iii) if the Notes qualify as fixed income securities pursuant to Article 2, § 1, 8° of the Belgian Income Tax Code (the "ITC 1992"), in case of a sale of these securities to any third party, other than the Issuer, the *pro rata* accrued interest corresponding to the period that the party selling the security held the Notes.

### ***Belgian Withholding Tax***

The interest component of payments on Notes by the Issuer is, in principle, not subject to Belgian withholding tax, provided that such interest is not collected through a professional intermediary established in Belgium (see however below for interest collected by Belgian Legal Entities). The interest component of payments on Notes collected through a professional intermediary established in Belgium is, however, subject to Belgian withholding tax at the rate of 15%, subject to such relief as may be available under applicable domestic law provisions.

Payments of interest made by or on behalf of the Issuer collected through a Belgian professional intermediary will nevertheless be made without deduction of Belgian withholding tax, notably provided that (i) such interest is paid to a Belgian Company, subject to the company certifying to the professional intermediary that it is a Belgian Company; (ii) such professional intermediary qualifies as a recognized credit institution, exchange company or clearing or settlement institution and pays such interest to a non-qualifying intermediary (*i.e.* a person other than an enterprise referred to in Article 261, para. 4 ITC 1992) provided that such non-qualifying intermediary certifies that the beneficial owners (a) are non-residents for Belgian tax income purposes, (b) have not held the Notes as part of a taxable business activity in Belgium, and (c) were the legal owner, or held the *usufructus* of the Notes; or (iii) such professional intermediary qualifies as a recognized credit institution, exchange company or clearing or settlement institution and pays such interest to a non-resident beneficial owner provided that such beneficial owner certifies that he (a) is a non-resident for Belgian income tax purposes, (b) has not held the Notes as part of a taxable business activity in Belgium, and (c) is the legal owner, or held the *usufructus* of the Notes.

Such a Belgian professional intermediary would not be liable to collect the Belgian withholding tax notably if (i) it pays such interest to a recognized credit institution, exchange company or clearing or settlement institution established in Belgium; or (ii) such professional intermediary qualifies as a recognized credit institution, exchange company or clearing or settlement institution and pays such interest to certain qualifying credit institutions, financial intermediaries, clearing and settlement institutions or portfolio management companies established outside of Belgium, referred to in Article 261, para. 4 ITC 1992 (“qualifying intermediaries”).

#### *Interest Income*

For Belgian Companies, interest paid on the Notes will be part of the taxable income of the company and subject to corporate income tax at the rate of 33.99%. Belgian withholding tax, if any, can in principle be set off against the corporate income tax liability provided certain conditions are fulfilled.

For Belgian Legal Entities, if Belgian withholding tax has been withheld by a professional intermediary established in Belgium, this Belgian interest withholding tax is a final tax. Belgian legal entity noteholders who collect the payment abroad without Belgian withholding tax being collected, are required to pay the 15% withholding tax on their own initiative.

#### *Capital Gains/capital losses*

For Belgian Companies (not being a regulated fund), the capital gain realized with respect to the Notes will be part of the taxable income of the company and subject to corporate income tax at the rate of 33.99%. Capital losses incurred by Belgian Companies (not being a regulated fund) should be deductible.

For Belgian Legal Entities, the capital gain realized with respect to the Notes will, as a rule, not be subject to tax. Conversely, capital losses incurred on the Notes will not be deductible. The Belgian Legal Entities are however required to pay the 15% withholding tax in their own initiative, on the *pro rata* interest accrued on the notes during the holding period.

#### *Stamp duties*

Secondary market trades in respect of the Notes may give rise to a stamp duty (*taks op beursverrichtingen/taxe sur les opérations de bourse*) at the rate of 0.07% on the sale and on the purchase of Notes in Belgium, provided that such transactions are concluded and executed in Belgium and are carried out through intermediation of a professional intermediary in Belgium. Such tax will be limited to a maximum amount of €500 per taxable transaction and per party. An exemption from this tax is available under Article 126/1, 2° of the Code on Miscellaneous Duties and Taxes as regards (i) parties to securities trades who are intermediaries within the meaning of Article 2, 9° and 10° of the Law of August 2, 2002 on the supervision of the financial sector and financial services, acting for their own account, (ii) insurance undertakings within the meaning of Article 2, § 1 of the Law of July 9, 1975 on supervision of insurance companies, acting for their own account, (iii) institutions for occupational retirement provisions within the meaning of Article 2, 1° of the Law of October 27, 2006 regarding the control of institutions for occupational retirement provisions (*instellingen voor bedrijfspensioenvoorziening/institutions de retraite professionnelle*), acting for their own account, (iv) collective investment schemes, acting for their own account, and (v) non-residents, acting for their own account and certifying their non-resident status.

#### **U.S. Federal Income Taxation of the Notes**

**Pursuant to Internal Revenue Service (“IRS”) Circular 230, you are hereby informed that the description set forth herein with respect to U.S. federal tax issues was not intended or written to be used, and such description cannot be used, by any taxpayer for the purpose of avoiding any penalties that may be imposed on any taxpayer under the U.S. Internal Revenue Code of 1986, as amended (the “Code”). Such description was written in connection with the marketing by the Issuer of the Notes. Taxpayers should seek advice based on the taxpayers’ particular circumstances from an independent tax advisor.**

The following is a description of the principal U.S. federal income tax consequences of the acquisition, ownership, and disposition of the Notes by a holder thereof as defined below. This description only applies to Notes held as capital assets and does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as:

- banks or other financial institutions;

- insurance companies;
- real estate investment trusts;
- regulated investment companies;
- grantor trusts;
- tax-exempt organizations;
- persons that will own the Notes through partnerships or other pass-through entities;
- dealers or traders in securities or currencies;
- U.S. Holders that have a functional currency other than the U.S. dollar;
- certain former citizens and long-term residents of the United States;
- U.S. Holders that use a mark-to-market method of accounting; or
- U.S. Holders that will hold a Note as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes.

Moreover, this description does not address the U.S. federal estate and gift tax or alternative minimum tax consequences of the acquisition, ownership, and disposition of the Notes and does not address the U.S. federal income tax treatment of holders that do not acquire the Notes as part of the initial distribution at their initial issue price (generally, the first price to the public at which a substantial amount of the Notes is sold for money) and assumes that the Notes will be treated as debt for U.S. federal income tax purposes. If the Notes are not treated as debt for U.S. federal income tax purposes, the tax consequences of acquiring, owning and disposing of the Notes could be substantially different from those described herein. Each prospective purchaser should consult its own tax advisor with respect to the U.S. federal, state, local and non-U.S. tax consequences of acquiring, holding and disposing of the Notes.

This description is based on the Code, U.S. Treasury Regulations promulgated thereunder, administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing are subject to change or differing interpretations, possibly with retroactive effect, which could affect the tax consequences described herein.

For purposes of this description, a U.S. Holder is a beneficial owner of the Notes who for U.S. federal income tax purposes is:

- a citizen or individual resident of the United States;
- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) organized in or under the laws of the United States or any State thereof, including the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (1) that validly elects to be treated as a U.S. person for U.S. federal income tax purposes or (2)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more U.S. persons have the authority to control.

A Non-U.S. Holder is a beneficial owner of Notes that is neither a U.S. Holder nor a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes).

If a partnership (or any other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the Notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to its consequences.

The discussion below assumes that the Finco Loan is treated as indebtedness for U.S. federal income tax purposes.

#### *Characterization of the Issuer*

The Issuer will file IRS form 8832, electing to be treated as a partnership or a disregarded entity for U.S. federal income tax purposes, to be effective on or prior to the issuance of the Notes.

### ***Redemptions and Additional Amounts***

In certain circumstances (see “*Description of the Notes—Redemption and Repurchase*”), the Issuer may be obligated to make payments in excess of stated interest and the adjusted issue price of the Notes. The Issuer intends to take the position that the Notes should not be treated as contingent payment debt instruments because of the possibility of such payments. This position is based in part on assumptions regarding the likelihood, as of the date of issuance of the Notes, that such payment will have to be paid. Assuming such position is respected, any such amounts paid to a U.S. Holder pursuant to any repurchase or redemption would be taxable as described below in “*—Sale, Exchange or Disposition by a U.S. Holder*” and any payments of Additional Amounts should be taxable as additional ordinary income when received or accrued, in accordance with such holder’s method of accounting for U.S. federal income tax purposes. The Issuer’s position is binding on a U.S. Holder unless such holder discloses its contrary position in the manner required by applicable U.S. Treasury Regulations. The IRS, however, may take a position contrary to its position, which could affect the timing and character of a U.S. Holder’s income with respect to the Notes. U.S. Holders should consult their tax advisors regarding the potential application to the Notes of the contingent payment debt instrument rules and the consequences thereof. This discussion assumes that the Notes are not treated as contingent payment debt instruments.

### ***U.S. Holders***

#### ***Payments of Stated Interest***

Stated interest paid on the Notes will generally be treated as “qualified stated interest” and generally will be taxable to a U.S. Holder as ordinary interest income at the time it is received or accrued, depending on the U.S. Holder’s method of accounting for U.S. federal income tax purposes, as detailed below.

Interest (including original issue discount (“OID”), if any, as described below) included in a U.S. Holder’s gross income with respect to the Notes will be treated as foreign source income for U.S. federal income tax purposes. The limitation on non-U.S. taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific “baskets” of income. For this purpose, interest should generally constitute “passive category income”, or in the case of certain U.S. Holders, “general category income”. U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits.

Any qualified stated interest paid in euros will be included in a U.S. Holder’s gross income in an amount equal to the U.S. dollar value of the euros, including the amount of any withholding tax thereon, regardless of whether the euros are converted into U.S. dollars. Generally, a U.S. Holder that uses the cash method of tax accounting will determine such U.S. dollar value using the spot rate of exchange on the date of receipt. A cash method U.S. Holder generally will not realize foreign currency gain or loss on the receipt of the interest payment but may have foreign currency gain or loss attributable to the actual disposition of the euros received. Generally, a U.S. Holder that uses the accrual method of tax accounting will determine the U.S. dollar value of accrued interest income using the average rate of exchange for the accrual period (or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the U.S. Holder’s taxable year). Alternatively, an accrual basis U.S. Holder may make an election (which must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS) to translate accrued interest income at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year in the case of a partial accrual period) or the spot rate on the date of receipt, if that date is within five business days of the last day of the accrual period. A U.S. Holder that uses the accrual method of accounting for tax purposes will recognize foreign currency gain or loss on the receipt of an interest payment if the exchange rate in effect on the date the payment is received differs from the rate applicable to an accrual of that interest. The amount of foreign currency gain or loss to be recognized by such U.S. Holder will be an amount equal to the difference between the U.S. dollar value of the euro interest payment (determined on the basis of the spot rate on the date the interest income is received) in respect of the accrual period and the U.S. dollar value of the interest income that has accrued during the accrual period (as determined above). This foreign currency gain or loss will be ordinary income or loss and generally will not be treated as an adjustment to interest income or expense. Foreign currency gain or loss generally will be U.S. source provided that the residence of a taxpayer is considered to be the United States for purposes of the rules regarding foreign currency gain or loss.



### ***Original Issue Discount***

The Notes may be treated as issued with OID for U.S. federal income tax purposes. An obligation generally is treated as having been issued with OID for U.S. federal income tax purposes if its “stated redemption price at maturity” exceeds its issue price by at least the “OID de minimis amount”. The OID de minimis amount equals  $\frac{1}{4}$  of 1% of the debt instrument’s stated redemption price at maturity multiplied by the number of complete years from its issue date to its maturity. The “stated redemption price at maturity” of a note is the sum of all payments required to be made on the note other than “qualified stated interest” payments. The term “qualified stated interest” generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer), or that is treated as constructively received, at least annually at a single fixed rate.

If you are a U.S. Holder and the Notes are issued with OID you will generally be required to include OID in income before you receive the associated cash payment, regardless of your accounting method for tax purposes. The amount of the OID you should include in income is the sum of the “daily portions” of the OID for the Note for each day during the taxable year (or portion of the taxable year) in which you held the Note. The daily portion is determined by allocating the OID for each day of the accrual period. An accrual period may be of any length and the accrual periods may even vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first day of an accrual period or on the final day of an accrual period. The amount of OID allocable to an accrual period is equal to the difference between (1) the product of the “adjusted issue price” of the Note at the beginning of the accrual period and its yield to maturity (computed generally on a constant yield method and compounded at the end of each accrual period, taking into account the length of the particular accrual period) and (2) the amount of any qualified stated interest allocable to the accrual period. The “adjusted issue price” of a Note at the beginning of any accrual period is the sum of the issue price of the Note plus the amount of OID allocable to all prior accrual periods reduced by any payments you received on the Note that were not qualified stated interest. Under these rules, you will generally have to include in income increasingly greater amounts of OID in successive accrual periods. Under applicable U.S. Treasury Regulations, a holder of a note with OID may elect to include in gross income all interest that accrues on the note using the constant yield method. Once made with respect to the Note, the election cannot be revoked without the consent of the IRS. If you are a holder considering an election under these rules you should consult your tax advisor.

U.S. Holders may obtain information regarding the amount of OID, if any, the issue price, the issue date and yield to maturity by contacting the Treasurer, Telenet Group Holding N.V., Liersesteenweg 4, B-2800 Mechelen, Belgium, Tel +32 (0)15 333 000.

The rules regarding OID are complex. U.S. Holders are urged to consult their own tax advisors regarding the application of these rules to their particular situations.

Any OID on a Note will generally be determined for any accrual period in euros and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder. Upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale or disposition of a Note), a U.S. Holder generally will recognize foreign currency gain or loss in an amount determined in the same manner as interest income received by a holder on the accrual basis, as described above. U.S. Holders should note that because the cash payment in respect of accrued OID on a Note will not be made until maturity or other disposition of the Note, a greater possibility exists for fluctuations in foreign currency exchange rates (and the required recognition of exchange gain or loss) than is the case for non-U.S. currency instruments issued without OID. Holders are urged to consult their own tax advisors regarding the interplay between the application of the OID and foreign currency exchange gain or loss rules.

### ***Sale, Exchange or Disposition by a U.S. Holder***

Your adjusted tax basis in your Note generally will be its U.S. dollar cost increased by the amount of any OID previously included in income and decreased by payments other than qualified stated interest made with respect to the Note. If you purchase your Note with euros, the U.S. dollar cost of your Note will generally be the U.S. dollar value of the purchase price on the date of purchase. However, if you are a cash basis taxpayer, or an accrual basis taxpayer if you so elect, and your Note is traded on an established securities market, as defined in the applicable U.S. Treasury Regulations, the U.S. dollar cost of your Note will be the U.S. dollar value of the purchase price on the settlement date of your purchase.

You generally will recognize capital gain or loss on the sale or retirement of your Note equal to the difference, if any, between the amount you realize on the sale, exchange, redemption, retirement or other disposition of a Note (less any amounts attributable to accrued but unpaid interest not previously included in income, which will be subject to tax in the manner described above under “—*Payments of Stated Interest*”), and your adjusted tax basis in your Note, except to the extent attributable to changes in exchange rates as described below. Long-term capital gain of a non-corporate U.S. Holder is generally taxed at preferential rates. The ability of a U.S. Holder to offset capital losses against ordinary income is limited. Any gain or loss you recognize on the sale or other disposition of a Note generally will be treated as income from sources within the United States or loss allocable to income from sources within the United States.

If your Note is sold or retired for an amount in euros or any other non-U.S. currency, the amount you realize will be the U.S. dollar value of such amount on the date the Note is disposed of or retired, in the case of an accrual basis taxpayer, or the date the payment is received, in the case of a cash basis taxpayer. In the case of Notes that are traded on an established securities market, as defined in the applicable U.S. Treasury Regulations, a cash basis taxpayer, or an accrual basis taxpayer that so elects, will determine the amount realized based on the U.S. dollar value of the euro or such other non-U.S. currency, as the case may be, on the settlement date of the sale.

You must treat any portion of the gain or loss that you recognize on the sale or disposition of a Note as ordinary income or loss to the extent attributable to changes in exchange rates during the period in which you hold the Notes. However, for this purpose, you take exchange gain or loss into account only to the extent of the total gain or loss you realize on the transaction.

#### ***Exchange of Amounts in Other than U.S. Dollars***

If you receive euros as interest on a Note or on the sale or disposition of your Note, your tax basis in the euros will equal their U.S. dollar value when the interest is received or at the time of the sale or disposition. If you purchased a Note with previously owned non-U.S. currency you will recognize gain or loss in an amount equal to the difference, if any, between your tax basis in such currency and the spot rate on the date of purchase. Any such gain or loss generally will be treated as ordinary income or loss from sources within the United States.

#### ***Reportable Transaction Reporting***

Under certain U.S. Treasury Regulations, U.S. Holders that participate in “reportable transactions” (as defined in the regulations) must attach to their U.S. federal income tax returns a disclosure statement on Form 8886. U.S. Holders should consult their own tax advisors as to the possible obligation to file Form 8886 with respect to the ownership or disposition of the Notes, or any related transaction, including without limitation, the disposition of any non-U.S. currency received as interest or as proceeds from the sale or other disposition of the Notes.

#### ***Alternative Characterization of the Notes***

The proper characterization of instruments such as the Notes for U.S. federal income tax purposes is uncertain. It is possible, for example, that the Notes could be treated as debt of Telenet NV and/or Telenet International Finance or as an equity interest in the Issuer. In either case, a U.S. Holder should, in general, be taxed in the manner similar to that described above with respect to such holder’s share of interest and any disposition of the Notes. U.S. Holders are urged to consult their tax advisors in this regard.

#### ***Non-U.S. Holders***

Subject to the discussion below under the caption “—*U.S. Backup Withholding Tax and Information Reporting*”, if you are a Non-U.S. Holder, any payments to you on the Notes (including of interest and accruals of any OID) and any gain realized by you upon the sale, exchange or disposition of a Note will generally not be subject to U.S. federal income or withholding tax, unless:

- the payment and/or gain is effectively connected with your conduct of a trade or business in the United States; or
- in the case of any gain realized on the sale, exchange or disposition of a Note, if you are an individual Non-U.S. Holder, you are present in the United States for 183 days or more in the taxable year of the sale, exchange or disposition and certain other conditions are met.

### *U.S. Backup Withholding Tax and Information Reporting*

Backup withholding and information reporting requirements apply to certain payments of principal of, and interest on (including OID, if any), an obligation and to proceeds of the sale or disposition of an obligation, to certain holders of Notes that are U.S. persons. The payor will be required to withhold backup withholding tax on payments made within the United States, or by a U.S. payor or U.S. middleman (and certain subsidiaries thereof), on a Note to a holder of a Note that is a U.S. person, other than an exempt recipient, if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements. Payments within the United States, or by a U.S. payor or U.S. middleman (and certain subsidiaries thereof), of principal and interest (including OID, if any) and proceeds of a sale or disposition to a holder of a Note that is not a U.S. person are generally subject to information reporting, but will not be subject to backup withholding tax if an appropriate certification is timely provided by the holder to the payor and the payor does not have actual knowledge or a reason to know that the certificate is incorrect.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a holder's U.S. federal income tax liability. A holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for a refund with the IRS and furnishing any required information in a timely manner.

### *New Legislation*

For taxable years beginning after March 18, 2010, new legislation requires certain U.S. Holders who are individuals to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by certain financial institutions). U.S. Holders are urged to consult their own tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of the Notes.

**The above description is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership and disposition of the Notes. Prospective purchasers of the Notes should consult their own tax advisors concerning the tax consequences of their particular situations.**

## CERTAIN EMPLOYEE BENEFIT PLAN CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), imposes certain fiduciary standards and certain other requirements on employee benefit plans subject to ERISA, including entities such as collective investment funds, certain insurance company separate accounts, certain insurance company general accounts, and entities whose underlying assets are treated as being subject to ERISA (collectively, “ERISA Plans”), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA’s general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan’s investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment should be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan’s particular circumstances and all of the facts and circumstances of the investment, including, but not limited to, the matters discussed above under “*Risk Factors*” and the fact that in the future there may be no market in which such fiduciary will be able to sell or otherwise dispose of the Notes or any interest therein.

Section 406 of ERISA and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), prohibit certain transactions involving the assets of an ERISA Plan, as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts and Keogh plans (together with ERISA Plans, “Plans”), and certain persons (referred to as “parties in interest” under ERISA or “disqualified persons” under the Code) having certain relationships to Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes or other liabilities under ERISA and the Code, and the transaction may have to be rescinded.

Governmental plans, certain church plans and certain non-U.S. plans, while not subject to the fiduciary responsibility or prohibited transaction provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to federal, state, local, non-U.S. or other laws or regulations (such as the prohibited transaction rules of Section 503 of the Code) that are substantially similar to the foregoing provisions of ERISA or the Code (“Similar Laws”).

Each of the Issuer, Telenet Group Holding, the Initial Purchasers, the Trustee and certain other parties, or their respective affiliates, may be the sponsor of, or Fiduciary to, one or more Plans. Because such parties may receive certain benefits in connection with the sale of the Notes to such Plans, the purchase of such Notes using the assets of a Plan over which any of such parties is the sponsor or a Fiduciary might be deemed to be a violation of the prohibited transaction rules of ERISA and/or Section 4975 of the Code for which no exemption may be available. Accordingly, the Notes may not be purchased using the assets of any Plan if any of the Issuer, Telenet Group Holding, the Initial Purchasers, the Trustee or their respective affiliates is the sponsor of or Fiduciary to, such Plan.

In addition, if the Notes are acquired by a Plan with respect to which the Issuer, Telenet Group Holding, the Initial Purchasers, the Trustee, any holder of the Notes or any of their respective affiliates is a party in interest or a disqualified person, other than a sponsor of, or Fiduciary to, such Plan, such transaction could be deemed to be a direct or indirect prohibited transaction within the meaning of Section 406 of ERISA and/or Section 4975 of the Code. In addition, if a party in interest or disqualified person with respect to a Plan owns or acquires a 50% or more beneficial interest in the Issuer, the acquisition or holding of the Notes by or on behalf of such Plan could be considered to constitute an indirect prohibited transaction. Moreover, the acquisition or holding of the Notes or other indebtedness issued by the Issuer by or on behalf of a party in interest or disqualified person with respect to a Plan that owns or acquires an equity interest in the Issuer also could give rise to an indirect prohibited transaction. Certain exemptions from the prohibited transaction provisions of ERISA and Section 4975 of the Code could be applicable, however, to a Plan’s acquisition of a Note depending in part upon the type of Fiduciary making the decision to acquire a Note and the circumstances under which such decision is made. Included among these exemptions are Prohibited Transaction Class Exemption (“PTE”) 90-1, regarding investments by insurance company pooled separate accounts; PTE 91-38, regarding investments by bank collective investment funds; PTE 84-14 (amended effective November 3, 2010), regarding transactions effected by a “qualified professional asset manager;” PTE 96-23, regarding investments by certain “in-house asset managers;” and PTE 95-60, regarding investments by insurance company general accounts. In addition to the class exemptions listed above, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide a statutory prohibited transaction exemption for transactions between a Plan and a person or entity that is a party in interest to such Plan solely by reason of providing services to the Plan (other than a party in interest that is a

fiduciary, or its affiliate, that has or exercises discretionary authority or control or renders investment advice with respect to the assets of the Plan involved in the transaction), provided that the Plan receives no less, and pays no more than “adequate consideration” (within the meaning of Section 408(b)(17) of ERISA and Section 4975(f)(10) of the Code) in connection with the transaction. Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might not cover all acts which might be construed as prohibited transactions.

EACH ACQUIRER AND EACH TRANSFEREE OF A NOTE OR ANY INTEREST THEREIN WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE AT THE TIME OF ITS ACQUISITION AND THROUGHOUT THE PERIOD THAT IT HOLDS SUCH NOTES OR ANY INTEREST THEREIN, THAT (1) EITHER (A) IT IS NOT, AND IS NOT ACTING ON BEHALF OF, A BENEFIT PLAN INVESTOR OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY SIMILAR LAWS, AND NO PART OF THE ASSETS TO BE USED BY IT TO ACQUIRE OR HOLD SUCH NOTES OR ANY INTEREST THEREIN CONSTITUTES THE ASSETS OF ANY BENEFIT PLAN INVESTOR OR SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH NOTES OR ANY INTEREST THEREIN DOES NOT AND WILL NOT CONSTITUTE OR OTHERWISE RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA AND/OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH, OR NON-U.S. PLAN, A NON-EXEMPT VIOLATION OF ANY SIMILAR LAWS); AND (2) NEITHER ISSUER NOR ANY OF ITS AFFILIATES IS A FIDUCIARY (WITHIN THE MEANING OF SECTION 3(21) OF ERISA OR, WITH RESPECT TO A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, ANY DEFINITION OF “FIDUCIARY” UNDER SIMILAR LAWS) WITH RESPECT TO THE PURCHASER OR HOLDER IN CONNECTION WITH ANY PURCHASE OR HOLDING OF THE NOTES, OR AS A RESULT OF ANY EXERCISE BY THE ISSUER OR ANY OF ITS AFFILIATES OF ANY RIGHTS IN CONNECTION WITH THE NOTES, AND NO ADVICE PROVIDED BY THE ISSUER OR ANY OF ITS AFFILIATES HAS FORMED A PRIMARY BASIS FOR ANY INVESTMENT DECISION BY OR ON BEHALF OF THE PURCHASER AND HOLDER IN CONNECTION WITH THE NOTES AND THE TRANSACTIONS CONTEMPLATED WITH RESPECT TO THE NOTES; AND (3) IT WILL NOT SELL OR OTHERWISE TRANSFER SUCH NOTES OR ANY INTEREST THEREIN OTHERWISE THAN TO AN ACQUIRER OR TRANSFEREE THAT IS DEEMED TO MAKE THESE SAME REPRESENTATIONS, WARRANTIES AND AGREEMENTS WITH RESPECT TO ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH NOTE.

THE ISSUER, TELENET GROUP HOLDING, THE INITIAL PURCHASERS AND THE TRUSTEE, AND THEIR RESPECTIVE AFFILIATES, SHALL BE ENTITLED TO CONCLUSIVELY RELY UPON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATIONS, WARRANTIES AND AGREEMENTS BY ACQUIRERS AND TRANSFEREES OF ANY NOTES WITHOUT FURTHER INQUIRY. THE ACQUIRER AND ANY FIDUCIARY CAUSING IT TO ACQUIRE AN INTEREST IN ANY NOTES AGREES TO INDEMNIFY AND HOLD HARMLESS THE ISSUER, THE INITIAL PURCHASERS AND THE TRUSTEE, AND THEIR RESPECTIVE AFFILIATES, FROM AND AGAINST ANY COST, DAMAGE OR LOSS INCURRED BY ANY OF THEM AS A RESULT OF ANY OF THE FOREGOING REPRESENTATIONS AND AGREEMENTS BEING OR BECOMING FALSE.

ANY PURPORTED ACQUISITION OR TRANSFER OF ANY NOTE OR BENEFICIAL INTEREST THEREIN TO AN ACQUIRER OR TRANSFEREE THAT DOES NOT COMPLY WITH THE REQUIREMENTS DESCRIBED HEREIN SHALL BE NULL AND VOID *AB INITIO*.

It should be noted that an insurance company’s general account may be deemed to include assets of Plans under certain circumstances, *e.g.*, where a Plan purchases an annuity contract issued by such an insurance company, based on the reasoning of the United States Supreme Court in *John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank*, 510 U.S. 86 (1993). An insurance company considering the purchase of Notes with assets of its general account should consider such purchase and the insurance company’s ability to make the representations described above in light of *John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank*, Section 401(c) of ERISA and a regulation promulgated by the U.S. Department of Labor under that Section of ERISA, 29 C.F.R. Section 2550.401c-1.

A fiduciary of an ERISA Plan or other employee benefit plan that is subject to Similar Laws, prior to investing in the Notes or any interest therein, should take into account, among other considerations,



whether the fiduciary has the authority to make the investment; the composition of the plan's portfolio with respect to diversification by type of asset; the plan's funding objectives; the tax effects of the investment; and whether, under the general fiduciary standards of ERISA or other applicable laws, including investment prudence and diversification, an investment in the Notes or any interest therein is appropriate for the plan, taking into account the plan's particular circumstances and all of the facts and circumstances of the investment, including such matters as the overall investment policy of the plan and the composition of the plan's investment portfolio.

The sale of any Note or any interest therein to a Plan or a governmental, church or non-U.S. plan that is subject to any Similar Laws is in no respect a representation by the Issuer, Telenet Group Holding, the Initial Purchasers or the Trustee, or any of their respective affiliates, that such an investment meets all relevant legal requirements with respect to investments by such plans generally or any particular such plan; that the prohibited transaction exemptions described above, or any other prohibited transaction exemption, would apply to such an investment by such plan in general or any particular such plan; or that such an investment is appropriate for such plan generally or any particular such plan.

The discussion of ERISA and Section 4975 of the Code contained in this offering memorandum, is, of necessity, general, and does not purport to be complete. Moreover, the provisions of ERISA and Section 4975 of the Code are subject to extensive and continuing administrative and judicial interpretation and review. Therefore, the matters discussed above may be affected by future regulations, rulings and court decisions, some of which may have retroactive application and effect.

**Any Plan or employee benefit plan not subject to ERISA or Section 4975 of the Code, and any fiduciary thereof, proposing to invest in the Notes or any interest therein should consult with its legal advisors regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA, Section 4975 of the Code and any Similar Laws, to such investment, and to confirm that such investment will not constitute or result in a non-exempt prohibited transaction or any other violation of any applicable requirement of ERISA, Section 4975 of the Code or Similar Laws.**

## PLAN OF DISTRIBUTION

The Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase from the Issuer, the entire principal amount of the Notes. The sale will be made pursuant to a purchase agreement dated February 9, 2011.

The obligations of the Initial Purchasers under the purchase agreement, including their agreement to purchase Notes from the Issuer, are several and not joint. Pursuant to the terms of the purchase agreement, the Issuer has agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed, severally and not jointly, to purchase from the Issuer, together with all other Initial Purchasers, Notes in an aggregate principal amount of €300,000,000. Sales in the United States will be made through affiliates of the Initial Purchasers.

The Initial Purchasers initially propose to offer the Notes for resale at the issue price that appears on the cover of this offering memorandum. After the initial offering, the Initial Purchasers may change the offering price and any other selling terms. The Initial Purchasers may offer and sell Notes through certain of their affiliates.

In the purchase agreement, the Issuer has agreed that:

- The Issuer will not offer or sell any of its debt securities having a maturity of more than one year from the date of issue of the Notes (other than the Notes), without the prior consent of the Initial Purchasers, for a period of 30 days after the date of this offering memorandum.
- The Issuer will indemnify the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, or contribute to payments that the Initial Purchasers may be required to make in respect of those liabilities.

The Initial Purchasers or their respective affiliates from time to time have provided in the past and may provide in the future investment banking, commercial lending, consulting and financial advisory services to members of the Telenet Group, including the Issuer, and any of their respective affiliates in the ordinary course of business for which the Telenet Group, including the Issuer, may receive customary advisory and transaction fees and expense reimbursement. Certain of the Initial Purchasers or their affiliates are arrangers and lenders under the Senior Credit Facilities, a portion of which will be repaid with the proceeds of the offering of the Notes. In addition, certain of the Initial Purchasers or their affiliates are party to certain of Telenet's hedging arrangements.

### United States

Each purchaser of Notes offered by this offering memorandum, in making its purchase, will be deemed to have made the acknowledgements, representations and agreements as described under "*Transfer Restrictions*".

The Notes have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act and to persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act. Until 40 days after the later of (i) the commencement of this offering and (ii) the issue date of the Notes, an offer or sale of Notes initially sold in reliance on Regulation S within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements for the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act. For a description of certain further restrictions on resale or transfer of the Notes, see "*Transfer Restrictions*".

The Notes may not be offered to the public within any jurisdiction. By accepting delivery of this offering memorandum, you agree not to offer, sell, resell, transfer or deliver, directly or indirectly, any Note to the public.

### United Kingdom

In the purchase agreement, each Initial Purchaser has also represented and agreed that:

- (i) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and

- (ii) it has only communicated or caused to be communicated and it will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to such Initial Purchaser.

Each Initial Purchaser has also agreed in the purchase agreement that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this offering memorandum, and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force.

This offering memorandum is directed solely at persons who (i) are outside the United Kingdom or (ii) have professional experience in matters relating to investments or (iii) are persons falling within Article 49(2)(a) to (d) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons together being referred to as “relevant persons”). This offering memorandum must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

### **European Economic Area**

In relation to each member state of the EEA which has implemented the Prospectus Directive (each, a “Relevant Member State”), each Initial Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”), it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this offering memorandum to the public in that Relevant Member State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Initial Purchaser or Initial Purchasers nominated by the Issuer for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive; provided that no such offer of the Notes shall require the publication by the Issuer or any Initial Purchaser of a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospective Directive other than in reliance of Article 3(2)(b).

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

### **General**

The Notes are a new issue of securities, and there is currently no established trading market for the Notes. In addition, the Notes are subject to certain restrictions on resale and transfer as described under “Transfer Restrictions”. The Issuer has applied for the Notes to be admitted to listing and to trading on the Euro MTF Market of the Luxembourg Stock Exchange. The Initial Purchasers have advised the Issuer and Telenet Group Holding that they intend to make a market in the Notes, but they are not obligated to do so. The Initial Purchasers may discontinue any market making in the Notes at any time in their sole discretion. In addition, such market making activities will be subject to the limits imposed by the U.S. Securities Act and the U.S. Exchange Act. Accordingly, the Issuer and Telenet Group Holding cannot assure you that a liquid trading market will develop for the Notes, that you will be able to sell your Notes at a particular time or that the prices that you receive when you sell will be favorable.

You should be aware that the laws and practices of certain countries require investors to pay stamp taxes and other charges in connection with purchases of securities.

In connection with the offering of the Notes, the Initial Purchasers may engage in overallotment, stabilizing transactions and syndicate covering transactions. Overallotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers. Stabilizing transactions involve bids to purchase the Notes in the open market for the purpose of pegging, fixing or maintaining the price of the Notes. Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions and syndicate covering transactions may cause the price of the Notes to be higher than it would otherwise be in the absence of those transactions. If the Initial Purchasers engage in stabilizing or syndicate covering transactions, they may discontinue them at any time.

## **LEGAL MATTERS**

Certain legal matters in connection with this offering will be passed upon for Telenet Group Holding and the Issuer by Ropes & Gray International LLP, London, England, as to matters of United States federal, New York and English law; by Loyens & Loeff Luxembourg, as to matters of Luxembourg law and for Telenet Group Holding by Cleary Gottlieb Steen & Hamilton LLP, as to matters of Belgian law.

Certain legal matters in connection with this offering will be passed upon for the Initial Purchasers by Latham & Watkins (London) LLP, London, England, as to matters of United States federal and New York law; by Allen & Overy LLP, as to matters Belgian law; and by Allen & Overy Luxembourg, as to matters of Luxembourg law.

Certain legal matters in connection with this offering will be passed upon for the Trustee by Hogan Lovells International LLP, London, England, as to matters of English law.



## ENFORCEMENT OF JUDGMENTS

Telenet Group Holding and some of its subsidiaries are organized under the laws of Belgium. The Issuer is a corporate partnership limited by shares, *société en commandite par actions*, incorporated under the laws of the Grand Duchy of Luxembourg.

Many of the directors, members of the supervisory board, general partners, officers and other executives of the Issuer and Telenet Group Holding are neither residents nor citizens of the United States. Furthermore, most of the assets of the Issuer or Telenet Group Holding are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons, the Issuer or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws despite the fact that, pursuant to the terms of the Indenture, the Issuer has appointed, or will appoint, an agent for the service of process in New York. It may be possible for investors to effect service of process within Luxembourg or Belgium upon those persons, the Issuer or Telenet Group Holding or over other subsidiaries of Telenet Group Holding that the Hague Convention on the Service Abroad of Judicial and Commercial Matters of November 15, 1965 is complied with.

The Issuer has been advised by Loyens & Loeff Luxembourg, its Luxembourg counsel, that a valid final and conclusive judgment against an issuer of Luxembourg nationality with respect to the Notes obtained from a court of competent jurisdiction in the United States, which judgment remains in full force and effect after all appeals as may be taken in the relevant state or federal jurisdiction with respect thereto have been taken, may be entered and enforced through a court of competent jurisdiction of Luxembourg subject to compliance with the enforcement procedures set out in Article 678 et seq. of the *Luxembourg Nouveau Code de Procedure Civile* being:

- the U.S. court awarding the judgment has jurisdiction to adjudicate the respective matter under its applicable laws, and such jurisdiction is recognized by Luxembourg private international and local law;
- the judgment is final and enforceable in the jurisdiction where the decision is rendered;
- the U.S. Court has applied the substantive law as designated by the Luxembourg conflict of laws rules;
- the U.S. Court has acted in accordance with its own procedural laws;
- the judgment was granted following proceedings where the counterparty had the opportunity to appear, and if appeared, to present a defense;
- the decision of the U.S. Court must not have been obtained by fraud; and
- the decisions and the considerations of the foreign court must not be contrary to Luxembourg international public policy rules or have been given in proceedings of a tax, penal or criminal nature (which would include awards of damages made under civil liabilities provisions of the U.S. federal securities laws, or other laws, to the extent that the same would be classified by Luxembourg courts as being of a penal or punitive nature (for example, fines or punitive damages)) or rendered subsequent to an evasion of Luxembourg law (*fraude à la loi*).

The Issuer has been also advised by its Luxembourg counsel that if an original action is brought in Luxembourg, without prejudice to specific conflict of law rules, Luxembourg courts may refuse to apply the designated law if the choice of such foreign law was not made *bona fide* or if (i) the foreign law was not pleaded and proved or (ii) if pleaded and proved, such foreign law was contrary to mandatory Luxembourg laws or incompatible with Luxembourg public policy rules. In an action brought in Luxembourg on the basis of U.S. federal or state securities laws, Luxembourg courts may not have the requisite power to grant the remedies sought.

The Issuer has been advised by Cleary Gottlieb Steen & Hamilton LLP, Belgian counsel to Telenet Group Holding, that final and enforceable judgments rendered by foreign courts can be declared enforceable in Belgium according to the procedure set out in Articles 22 and sq. of the Belgian Code of International Private Law (*Wetboek van Internationaal Privaatrecht*) and provided that, pursuant to Article 24 of the same Code, the following documents are produced in court by the claimant:

- an official copy of the judgment (*uitgifte van de beslissing*) fulfilling all conditions required for its authentication under the applicable foreign law;
- if obtained by default, an original or legalized copy of the document demonstrating that the originating process has been served on the defendant in accordance with the applicable foreign law;

- any document demonstrating that, under the applicable foreign law, the judgment is enforceable and has been notified to the defendant.

However, enforcement can be refused in the circumstances described in Article 25 of the Belgian Code of International Private Law and notably, if:

- the rights of defense have been violated;
- such enforcement would be incompatible with Belgian public policy;
- the decision may still be appealed under the applicable foreign law (however, provisional enforcement could then be granted);
- Belgian jurisdictions had exclusive jurisdictions in respect of that matter.

## INDEPENDENT AUDITORS

The statutory auditors of Telenet Group Holding are KPMG Bedrijfsrevisoren CVBA, of Bourgetlaan 40, 1130 Brussels, Belgium. KPMG Bedrijfsrevisoren CVBA is a member of the Belgian *Instituut van de Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises*. The financial statements of Telenet Group Holding and its subsidiaries, as of and for the years ended December 31, 2009 and December 31, 2008 have been audited by KPMG Bedrijfsrevisoren CVBA as stated in the audit report by KPMG Bedrijfsrevisoren CVBA appearing herein.

The independent external auditors (*Réviseurs d'entreprises agréé*) of the Issuer are KPMG Audit, *société à responsabilité limitée*, with registered office at 9, Allée Scheffer, L-2520 Luxembourg, RCS Luxembourg B 103590. KPMG Audit is a member of the Luxembourg Institut des Réviseurs d'Entreprises. The Issuer's annual accounts are audited and prepared in accordance with Luxembourg GAAP.

The statutory auditors of Telenet NV are KPMG Bedrijfsrevisoren CVBA, of Bourgetlaan 40, 1130 Brussels, Belgium. KPMG Bedrijfsrevisoren CVBA is a member of the Belgian *Instituut van de Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises*.

## LISTING AND GENERAL INFORMATION

### Listing

Application has been made for the Notes to be admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market. Notice of any optional redemption, change of control or any change in the rate of interest payable on the Notes will be published in a Luxembourg newspaper of general circulation or on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

Copies of the following documents may be obtained or inspected in physical form during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered offices of the Issuer and the Listing Agent, Transfer Agent and Principal Paying Agent so long as the Notes are listed on the Luxembourg Stock Exchange:

- (1) the memorandum and articles of association of the Issuer;
- (2) the Telenet Group Financial Statements;
- (3) the Issuer Financial Statements;
- (4) the Indenture governing the Notes;
- (5) the purchase agreement;
- (6) the Facility O Accession Agreement;
- (7) the Notes Security Documents;
- (8) the Telenet Fee Letter;
- (9) the Telenet Service Agreement; and
- (10) the Senior Credit Facility.

The Issuer will maintain a paying and transfer agent in Luxembourg for so long as any of the Notes are listed on the Luxembourg Stock Exchange. The Issuer reserves the right to vary such appointment and will publish notice of such change of appointment in a newspaper having a general circulation in Luxembourg. So long as the Notes are listed on the Luxembourg Stock Exchange and so long as the rules of such stock exchange require, the Issuer will maintain a paying and transfer agent in Luxembourg.

Pursuant to Part 1, point 502 of the Rules and Regulations of the Luxembourg Stock Exchange, the Notes will be freely transferable on the Luxembourg Stock Exchange.

The gross proceeds of the offering of the Notes will be €300 million.

### Clearing Information

The Notes have been accepted for clearance through Euroclear and Clearstream. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B 1210 Brussels, Belgium; and the address of Clearstream is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

The Notes sold pursuant to Regulation S and the Notes sold pursuant to Rule 144A of the U.S. Securities Act have been accepted for clearance through the facilities of Clearstream and Euroclear under common codes 059244507 and 059244523 respectively. The international securities identification number (ISIN) for the Notes sold pursuant to Regulation S is XS0592445075 and the international securities identification number (ISIN) for the Notes sold pursuant to Rule 144A is XS0592445232.

### Legal Information regarding the Issuer

The Issuer is currently incorporated under the name of Telenet Finance III Luxembourg S.C.A. as a corporate partnership limited by shares company, *société en commandite par actions*, incorporated under the laws of Luxembourg on January 28, 2011. Copies of the Issuer's constitutional documents were filed with the Luxembourg Trade and Companies Register on February 8, 2011 and are in process of publication in the *Memorial C, Recueil des Sociétés et Associations*. The registered office of the Issuer is at 65, Boulevard Grande-Duchesse Charlotte, 1331 Luxembourg. The Issuer's telephone number is +352 26 4491. The Issuer is registered with the Luxembourg Trade and Companies Register under number B-158666.

The Issuer has a share capital of €31,000 comprised of 999 Ordinary Shares and one GP Share, all of which have been subscribed and fully paid-up. The Ordinary Shares are held by the Foundation, the GP Share is held by the GP and all Shares in the GP are held by the Foundation. Copies of the Foundation's constitutional documents were filed with the Chamber of Commerce for Amsterdam on January 26, 2011. The registered office of the Foundation is at Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands. The Foundation is registered with the Chamber for Commerce for Amsterdam under number 33/44202. The Foundation is managed by a director, which is at present, Intertrust (Netherlands) B.V., a private limited liability company incorporated under the laws of The Netherlands with principal place of business at Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands. The Foundation has been incorporated for the primary purpose of holding the shares of the Issuer.

### ***Management***

The Issuer is managed by the GP, under the supervision of a supervisory board currently consisting of three members. The Issuer is unaware of any conflicts of interest between the duties that the GP or any member of the supervisory board owes to the Issuer and its private interests or other duties. The member of the supervisory board of the Issuer at present are:

- Mr. Pietro Longo, a private employee of Intertrust Luxembourg, having his professional address at 65, Boulevard Grande-Duchesse Charlotte L-1331 Luxembourg;
- Mr. Jonathan Lepage, a private employee of Intertrust Luxembourg, having his professional address at 65, Boulevard Grande-Duchesse Charlotte L-1331 Luxembourg; and
- Mr. Cédric Carnoye, a private employee of Intertrust Luxembourg, having his professional address at 65, Boulevard Grande-Duchesse Charlotte L-1331 Luxembourg.

### ***Business Year***

The Issuer's fiscal year ends on December 31.

### ***Annual accounts***

The annual accounts will be published by the Issuer on an annual basis. These statements will be audited by the Issuer's independent auditors (see below). The Issuer will also prepare half-yearly financial reports and publish them in accordance with applicable law.

Since its incorporation on January 28, 2011 no annual accounts of the Issuer have been prepared. The Issuer intends to publish its first annual accounts in respect of the year ended 2011. Any future published annual accounts prepared by the Issuer (which will be in respect of the period ending on December 31 in each year) will be available from the Principal Paying Agent.

### ***Auditors***

The external independent auditors of the Issuer are KPMG Audit, *société à responsabilité limitée*, with registered office at 9, Allée Scheffer, L-2520 Luxembourg, RCS Luxembourg B 103590. KPMG Audit is a member of the Luxembourg *Institut des Réviseurs d'Entreprises*.

### ***Litigation***

There are no, and have not been any, governmental, legal or arbitration proceedings against or affecting the Issuer, nor is the Issuer aware of any pending or threatened proceedings of such kind, which may have or have had a significant effect on the financial position of the Issuer.

### ***No Conflict of Interests***

There are no potential conflicts of interests between any duties to the Issuer, of the members of the board of directors of the Issuer and their private interests.

See "*Description of the Issuer*".

### **Legal Information regarding Telenet Group Holding**

Telenet Group Holding NV is a limited liability company and was incorporated on June 3, 2002 and operates under the laws of the Kingdom of Belgium. The issued share capital of Telenet Group Holding is €797,349,673.48 divided into 112,428,040 fully paid registered shares with no par value and each



representing a pro rata portion of the share capital. Telenet Group Holding's registered address is Liersesteenweg 4, B-2800 Mechelen, Belgium. Telenet Group Holding is registered in the register of legal entities (*RPR*) under number 0477.702.333.

Telenet Group Holding's fiscal year ends on December 31.

#### **Legal Information regarding Telenet NV**

Telenet NV is a public limited liability company (*naamloze vennootschap/société anonyme*) organized and existing under the laws of Belgium. Telenet NV was incorporated pursuant to the laws of Belgium on December 1, 2000 for an indefinite period of time. Its registered office is located at Liersesteenweg 4, 2800 Mechelen, Belgium. The company is registered with the register of enterprises of Belgium under number 0473.416.418 (*RPR (Register of Legal Entities) Mechelen*). The telephone number of Telenet NV is +32 15 333 000.

The share capital of Telenet NV at the date of this offering memorandum is €647,513,101.79, divided into 28,379,618 fully paid-up shares with no par value (*nominale waarde/valeur nominale*) and each representing a pro rata portion of the share capital. All 28,379,618 shares of Telenet NV are owned by Telenet Group Holding.

On December 22, 2010, the sole shareholder of Telenet NV (Telenet Group Holding NV) decreased the capital of Telenet NV. In accordance with Belgian company law, creditors of Telenet NV whose claims have not yet become due have the right, during a period of two months from the publication of the capital decrease in the Belgian Official Gazette, to request that Telenet NV provide additional security. This capital decrease was published in the Belgian Official Gazette on January 6, 2011, meaning that creditors of Telenet NV can request the granting of additional security by Telenet NV until March 6, 2011. In the unlikely case this would happen, Telenet NV would have to provide additional security upon such request or reach another agreement with the relevant creditor or alternatively the dispute could be referred to the president of the commercial court.

See "*Description of Telenet NV*".

#### **Legal Information regarding Telenet International Finance**

Telenet International Finance is incorporated under the name of Telenet International Finance S.à r.l. as a private limited liability company, *société à responsabilité limitée*, incorporated under the laws of Luxembourg on August 17, 2010. The registered office of Telenet International Finance is at 595 rue de Neudorf L-2220 Luxembourg. Telenet International Finance is registered with the Luxembourg Trade and Companies Register under number RCS B.155.066. The telephone number of Telenet International Finance is +352 26 4491.

Telenet International Finance has a share capital of €31,000 comprising 1,000 shares without par value, each being fully paid up. All of the issued shares of Telenet International Finance are held by Telenet NV. See "*Description of Telenet NV*" for further details of Telenet NV.

See "*Description of Telenet International Finance*".

#### **Offering Memorandum**

Except as disclosed in this offering memorandum:

- there has been no material adverse change in the financial position of the Issuer or Telenet Group Holding since September 30, 2010 and the Issuer's incorporation date, respectively; and
- neither Telenet Group Holding nor the Issuer are or have been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Telenet Group Holding and the Issuer are aware) during the 12 months before the date of this offering memorandum which may have, or have had in the recent past, significant effects on Telenet Group Holding and the Issuer's financial position or profitability.

Telenet NV and the Issuer (except as noted on page iii of this offering memorandum) accept responsibility for the accuracy of the information contained in this offering memorandum. To the best knowledge and belief of Telenet NV and the Issuer, the information contained in this offering memorandum for which it takes responsibility is in accordance with the facts and does not omit anything likely to affect import of such information.

This offering memorandum constitutes a prospectus for the purpose of the Luxembourg Law dated July 10, 2005 on Prospectuses for Securities.

**The Trustee**

The Notes provide for the Trustee to take action on behalf of the holders of the Notes in certain circumstances, but only if the Trustee is indemnified and/or secured to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and accordingly in such circumstances, the Trustee will be unable to take action, notwithstanding the provision of an indemnity or security to it, and it will be for the holders of the Notes to take action directly. If the Trustee resigns or is removed, the Issuer will appoint a successor.

## GLOSSARY

Term	Definition
<b>“3G”</b>	The third generation of mobile communications standards, referred to in the industry as IMT-2000, capable of data speeds exceeding the 14.4 Kbps of GSM technology.
<b>“4G”</b>	The fourth generation of mobile communications standards, which when fully implemented is expected to allow for higher data speeds than achievable with 3G and additional network features and capabilities.
<b>“ADSL”</b>	Asymmetrical DSL; an internet access technology that allows voice and high-speed data to be sent simultaneously over local copper telephone line.
<b>“ARPU”</b>	Average Revenue Per User; the average monthly revenue per revenue generating unit, a measure Telenet uses to track growth in its revenue per service. A home, residential multiple dwelling unit or commercial unit may contain one or more RGUs, and the ARPU is the sum of such revenues divided by the number of RGUs.
<b>“B2B”</b>	Business-to-business.
<b>“bandwidth”</b>	The width of a communications channel; in other words, the difference between the highest and lowest frequencies available for network signals. Bandwidth also refers to the capacity to move information.
<b>“Belgacom”</b>	Belgacom NV/SA, the incumbent fixed-line operator in Belgium and main competitor to Telenet.
<b>“broadband”</b>	Any circuit that can transfer data significantly faster than a dial-up phone line.
<b>“bundle”</b>	A combination of television, internet and telephony products and services marketed by service providers.
<b>“churn”</b>	The total number of RGUs disconnected during the period divided by the average number of RGUs for the period; statistics do not include customers who move within the areas of the Combined Network offering the same service and who elect to receive the same services from Telenet that they previously received at their prior location; statistics do includes SMEs that receive Telenet’s services through a coaxial connection.
<b>“Combined Network”</b>	The combination of Telenet’s own network and the Partner Network.
<b>“CPE”</b>	Customer premise equipment, which typically comprises a modem or set top box and associated cabling and other fittings such as an NIU in order to deliver service to a subscriber.
<b>“Customer Relationships”</b>	The number of customers who receive at least one level of service that Telenet Group Holding count as a Revenue Generating Unit (RGU) without regard to which, or to how many services they subscribe.
<b>“DSL”</b>	Digital Subscriber Line; DSL is a technology that provides high-speed internet access over traditional telephone lines.
<b>“DTT”</b>	Digital terrestrial television.
<b>“EuroDocsis 3.0”</b>	Data over cable service interface specification, a technology that enables the addition of high-speed data transfer over an existing cable television system.
<b>“footprint”</b>	The service areas in which Telenet is operating, consisting of the Flanders region, including the metropolitan centers of Antwerp and Ghent, and one-third of Brussels.

Term	Definition
<b>“Full-MVNO”</b>	Full mobile virtual network operator, being an operator that provides mobile services via its own SIM cards, under its own Mobile Network Code and having its own interconnection agreements, but without its own licensed frequency allocation of radio spectrum.
<b>“HD”</b>	High definition.
<b>“HFC”</b>	Hybrid fiber coaxial.
<b>“Homes passed”</b>	Telenet’s estimate of the number of potential residential, SoHo and SME subscribers to whom it can offer its services.
<b>“HSPA”</b>	High Speed Packet Access, a type of UMTS3G network that supports both mobile communications technology that provides enhanced download and upload speeds.
<b>“iDTV”</b>	Interactive digital television.
<b>“INDI”</b>	Non-interactive digital television platform acquired pursuant to the PICs Agreement.
<b>“internet”</b>	A collection of interconnected networks spanning the entire world, including university, corporate, government and research networks. These networks all use the IP (internet Protocol) communications protocol.
<b>“internet Subscriber”</b>	A home, residential multiple dwelling unit or commercial unit that receives internet services over Telenet’s networks.
<b>“IP”</b>	Internet Protocol.
<b>“IPTV”</b>	IP-protocol digital television.
<b>“ISP”</b>	Internet Service Provider.
<b>“IT”</b>	Information technology, a general term referring to the use of various software and hardware components when used in a business.
<b>“local loop”</b>	The network element used to connect a subscriber to the nearest switch or concentrator, commonly referred to as the “last mile” because it is the part of the network that is connected directly to the subscriber; alternatively the HFC access network.
<b>“LTE”</b>	Long term evolution technology being a standard in mobile network technology.
<b>“MHz”</b>	Megahertz; a unit of frequency equal to one million Hertz.
<b>“Mbps”</b>	Megabits per second; each megabit is one million bits.
<b>“multiple-play”</b>	The bundling of different telecommunications services, <i>e.g.</i> digital cable television, broadband internet and fixed telephony services, by one provider.
<b>“MVNO”</b>	Mobile virtual network operator. Refers to a company that provides mobile phone services but does not have its own licensed frequency allocation of radio spectrum, nor necessarily all of the infrastructure required to provide mobile telephony services.
<b>“network”</b>	An interconnected collection of components which would, in a telecommunications network, consist of switches connected to each other and to customer equipment by real or virtual links. Transmission links may be based on fiber optic or metallic cable or point to point radio connections.
<b>“NIU”</b>	Network interface unit, a small device at a subscriber’s premise which enables interactivity between Telenet’s network and the end-user, and to prevent interference from entering the network.

Term	Definition
“PSTN”	Public switched telephone network.
“quad-play”	Triple-play with the addition of mobile telephony service.
“RGU”	Revenue Generating Unit; separately an analog cable television subscriber, digital cable television subscriber, internet subscriber or fixed telephony subscriber. A home, residential multiple dwelling unit or commercial unit may contain one or more RGUs. For example, if a residential customer in Telenet’s digital cable service, telephony service (regardless of their number of telephony access lines) and broadband internet service, the customer would constitute three RGUs. “Total RGUs” is the sum of analog cable, digital cable, internet and fixed telephony subscribers. RGUs generally are counted on a unique premise basis such that a given premise does not count as more than one RGU for any given service. On the other hand, if an individual receives Telenet’s service in two premises (e.g., a primary home and a vacation home), that individual will count as two RGUs. Non paying subscribers are counted as subscribers during their fee promotional service period. Some of these subscribers choose to disconnect after their free service period. Services offered without charge on a permanent basis (e.g. VIP subscribers, free service to employees) are not counted as RGUs.
“RTD”	The Belgian Radio and Television Distributors Association (Beroepsvereniging voor Radio- en Televisiedistributie/Union professionnelle de radio et de télédistribution).
“Shakes”	The various multiple-play bundles, which Telenet offers to its residential customers. These multiple play bundles combine two, three or multiple services into one single subscription.
“SME”	Small or medium sized enterprise.
“SoHo”	A small office at home.
“Telephony subscriber”	A home, residential multiple dwelling unit or commercial unit that receives voice services over Telenet’s network.
“traffic data”	Data processed for the purpose of the conveyance of a communication on an electronic communications network or for billing.
“triple-play”	Where a customer has subscribed to a combination of three products, digital cable television, broadband internet and fixed telephony services, from Telenet.
“UMTS”	Universal Mobile Telecommunications Service, a 3G mobile networking standard commonly used to upgrade GSM networks to 3G standards.
“Uradex”	Association for the Collection, Distribution and Protection of the Rights of the Artists, Interpreters and Performers ( <i>CVBA Vereniging voor de inning, repartitie en de verdediging van de vertolkende en uitvoerende kunstenaars</i> ).
“VoD”	Video on demand; a service which provides subscribers with enhanced playback functionality and gives subscribers access to a broad array of on demand programming, including movies, live events, local drama, music videos, children programming and adult programming.
“VoIP”	Voice over internet Protocol; a telephone service via internet, or via TCP/IP protocol, which can be accessed using a computer, a sound card, adequate software and a modem.
“VPN”	Virtual private network, a business service enabling users to obtain remote access to network functionality.



<u>Term</u>	<u>Definition</u>
<b>“VRM”</b>	The Flemish Media Regulator ( <i>Vlaamse Regulator voor de Media</i> ).
<b>“VRT”</b>	Vlaamse Radio- en Televisieomroep.
<b>“VDSL”</b>	Very high speed DSL. A high speed variant of ADSL.
<b>“VoN”</b>	Voice over Net, a form of telephony over the internet that is usually a lower quality than VoIP.
<b>“WiMax”</b>	Worldwide interoperability for microwave access, which is a telecommunications protocol that provides fixed and fully mobile internet access.

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**Telenet Finance III Luxembourg S.C.A.**

Opening balance sheet  
as at January 28, 2011  
(with the report of the Réviseur  
d'Entreprises agréé thereon)

To the General Partner of  
Telenet Finance III Luxembourg S.C.A.  
65, boulevard Grande-Duchesse Charlotte  
L-1331 Luxembourg

## **REPORT OF THE REVISEUR D'ENTREPRISES AGREE**

Following our appointment by the General Partner on February 2, 2011, we have audited the accompanying opening balance sheet of Telenet Finance III Luxembourg S.C.A. as at January 28, 2011 (date of incorporation) ("the opening balance sheet").

### *General Partner's responsibility for the accompanying opening balance sheet*

The General Partner is responsible for the preparation and fair presentation of the accompanying opening balance sheet in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as General Partner determines is necessary to enable the preparation of the accompanying opening balance sheet that is free from material misstatement, whether due to fraud or error.

### *Responsibility of the Réviseur d'Entreprises agréé*

Our Responsibility is to express an opinion on this accompanying opening balance sheet based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the accompanying opening balance sheet is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accompanying opening balance sheet. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the accompanying opening balance sheet, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the accompanying opening balance sheet 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the General Partner, as well as evaluating the overall presentation of the accompanying opening balance sheet.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the accompanying opening balance sheet presents fairly, in all material respects the opening balance sheet of Telenet Finance III Luxembourg S.C.A. as of January 28, 2011 in accordance with Luxembourg legal and regulatory requirements relating to the annual accounts.

Luxembourg, February 3, 2011

KPMG Audit S.à r.l.  
Cabinet de révision agréé

Ph. Corbard

**Telenet Finance III Luxembourg S.C.A.**  
société en commandite par actions  
**RCS number: In process of registration**  
**Balance sheet as an January 28, 2011**

	<u>As at January 28, 2011</u> in euro
<b>ASSETS</b>	
<b>Formation expenses</b> . . . . .	1,056
<b>Current assets</b>	
Cash at bank, cash in postal cheque accounts, cheques and cash in hand . . . . .	<u>31,000</u>
<b>Total Assets</b> . . . . .	<u><b>32,056</b></u>
<b>LIABILITIES</b>	
<b>Capital and reserves</b>	
Subscribed capital . . . . .	31,000
<b>Creditors</b>	
becoming due and payable within one year . . . . .	<u>1,056</u>
<b>Total Liabilities</b> . . . . .	<u><b>32,056</b></u>



## NOTES TO THE OPENING BALANCE SHEET

### 1. CORPORATE INFORMATION

Telenet Finance III Luxembourg S.C.A. (the “Company”) is a partnership limited by shares, *société en commandite par actions*, incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 65, Boulevard Grande-Duchesse Charlotte, L-1331 Luxembourg. All of the shares, except one, are held by Stichting Telenet Finance III Luxembourg, a foundation (*stichting*) established under the laws of The Netherlands. The one remaining share is held by Telenet Finance III s.à.r.l., a private limited liability company (*société à responsabilité limitée*) established under the laws of the Grand Duchy of Luxembourg.

The Company was established on January 28, 2011 under the legal form of a partnership limited by shares, *société en commandite par actions*.

The Company’s fiscal year is equal to a calendar year. The principal activities of the Company are to obtain financial resources including, but not limited to, the issuance of notes for the purpose of applying all of the proceeds thereof to grant one or more loans to third parties, as well as to exercise all related rights.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation

The opening balance sheet has been prepared in accordance with Luxembourg legal and regulatory requirements. Accounting policies and valuation rules are, besides the ones laid down by the Law determined and applied by the GP Shareholder.

#### Significant accounting policies

##### *Formation expenses*

Formation expenses are written off on a straight-line method over a period of 5 years.

##### *Debtors and Creditors*

Debtors are stated at nominal value less any specific value adjustments for doubtful accounts, if necessary. Creditors are stated at their reimbursement value.

##### *Subscribed capital*

The share capital is set at thirty one thousand Euro (EUR 31,000) represented by one thousand (1,000) shares in registered form, without par value, all subscribed and fully paid-up.

The statement of financial position is presented in Euros (€) except when stated otherwise.

### 3. SHAREHOLDERS’ EQUITY

The Company is currently established as a partnership limited by shares, *société en commandite par actions*, under the laws of the Grand Duchy of Luxembourg. Its registered capital consists of 999 ordinary shares (*actions de Commanditaires*) without nominal value and 1 unlimited share without nominal value (*action de Commandité*), the GP Share.

	<u>January 28, 2011</u>
Authorised capital:	
Ordinary shares 1,000 of each €31 each . . . . .	31,000
<b>Equity attributable to equity holders . . . . .</b>	<b>31,000</b>

#### **4. RELATED PARTY DISCLOSURES**

The Company is managed by the GP Shareholder.

The Supervisory Board of the Company consists of:

- Mr. Pietro Longo, private employee, born on September 13, 1970 in Luxembourg (Grand Duchy of Luxembourg) with professional address at 65, boulevard Grande-Duchesse Charlotte, L-1331 Luxembourg;
- Mr. Jonathan Lepage, private employee, born on August 27, 1975 in Namur (Belgium), with professional address at 65, boulevard Grande-Duchesse Charlotte, L-1331 Luxembourg; and
- Mr. Cédric Carnoye, private employee, born on September 14, 1982 in Charleroi (Belgium), with professional address at 65, boulevard Grande-Duchesse Charlotte, L-1331 Luxembourg.

#### **5. COMMITMENTS AND CONTINGENCIES**

The Company does not have any commitments or contingencies at February 3, 2011.

#### **6. SUBSEQUENT EVENTS**

The Company intends to issue a bond. Issuance of the bond is planned to be completed by the end of February 2011. Credit Suisse has been appointed as book runner for the bond issue. The Company is in the process of distributing the proceeds to a third party under the same terms and conditions as the bond.

**Telenet Group Holding NV**  
**September 30, 2010**  
**selected condensed consolidated interim financial statements**

# 1 Condensed consolidated interim statement of financial position

	September 30, 2010	December 31, 2009
	(in thousands of euro) (unaudited)	
<b>Assets</b>		
<b>Non-current assets:</b>		
Property and equipment . . . . .	1,273,279	1,314,968
Goodwill . . . . .	1,242,470	1,240,376
Other intangible assets . . . . .	288,506	308,645
Deferred tax assets . . . . .	32,599	116,363
Derivative financial instruments . . . . .	1,248	9,113
Investments in equity accounted investees . . . . .	193	259
Other assets . . . . .	5,022	5,600
<b>Total non-current assets . . . . .</b>	<b>2,843,317</b>	<b>2,995,324</b>
<b>Current assets:</b>		
Inventories . . . . .	8,393	11,305
Trade receivables . . . . .	78,882	73,281
Derivative financial instruments . . . . .	41	301
Other current assets . . . . .	61,732	47,325
Cash and cash equivalents . . . . .	217,241	145,709
<b>Total current assets . . . . .</b>	<b>366,289</b>	<b>277,921</b>
<b>Total assets . . . . .</b>	<b>3,209,606</b>	<b>3,273,245</b>
<b>Equity and Liabilities</b>		
<b>Equity:</b>		
Share capital . . . . .	794,880	1,041,812
Share premium and other reserves . . . . .	906,877	902,596
Retained loss . . . . .	(1,537,198)	(1,584,352)
<b>Total equity . . . . .</b>	<b>164,559</b>	<b>360,056</b>
<b>Non-current liabilities:</b>		
Loans and borrowings . . . . .	2,427,955	2,291,538
Derivative financial instruments . . . . .	68,337	18,586
Deferred revenue . . . . .	6,962	8,565
Deferred tax liabilities . . . . .	286	45,685
Other liabilities . . . . .	42,191	39,940
<b>Total non-current liabilities . . . . .</b>	<b>2,545,731</b>	<b>2,404,314</b>
<b>Current liabilities:</b>		
Loans and borrowings . . . . .	31,716	32,434
Trade payables . . . . .	88,665	82,186
Accrued expenses and other current liabilities . . . . .	263,609	272,465
Deferred revenue . . . . .	93,885	105,143
Derivative financial instruments . . . . .	21,212	16,582
Current tax liability . . . . .	229	65
<b>Total current liabilities . . . . .</b>	<b>499,316</b>	<b>508,875</b>
<b>Total liabilities . . . . .</b>	<b>3,045,047</b>	<b>2,913,189</b>
<b>Total Equity and liabilities . . . . .</b>	<b>3,209,606</b>	<b>3,273,245</b>

## 2 Condensed consolidated interim statement of comprehensive income

	For the 9 months ended September 30,	
	2010	2009
	(in thousands of euro, except per share data) (unaudited)	
Revenue . . . . .	967,026	881,903
Cost of services provided . . . . .	(545,454)	(505,539)
<b>Gross profit . . . . .</b>	<b>421,572</b>	<b>376,364</b>
Selling, general and administrative expenses . . . . .	(153,471)	(143,640)
<b>Operating profit . . . . .</b>	<b>268,101</b>	<b>232,724</b>
Finance income . . . . .	1,343	940
Net interest income and foreign exchange gain . . . . .	1,343	940
Finance expense . . . . .	(179,476)	(120,909)
Net interest expense and foreign exchange loss . . . . .	(107,727)	(102,386)
Net loss on derivative financial instruments . . . . .	(71,749)	(18,523)
<b>Net finance expenses . . . . .</b>	<b>(178,133)</b>	<b>(119,969)</b>
Share of the loss of equity accounted investees . . . . .	(379)	(481)
<b>Profit before income tax . . . . .</b>	<b>89,589</b>	<b>112,274</b>
Income tax expense . . . . .	(42,435)	(39,594)
<b>Profit for the period . . . . .</b>	<b>47,154</b>	<b>72,680</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>47,154</b>	<b>72,680</b>
<b>Earnings per share</b>		
Basic earnings per share in € . . . . .	0.42	0.65
Diluted earnings per share in € . . . . .	0.42	0.65



### 3 Condensed consolidated interim statement of changes in equity

(in thousands of euro, except share data)	Attributable to equity holders of the Company								Non- controlling interest	Total equity
	Number of shares	Share capital	Share premium	Equity-based compensation reserve	Legal reserve	Other reserves	Retained loss	Total		
January 1, 2009	110,299,104	1,089,599	62,572	10,080	(unaudited) 3	825,350	(1,817,442)	170,162	—	170,162
<b>Total comprehensive income for the period</b>	—	—	—	—	—	—	72,680	72,680	—	72,680
Profit for the period	—	—	—	—	—	—	72,680	72,680	—	72,680
Other comprehensive income	—	—	—	—	—	—	—	—	—	—
<b>Transactions with owners, recorded directly in equity</b>	1,413,251	(48,247)	—	2,767	—	—	—	(45,480)	—	(45,480)
Recognition of share-based compensation	—	—	—	3,832	—	—	—	3,832	—	3,832
Proceeds received upon exercise of Class A and Class B Options	—	—	—	6,545	—	—	—	6,545	—	6,545
Issuance of share capital via exchange of Class A and Class B Profit Certificates	1,413,251	7,610	—	(7,610)	—	—	—	—	—	—
Repayment of capital	—	(55,857)	—	—	—	—	—	(55,857)	—	(55,857)
September 30, 2009	111,712,355	1,041,352	62,572	12,847	3	825,350	(1,744,762)	197,362	—	197,362

(in thousands of euro, except share data)	Attributable to equity holders of the Company								Non- controlling interest	Total equity
	Number of shares	Share capital	Share premium	Equity-based compensation reserve	Legal reserve	Other reserves	Retained loss	Total		
January 1, 2010	111,761,666	1,041,812	62,803	14,440	(unaudited) 3	825,350	(1,584,352)	360,056	—	360,056
<b>Total comprehensive income for the period</b>	—	—	—	—	—	—	47,154	47,154	—	47,154
Profit for the period	—	—	—	—	—	—	47,154	47,154	—	47,154
Other comprehensive income	—	—	—	—	—	—	—	—	—	—
<b>Transactions with owners, recorded directly in equity</b>	318,108	(246,932)	1,002	3,279	—	—	—	(242,651)	—	(242,651)
Recognition of share-based compensation	—	—	—	3,636	—	—	—	3,636	—	3,636
Proceeds received upon exercise of Class B Options	—	—	—	663	—	—	—	663	—	663
Proceeds received upon exercise of 2007 bis Options	162,839	1,519	771	—	—	—	—	2,290	—	2,290
Proceeds received upon exercise of 2007 ter Options	3,862	36	19	—	—	—	—	55	—	55
Proceeds received upon exercise of 2007 quater Options	46,248	431	212	—	—	—	—	643	—	643
Issuance of share capital via exchange of Class B Profit Certificates	165,553	1,020	—	(1,020)	—	—	—	—	—	—
Conversion of Liquidation Dispreference shares into Ordinary Shares	(60,394)	—	—	—	—	—	—	—	—	—
Repayment of capital	—	(249,938)	—	—	—	—	—	(249,938)	—	(249,938)
September 30, 2010	112,079,774	794,880	63,805	17,719	3	825,350	(1,537,198)	164,559	—	164,559

#### 4 Condensed consolidated interim statement of cash flows

	For the 9 months ended September 30,	
	2010	2009
	(in thousands of euro) (unaudited)	
<b>Cash flows provided by operating activities:</b>		
Profit for the period	47,154	72,680
Adjustments for:		
Depreciation, amortisation and impairment	233,956	223,011
Income tax expense	42,435	39,594
Increase/(Decrease) in allowance for bad debt	1,436	(3,721)
Net interest income and foreign exchange gain	(1,343)	(940)
Net interest expense and foreign exchange loss	107,727	102,386
Net loss on derivative financial instruments	71,749	18,523
Loss in equity-accounted investees	379	481
Share based payments	3,636	3,832
Change in:		
Trade receivables	(2,662)	5,993
Other assets	(11,106)	(3,985)
Deferred revenue	(13,211)	(27,741)
Trade payables	5,744	15,068
Provision for liabilities and charges	(5,034)	(2,856)
Accrued expenses and other current liabilities	5,696	(4,940)
<b>Cash provided by operations</b>	<b>486,556</b>	<b>437,385</b>
Interest paid	(98,087)	(101,262)
Interest received	337	15,142
Income taxes received/(paid)	370	(259)
Cash paid for derivatives	(12,940)	(300)
Cash received for derivatives	3,709	375
<b>Net cash provided by operating activities</b>	<b>379,945</b>	<b>351,081</b>
<b>Cash flows used in investing activities:</b>		
Purchases of property and equipment	(136,787)	(174,830)
Purchases of intangibles	(36,068)	(28,277)
Acquisitions of subsidiaries and affiliates, net of cash acquired	(2,315)	(5,961)
Proceeds from sale of property and equipment and other intangibles	83	82
<b>Net cash used in investing activities</b>	<b>(175,087)</b>	<b>(208,986)</b>
<b>Cash flows used in financing activities:</b>		
Repayments of loans and borrowings	(34)	(85,000)
Proceeds from loans and borrowings	135,000	90,000
Payments of finance lease liabilities	(21,412)	(21,064)
Payments for debt issuance costs	(789)	(11,998)
Proceeds from exercise of share options	3,651	6,545
Payments for 2009 and 2010 capital decrease paid as dividend	(249,742)	(55,767)
<b>Net cash used in financing activities</b>	<b>(133,326)</b>	<b>(77,284)</b>
<b>Net increase in cash and cash equivalents</b>	<b>71,532</b>	<b>64,811</b>
Cash and cash equivalents:		
at January 1	145,709	65,641
at September 30	217,241	130,452

**Telenet Group Holding NV**  
**December 31, 2009 consolidated financial statements**

# 1 Consolidated statement of financial position

	Note 5.1.5	December 31, 2009	December 31, 2008 re-presented	December 31, 2008 as reported
(in thousands of euro)				
<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>
<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.

## 2 Consolidated statement of comprehensive income

	Note	For the years ended December 31,	
		2009	2008
		(in thousands of euro, except per share data)	
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>	5.20	<b>(153,662)</b>	<b>(191,263)</b>
Share of the loss of equity accounted investees . . . . .	5.21	(484)	(433)
<b>Profit before income tax . . . . .</b>		<b>144,362</b>	<b>47,050</b>
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

(in thousands of euro, except share data)	Note	Attributable to equity holders of the Company								Non-controlling interest	Total equity
		Number of shares	Share capital	Share premium	Equity-based compensation reserve	Legal reserve	Other reserves	Retained loss	Total		
<b>January 1, 2008</b>		<b>109,313,539</b>	<b>1,081,098</b>	<b>61,034</b>	<b>4,800</b>	<b>3</b>	<b>825,350</b>	<b>(1,802,222)</b>	<b>170,063</b>	<b>—</b>	<b>170,063</b>
<b>Total comprehensive income for the period</b>		—	—	—	—	—	—	<b>(15,220)</b>	<b>(15,220)</b>	—	<b>(15,220)</b>
Profit (loss) for the period		—	—	—	—	—	—	<b>(15,220)</b>	<b>(15,220)</b>	—	<b>(15,220)</b>
Other comprehensive income		—	—	—	—	—	—	—	—	—	—
<b>Transactions with owners, recorded directly in equity</b>		<b>985,565</b>	<b>8,501</b>	<b>1,538</b>	<b>5,280</b>	—	—	—	<b>15,319</b>	—	<b>15,319</b>
Recognition of share-based compensation	5.11	—	—	—	2,936	—	—	—	2,936	—	2,936
Proceeds received upon exercise of Class A and Class B Options	5.11	—	—	—	2,311	—	—	—	2,311	—	2,311
Issuance of share capital via exchange of Class A and Class B Profit Certificates	5.11	292,348	1,645	—	(1,645)	—	—	—	—	—	—
Compensation cost related to the Employee Share Purchase Plan		—	—	—	1,678	—	—	—	1,678	—	1,678
Issuance of share capital through Employee Share Purchase Plan		693,217	6,856	1,538	—	—	—	—	8,394	—	8,394
<b>December 31, 2008</b>		<b>110,299,104</b>	<b>1,089,599</b>	<b>62,572</b>	<b>10,080</b>	<b>3</b>	<b>825,350</b>	<b>(1,817,442)</b>	<b>170,162</b>	<b>—</b>	<b>170,162</b>

(in thousands of euro, except share data)	Note	Attributable to equity holders of the Company								Non-controlling interest	Total equity
		Number of shares	Share capital	Share premium	Equity-based compensation reserve	Legal reserve	Other reserves	Retained loss	Total		
<b>January 1, 2009</b>		<b>110,299,104</b>	<b>1,089,599</b>	<b>62,572</b>	<b>10,080</b>	<b>3</b>	<b>825,350</b>	<b>(1,817,442)</b>	<b>170,162</b>	<b>—</b>	<b>170,162</b>
<b>Total comprehensive income for the period</b>		—	—	—	—	—	—	<b>233,090</b>	<b>233,090</b>	—	<b>233,090</b>
Profit (loss) for the period		—	—	—	—	—	—	233,090	233,090	—	233,090
Other comprehensive income		—	—	—	—	—	—	—	—	—	—
<b>Transactions with owners, recorded directly in equity</b>		<b>1,462,562</b>	<b>(47,787)</b>	<b>231</b>	<b>4,360</b>	—	—	—	<b>(43,196)</b>	—	<b>(43,196)</b>
Recognition of share-based compensation	5.11	—	—	—	5,067	—	—	—	5,067	—	5,067
Proceeds received upon exercise of Class A and Class B Options	5.11	—	—	—	6,903	—	—	—	6,903	—	6,903
Proceeds received upon exercise of 2007 warrants	5.11	49,311	460	231	—	—	—	—	691	—	691
Issuance of share capital via exchange of Class A and Class B Profit Certificates	5.11	1,413,251	7,610	—	(7,610)	—	—	—	—	—	—
Repayment of Capital	5.11	—	(55,857)	—	—	—	—	—	(55,857)	—	(55,857)
<b>December 31, 2009</b>		<b>111,761,666</b>	<b>1,041,812</b>	<b>62,803</b>	<b>14,440</b>	<b>3</b>	<b>825,350</b>	<b>(1,584,352)</b>	<b>360,056</b>	<b>—</b>	<b>360,056</b>

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

#### 4 Consolidated statement of cash flows

		For the years ended December 31,	
	Note	2009	2008
		(in thousands of euro)	
<b>Cash flows provided by operating activities:</b>			
Profit (loss) for the period . . . . .		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>
<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)	December 31, 2008	December 31, 2008	December 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
<b>Cable television:</b>			
—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, the Company 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 the Company 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, the Company's services are provided, both to the Company's residential and business customers, through one integrated network.

The Company manages its operations as one geographical area, and has no individual customers that represent a significant portion of the Company's total revenues. The Company has thus determined that its operations constitute one single operating segment. Prior to the adoption of IFRS 8, the Company 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 30 June 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 f 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, 2010)

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:

	December 31, 2009	December 31, 2008
	(in thousands of euro)	
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, the Company 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:

Situation as per December 31, 2009 Contractual obligations	Total	Payments due by period (in thousands of euro)					
		Less than 1 year	2 years	3 years	4 years	5 years	After 5 years
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>

Situation as per December 31, 2008 (as re-presented) Contractual obligations	Total	Payments due by period (in thousands of euro)					
		Less than 1 year	2 years	3 years	4 years	5 years	After 5 years
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, the Company 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. The Company 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%
<b>Interest</b>				
Senior Credit Facility . . . . .	(4,907) <i>On P&amp;L</i>	4,907 <i>On P&amp;L</i>	(4,806) <i>On P&amp;L</i>	4,806 <i>On P&amp;L</i>
Finance leases . . . . .	(40) <i>On P&amp;L</i>	40 <i>On P&amp;L</i>	(43) <i>On P&amp;L</i>	43 <i>On P&amp;L</i>
Interest rate derivatives . . . . .	1,882 <i>On P&amp;L</i>	(1,882) <i>On P&amp;L</i>	4,305 <i>On P&amp;L</i>	(3,211) <i>On P&amp;L</i>
	<b>(3,065) <i>On P&amp;L</i></b>	<b>3,065 <i>On P&amp;L</i></b>	<b>(544) <i>On P&amp;L</i></b>	<b>1,638 <i>On P&amp;L</i></b>
<b>Changes in fair value</b>				
Swaps . . . . .	10,882 <i>On P&amp;L</i>	(10,882) <i>On P&amp;L</i>	3,299 <i>On P&amp;L</i>	(3,299) <i>On P&amp;L</i>
Caps . . . . .	2,807 <i>On P&amp;L</i>	(2,396) <i>On P&amp;L</i>	4,982 <i>On P&amp;L</i>	(4,186) <i>On P&amp;L</i>
Collars . . . . .	232 <i>On P&amp;L</i>	(264) <i>On P&amp;L</i>	213 <i>On P&amp;L</i>	(229) <i>On P&amp;L</i>
	<b>13,920 <i>On P&amp;L</i></b>	<b>(13,542) <i>On P&amp;L</i></b>	<b>8,494 <i>On P&amp;L</i></b>	<b>(7,714) <i>On P&amp;L</i></b>
<b>Total . . . . .</b>	<b>10,855 <i>On P&amp;L</i></b>	<b>(10,478) <i>On P&amp;L</i></b>	<b>7,950 <i>On P&amp;L</i></b>	<b>(6,076) <i>On P&amp;L</i></b>

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.

Situation as per December 31, 2009 +0.25% (in thousands of euro)	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

Situation as per December 31, 2009 −0.25% (in thousands of euro)	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

Situation as per December 31, 2008 +0.25% (in thousands of euro)	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

Situation as per December 31, 2008 -0.25% (in thousands of euro)	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.

December 31, 2009	Foreign currency	Amount in foreign currency	In thousands of euro			
			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

December 31, 2008	Foreign currency	Amount in foreign currency	In thousands of euro			
			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:

		December 31, 2009		December 31, 2008	
(in thousands of euro)	Note	Carrying amount	Fair value	Carrying amount (as re-presented)	Fair value
<b>Assets</b>					
<b>Assets carried at fair value</b>					
Derivative financial assets . . . . .	5.13	9,414	9,414	15,119	15,119
<b>Assets carried at amortised cost</b>					
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
<b>Total assets carried at amortised cost . . . . .</b>		<b>255,769</b>	<b>255,769</b>	<b>162,559</b>	<b>162,559</b>
<b>Liabilities</b>					
<b>Liabilities carried at fair value</b>					
Derivative financial liabilities . . . . .	5.13	35,168	35,168	20,282	20,282
<b>Liabilities carried at amortised cost</b>					
Bank Loans and finance lease liabilities . . .	5.12	2,323,972	2,278,193	2,329,130	2,130,085
Trade payables . . . . .	5.15	82,186	82,186	45,401	45,401
Other liabilities . . . . .	5.17	267,971	267,971	264,670	264,670
<b>Total liabilities carried at amortised cost . . . . .</b>		<b>2,674,129</b>	<b>2,628,350</b>	<b>2,639,201</b>	<b>2,440,156</b>

### 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)	December 31, 2009			December 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>—</b>	<b>9,414</b>	<b>—</b>	<b>—</b>	<b>15,119</b>	<b>—</b>
<b>Liabilities</b>						
Derivative financial liabilities . . . . .	—	35,168	—	—	20,282	—
<b>Total financial liabilities carried at Fair value . . . . .</b>	<b>—</b>	<b>35,168</b>	<b>—</b>	<b>—</b>	<b>20,282</b>	<b>—</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

<u>(in thousands of euro)</u>	<u>Land, buildings, and leasehold improvements</u>	<u>Network</u>	<u>Construction in progress</u>	<u>Furniture, equipment, and vehicles</u>	<u>Total</u>
<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>					
At December 31, 2009	40,480	248,461	—	154	289,095
At December 31, 2008	43,174	271,289	—	689	315,152

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:

<u>(in thousands of euro)</u>	<u>Note</u>	
<b>January 1, 2008</b> . . . . .		<b>1,096,033</b>
Acquisition of subsidiaries . . . . .	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 user rights	Trade name	Software	Customer 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 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>						
At December 31, 2009 . . . . .	6,496	50,416	59,075	158,184	34,474	308,645
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

	December 31, 2009	December 31, 2008
	(in thousands of euro)	
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	<b>84,211</b>
December 31, 2008 . . . . .	30,643	17,761	5,102	4,123	2,202	21,443	<b>81,274</b>

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:

	December 31, 2009	December 31, 2008
	(in thousands of euro)	
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

	Note	December 31, 2009	December 31, 2008
(in thousands of euro)			
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

	December 31, 2009	December 31, 2008
(in thousands of euro)		
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

	December 31, 2009	December 31, 2008
(in thousands of euro)		
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 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 the Company 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, the Company 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

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

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:

	<b>Fair Value at grant date</b>	<b>Grant Date</b>	<b>Number of Options granted</b>	<b>Number of Options accepted</b>
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 quinquies 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 Option Plan	Class B Stock Option Plan	Stock Option Plan 2007bis	Stock Option Plan 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 Option Plan	Class B Stock Option Plan	Stock Option Plan 2007bis	Stock Option Plan 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%-1.8%	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 Group 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.

<b>Class of Option</b>	<b>Number of Options Exercised</b>	<b>Exercise Date</b>	<b>Share Price at Exercise Date (in euro)</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:

<b>Class of Option</b>	<b>Number of Options Outstanding</b>	<b>Number of Options Exercisable</b>	<b>Weighted Average Remaining Contractual Life</b>	<b>Weighted Average Exercise Prices (in euro)</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 the Company'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.

	December 31, 2009	December 31, 2008 re-presented	December 31, 2008 as reported
	(in thousands of euro)		
Senior Credit Facility:			
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 the Company, via a dividend or intercompany loan, for a distribution to the Company’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 the Company 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:

	December 31, 2008			Maturity Date	Interest rate
	Total Facility as per	Drawn amount	Undrawn amount		
	(in thousands of euro)				
New Senior Credit Facility:					
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:

	December 31, 2009			Maturity Date	Interest rate
	Total Facility	Drawn amount	Undrawn amount		
	(in thousands of euro)				
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)	December 31, 2009	December 31, 2008 (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 Senior 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, TVGAS 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:

	December 31, 2009	December 31, 2008
	(in thousands of euro)	
<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 the Company 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	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008	December 31, 2009	December 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 the Company 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:

	December 31, 2009	December 31, 2008
	(in thousands of euro)	
<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:

	December 31, 2009	December 31, 2008
	(in thousands of euro)	
<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:

	December 31, 2009	December 31, 2008
	(in thousands of euro)	
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:

	December 31, 2009	December 31, 2008
	(in thousands of euro)	
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 (decrease) in fair value	Cash paid (received)	Increase (decrease) in 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 (decrease) in fair value	Cash paid (received)	Increase (decrease) in 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)	December 31, 2009		December 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)	January 1, 2009	(Charged) credited to income statement	Recognition of previously unrecognised deferred taxes, through the income statement	December 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)</b>	<b>125,473</b>	<b>149,426</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)</b>	<b>(9,110)</b>	<b>(78,748)</b>

(in thousands of euro)	Income Statement	Balance Sheet
Deferred tax assets . . . . .	107,432	149,426
Deferred tax liabilities . . . . .	(19,533)	(78,748)
	<b>87,899</b>	<b>70,678</b>

**Income Statement (see Note 5.22)**

Deferred tax (benefit)/expense . . . . .	(87,899)
Current tax (benefit)/expense . . . . .	(829)
	<b>(88,728)</b>

**Balance Sheet**

Deferred tax asset . . . . .	116,363
Deferred tax liability . . . . .	(45,685)
	<b>70,678</b>

(in thousands of euro)	January 1, 2008	(Charged) credited to income statement	Acquisition of Subsidiary	December 31, 2008 as reported	Adj (Note 5.1.5)	December 31, 2008 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)</b>	<b>9,860</b>	<b>42,377</b>	<b>(383)</b>	<b>41,994</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)</b>	<b>(10,222)</b>	<b>(59,215)</b>	<b>—</b>	<b>(59,215)</b>

<u>(in thousands of euro)</u>	<u>Income Statement</u>	<u>Balance Sheet as reported</u>	<u>Balance Sheet as represented</u>
Deferred tax assets . . . . .	(62,637)	42,377	41,994
Deferred tax liabilities . . . . .	548	(59,215)	(59,215)
	<u>(62,089)</u>	<u>(16,838)</u>	<u>(17,221)</u>
<b>Income Statement (see Note 5.22)</b>			
Deferred tax (benefit)/expense . . . . .	62,089		
Current tax expense . . . . .	181		
	<u><b>62,270</b></u>		
<b>Balance Sheet</b>			
Deferred tax asset . . . . .		—	—
Deferred tax liability . . . . .		(16,838)	(383)
		<u><b>(16,838)</b></u>	<u><b>(17,221)</b></u>

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.

The Company 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, the Company 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

	<u>Note</u>	<u>December 31, 2009</u>	<u>December 31, 2008 re-presented</u>	<u>December 31, 2008 as reported</u>
		<u>(in thousands of euro)</u>		
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>		<u><b>39,940</b></u>	<u><b>49,597</b></u>	<u><b>47,297</b></u>

## 5.16 EMPLOYEE BENEFIT PLANS

The total employee benefit plans can be summarized as follows:

(in thousands of euro)	Note	December 31, 2009			December 31, 2008		
		Total employee benefit plans	of which Defined benefit pension plans	of which Other post retirement plans	Total employee benefit plans	of which Defined benefit pension plans	of which Other post retirement 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>	5.15	<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>	5.15	<b>4,539</b>	—	—	<b>3,647</b>	—	—
<b>Total ST employee benefit plans .</b>		<b>—</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>	5.8.1	<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 the Company'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 the Company or property occupied by the Company.

The Company 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	
	December 31, 2009	December 31, 2008	December 31, 2009	December 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:

(in thousands of euro)	Defined Benefit Pension Plans		Other post-retirement plans	
	December 31, 2009	December 31, 2008	December 31, 2009	December 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:

(in thousands of euro)	Defined Benefit Pension Plans		Other post-retirement plans	
	December 31, 2009	December 31, 2008	December 31, 2009	December 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:

(in thousands of euro)	Defined Benefit Pension Plans		Other post-retirement plans	
	December 31, 2009	December 31, 2008	December 31, 2009	December 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 . . . . .	—	—	(9,855)	—
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

	December 31, 2009	December 31, 2008
	(in thousands of euro)	
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:

	For the years ended Dec 31,		
	December 31, 2009	December 31, 2008 as re- presented	December 31, 2008 as reported
	(in thousands of euro)		
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 December 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)	December 31, 2009	December 31, 2008	December 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

	Note	For the years ended	
		December 31, 2009	December 31, 2008
		(in thousands of euro)	
<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).

(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.

## 5.20 FINANCE INCOME/EXPENSE

	For the years ended	
	December 31, 2009	December 31, 2008
	(in thousands of euro)	
<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 INVESTEEES

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)	
<b>2009</b>			
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>
<b>2008</b>			
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.

	December 31, 2009
	(in thousands of euro)
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>
	For the year ended December 31, 2009
	(in thousands of euro)
Revenue . . . . .	4,825
	<b>4,825</b>

## 5.22 INCOME TAX (BENEFIT)/EXPENSE

	For the year ended	
	December 31, 2009	December 31, 2008
	(in thousands of euro)	
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:

		For the year ended	
	Note	December 31, 2009	December 31, 2008
		(in thousands of euro)	
<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:

	For the year ended	
	December 31, 2009	December 31, 2008
	(in thousands of euro, except share and per share data)	
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.

	For the year ended	
	December 31, 2009	December 31, 2008
	(in thousands of euro, except share and per share data)	
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

The Company acquired from the PICs, effective October 1, 2008, certain cable television assets (Interkabel), including (i) substantially all of the rights that the Company 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). The Company 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) the Company 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 the Company for the transfer of certain liabilities to the Company. In addition, the PICs paid the Company cash of €27.0 million during the fourth quarter of 2008 in connection with certain working capital adjustments. The Company incurred €2.7 million of direct acquisition costs associated with this transaction.

The Company 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 the Company'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:

	Final purchase price allocation	Initial purchase price allocation
	(in thousands of euro)	
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, the Company 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. The Company'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, the Company 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. The Company 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

	For the year ended	
	December 31, 2009	December 31, 2008
	(in thousands of euro)	
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 the Company and the pure intercommunal cable operators, Interkabel and IN.DI (together the “PICs”)**

On November 26, 2007, the Company 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 the Company. Subsequently, the Company 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 the Company 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 the Company to pay compensation for damages, subject to the relevant provisions of the 2008 PICs Agreement.

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

In 2007, the Company 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 the Company in exchange for stock in 1996. The Company learned that the PICs intended to launch certain digital interactive services in breach of the Company’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 the Company, the Company’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 the Company 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 the Company 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 the Company’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 the Company 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 the Company’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. the Company 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 the Company’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, the Company started a judicial procedure against some collection agencies.



This procedure is related to a discussion between the Company and these collection agencies about the payment—by the Company—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 the Company's cable network and with whom the Company 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 the Company, 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 the Company 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 the Company. Unitron has significant outstanding invoices owed by M-Tec for the delivery of Expressnet equipment and aims to recover these directly from the Company. The Company 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 the Company in the Company's favor. Following this, sums previously paid by the Company 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 the Company 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 the Company. 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:

	December 31, 2009	December 31, 2008
	(in thousands of euro)	
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

	December 31, 2009	December 31, 2008
	(in thousands of euro)	
Trade receivables . . . . .	612	—
Trade payables and accrued liabilities . . . . .	413	239

#### 5.27.2 Income statement

	For the year ended	
	December 31, 2009	December 31, 2008
	(in thousands of euro)	
Operating		
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.

	For the year ended	
	December 31, 2009	December 31, 2008
	(in thousands of euro)	
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:

<b>Company</b>	<b>National Number</b>	<b>Address</b>	<b>% Held</b>	<b>Consolidation Method</b>
Telenet Group Holding NV . . . . .	0477.702.333	Liersesteenweg 4, 2800 Mechelen, Belgium	—	Parent company
Telenet Communications NV . . . . .	0473.416.814	Liersesteenweg 4, 2800 Mechelen, Belgium	100%	Fully consolidated
Telenet BidCo NV . . . . .	0473.416.418	Liersesteenweg 4, 2800 Mechelen, Belgium	100%	Fully consolidated
Telenet NV . . . . .	0439.840.857	Liersesteenweg 4, 2800 Mechelen, Belgium	100% <sup>(1)</sup>	Fully consolidated
Telenet Vlaanderen NV . . . . .	0458.840.088	Liersesteenweg 4, 2800 Mechelen, Belgium	100%	Fully consolidated
Telenet Solutions Luxembourg SA . . .	1.999.223.4426	Rue de Neudorf 595, L-2220 Luxembourg, Luxembourg	100%	Fully consolidated
Hostbasket NV . . . . .	0472.225.692	Antwerpsesteenweg 19, 9080 Lochristi, Belgium	100% <sup>(2)</sup>	Fully consolidated
T-VGAS NV . . . . .	0808.321.289	Ballaerstraat 99, 2018 Antwerpen, Belgium	90% <sup>(3)</sup>	Fully consolidated
Telenet Mobile NV . . . . .	0813.219.195	Zandvoortstraat 5, 2800 Mechelen, Belgium	100% <sup>(4)</sup>	Fully consolidated

- (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. The Company 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.

## 5.29 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.

## 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**

### **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

**Telenet Group Holding NV**  
**December 31, 2008**  
**consolidated financial statements**



# 1 Consolidated balance sheet

	Note	December 31, 2008	December 31, 2007
		(in thousands of euro)	
<b>Assets</b>			
<b>Non-current assets:</b>			
Property and equipment . . . . .	5.4	1,286,128	1,008,556
Goodwill . . . . .	5.5	1,186,277	1,096,033
Other intangible assets . . . . .	5.6	357,780	259,116
Deferred tax assets . . . . .	5.13	—	60,647
Derivative financial instruments . . . . .	5.12	14,889	31,320
Other assets . . . . .		1,508	1,868
<b>Total non-current assets . . . . .</b>		<b>2,846,582</b>	<b>2,457,540</b>
<b>Current assets:</b>			
Inventories . . . . .		4,106	5,466
Trade receivables . . . . .	5.7	67,767	91,875
Derivative financial instruments . . . . .	5.12	230	2,499
Other current assets . . . . .	5.8	38,403	33,278
Cash and cash equivalents . . . . .	5.9	65,641	76,611
<b>Total current assets . . . . .</b>		<b>176,147</b>	<b>209,729</b>
<b>Total assets . . . . .</b>		<b>3,022,729</b>	<b>2,667,269</b>
<b>Equity and liabilities</b>			
<b>Equity:</b>			
Share capital . . . . .	5.10	1,089,599	1,081,098
Share premium and other reserves . . . . .	5.10	898,005	891,187
Retained loss . . . . .		(1,817,442)	(1,802,222)
<b>Total equity . . . . .</b>		<b>170,162</b>	<b>170,063</b>
<b>Non-current liabilities:</b>			
Loans and borrowings . . . . .	5.11	2,282,127	1,999,901
Derivative financial instruments . . . . .	5.12	14,934	5,307
Deferred revenue . . . . .	5.17	10,704	12,745
Deferred tax liabilities . . . . .	5.13	16,838	15,034
Other liabilities . . . . .	5.14	47,297	28,746
<b>Total non-current liabilities . . . . .</b>		<b>2,371,900</b>	<b>2,061,733</b>
<b>Current liabilities:</b>			
Loans and borrowings . . . . .	5.11	34,530	18,529
Trade payables . . . . .		45,401	47,722
Accrued expenses and other current liabilities . . . . .	5.16	265,970	245,038
Deferred revenue . . . . .	5.17	129,418	123,495
Derivative financial instruments . . . . .	5.12	5,348	689
<b>Total current liabilities . . . . .</b>		<b>480,667</b>	<b>435,473</b>
<b>Total liabilities . . . . .</b>		<b>2,852,567</b>	<b>2,497,206</b>
<b>Total Equity and liabilities . . . . .</b>		<b>3,022,729</b>	<b>2,667,269</b>

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

## 2 Consolidated income statement

	Note	For the years ended December 31,	
		2008	2007
		(in thousands of euro, except per share data)	
Revenue . . . . .	5.17	1,018,846	931,896
Cost of services provided . . . . .	5.18	(589,267)	(553,481)
<b>Gross profit . . . . .</b>		<b>429,579</b>	<b>378,415</b>
Selling, general and administrative expenses . . . . .	5.18	(190,833)	(173,134)
<b>Operating profit . . . . .</b>		<b>238,746</b>	<b>205,281</b>
Finance income . . . . .		5,615	22,390
Finance expense . . . . .		(196,878)	(234,123)
Net interest expense . . . . .		(163,892)	(121,957)
Net losses on derivative financial instruments . . . . .		(32,986)	(25,487)
Loss on extinguishment of debt . . . . .		—	(86,679)
<b>Net finance expenses . . . . .</b>	5.19	<b>(191,263)</b>	<b>(211,733)</b>
Share of the loss of equity accounted investees . . . . .		(433)	(261)
Profit (loss) before income tax . . . . .		47,050	(6,713)
Income tax benefit/(expense) . . . . .	5.20	(62,270)	27,382
<b>Profit (loss) for the year . . . . .</b>		<b>(15,220)</b>	<b>20,669</b>
Basic earnings (loss) per share in € . . . . .	5.21	(0.14)	0.20
Diluted earnings (loss) per share in €. . . . .	5.21	(0.14)	0.19

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

### 3 Consolidated statement of changes in shareholders' equity

	Note	Number of shares	Share capital	Share premium and other reserves	Heging reserves	Retained loss	Total
(in thousands of euro, except share data)							
<b>January 1, 2007</b>		<b>101,085,455</b>	<b>1,656,645</b>	<b>891,502</b>	<b>(3,599)</b>	<b>(1,822,891)</b>	<b>721,657</b>
Unrealised net loss on derivative contracts recognised directly in equity	5.12	—	—	—	(217)	—	(217)
Transfer of accumulated hedging reserve upon discontinuance of hedge accounting	5.12	—	—	—	3,816	—	3,816
<b>Profit for the year</b>		—	—	—	—	<b>20,669</b>	<b>20,669</b>
Total recognised profit for 2007		—	—	—	3,599	20,669	24,268
Recognition of share-based compensation	5.10	—	—	507	—	—	507
Proceeds received upon exercise of Class A and Class B Options	5.10	—	—	1,510	—	—	1,510
Ordinary shares issued upon exercise of the Debt Warrants	5.10	7,953,653	78,002	—	—	—	78,002
Issuance of share capital via exchange of Class A and Class B Profit Certificates	5.10	293,655	2,332	(2,332)	—	—	—
Issuance of ordinary shares upon exchange of dispreference shares	5.10	(19,224)	—	—	—	—	—
Repayment of capital	5.10	—	(655,881)	—	—	—	(655,881)
<b>December 31, 2007</b>		<b>109,313,539</b>	<b>1,081,098</b>	<b>891,187</b>	<b>—</b>	<b>(1,802,222)</b>	<b>170,063</b>
Loss for the year		—	—	—	—	(15,220)	(15,220)
<b>Total recognised loss for 2008</b>		—	—	—	—	<b>(15,220)</b>	<b>(15,220)</b>
Recognition of share-based compensation	5.10	—	—	2,936	—	—	2,936
Proceeds received upon exercise of Class A and Class B Options	5.10	—	—	2,311	—	—	2,311
Issuance of share capital via exchange of Class A and Class B Profit Certificates	5.10	292,348	1,645	(1,645)	—	—	—
Issuance of share capital through Employee Share Purchase Plan	5.10	693,217	6,856	1,538	—	—	8,394
Compensation cost related to the Employee Share Purchase Plan	5.10	—	—	1,678	—	—	1,678
<b>December 31, 2008</b>		<b>110,299,104</b>	<b>1,089,599</b>	<b>898,005</b>	<b>—</b>	<b>(1,817,442)</b>	<b>170,162</b>

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

#### 4 Consolidated statement of cash flows

		For the years ended December 31,	
	Note	2008	2007
		(in thousands of euro)	
<b>Cash flows provided by operating activities:</b>			
Profit (loss) for the year	2	(15,220)	20,669
Adjustments for:			
Depreciation, amortisation and impairment	5.18	261,588	237,626
Income tax expense (benefit)	2	62,270	(27,382)
Provision for liabilities and charges		(7,592)	7,901
Increase / (decrease) in allowance for bad debt	5.7	(8,736)	4,132
Finance income	5.19	(5,615)	(22,390)
Net interest expense	5.19	163,892	121,957
Net losses on derivative financial instruments	5.19	32,986	25,487
Loss on extinguishment of debt	5.19	—	86,679
Other		5,706	2,045
Change in:			
Trade receivables	5.7	33,552	(9,720)
Other assets	5.8	(3,265)	4,417
Deferred revenue	5.17	(24,344)	(1,764)
Trade payables		(237)	6,106
Accrued expenses and other current liabilities	5.16	4,773	7,304
<b>Cash provided by operations</b>		<b>499,758</b>	<b>463,067</b>
Interest paid		(170,244)	(172,830)
Interest received		22,518	5,575
Income taxes paid		—	(2,450)
Cash paid for derivatives		—	(348,188)
Cash received for derivatives		—	262,249
<b>Net cash provided by operating activities</b>		<b>352,032</b>	<b>207,423</b>
<b>Cash flows provided by investing activities:</b>			
Purchases of property and equipment		(200,388)	(167,275)
Purchases of intangibles		(30,395)	(26,593)
Acquisitions of subsidiaries and affiliates, net of cash acquired	5.22	(205,131)	(288)
Proceeds from sale of property and equipment and other intangibles		2,409	—
<b>Net cash used in investing activities</b>		<b>(433,505)</b>	<b>(194,156)</b>
<b>Cash flows provided by financing activities:</b>			
Repayments of loans and borrowings	5.11	(7,924)	(1,222,486)
Proceeds from loans and borrowings	5.11	85,000	1,900,000
Payments of finance lease liabilities		(4,307)	(2,444)
Payments for debt issuance costs		(12,227)	(28,214)
Payments of redemption premiums		—	(66,970)
Proceeds from Employee Share Purchase Plan	3	8,394	—
Proceeds from exercise of Class A and Class B options	3	2,311	1,511
Proceeds received from issuance of debt warrants		—	78,002
dividend	3	(744)	(654,899)
<b>Net cash provided by financing activities</b>		<b>70,503</b>	<b>4,500</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(10,970)</b>	<b>17,767</b>
Cash and cash equivalents:			
at January 1		76,611	58,844
at December 31		65,641	76,611

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

## **5 Notes to the consolidated financial statements for the year ended December 31, 2008**

### **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 and its principal subsidiaries are limited liability companies organised under Belgian law. The Company is managed and operates in one operating segment, broadband communications.

#### **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 5.12: Financial instruments
- Note 5.13: Deferred taxes
- Note 5.15: Employee benefits
- Note 5.22: Acquisitions of subsidiaries

#### **5.1.5 Reclassifications in presentation**

As a result of a reclassification in the presentation of non-current versus current derivatives on the consolidated balance sheet, we adjusted accordingly the corresponding figures of 2007 in Note 5.2.18 to the consolidated financial statements of the Company.

Whereas in 2007 finance income/(expense) was presented in the consolidated income statement on a net basis, we have presented finance income and expenses for the year ended December 31, 2008 on a gross basis and have adjusted the 2007 figures for comparative purposes.

Certain comparative amounts in the consolidated cash flow statement have been reclassified for purposes of more appropriate comparison between the figures of the years ended December 31, 2008 and 2007.

These consolidated financial statements were authorised for issue by the Board of Directors on April 27, 2009.

## **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 accounting policies have been made, except for the early adoption of IAS 23 (Revised) *Borrowing Costs*.

### **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
- Operating facilities 3-20 years
- Other equipment 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 capitalized 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.

Capitalized 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 capitalized 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 capitalized 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. For the purposes of assessing impairment, intangible assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Tangible assets are grouped on one level.

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 commercial paper and certificates of deposit with original maturities of three months or less. They are carried at amortised 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 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. With the exception of the foreign exchange forwards that were purchased historically to hedge the US dollar foreign exchange risk related to the US dollar denominated Senior Discount Notes, 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 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 based on their listed market price, if available. If a listed market price is not available, then fair value is estimated 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.

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 basic 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.

### **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 capitalizes 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 utilised. 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 utilised. 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 realised. 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 benefit 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 realisable 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 charged or credited to income over the expected average remaining working lives of the related employees.

#### **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 behavioural 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 realisable 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 realisable 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. 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 Reclassifications for comparison purposes

As a result of certain reclassifications in the presentation of the consolidated balance sheet, we adjusted the corresponding figures for 2007 accordingly. These changes can be summarised as follows:

December 31, 2007 reclassifications (in thousands of euro)		
	Initially reported	Adjusted 2007 figures for comparison purposes
Derivative financial instruments		
Non current assets . . . . .	—	31,320
Current assets . . . . .	31,182	2,499
		+2,637
Derivative financial instruments		
Non current liabilities . . . . .	—	5,307
Current liabilities . . . . .	3,359	689
		+2,637
Current assets		
Inventories . . . . .	—	5,466
Trade receivables . . . . .	110,771	91,875
Other current assets . . . . .	19,848	33,278
		—
Current liabilities		
Trade payables . . . . .	230,369	47,722
Accrued expenses and other current liabilities . . . . .	62,391	245,038
		—

As a result of clarifications in IAS 1, the presentation of derivative financial instruments has been adjusted. For comparison purposes, the 2007 amounts have been adjusted accordingly.

Whereas in the past inventories were included under other current assets, they are currently presented as a separate line. The reclassification from trade receivables to other current assets represents the unbilled revenue.

The reclassification impacting trade payables consists of:

- Accrued programming fees
- Accrued capital expenditure
- Accrued other liabilities

which are now presented under accrued expenses and other current liabilities.

Whereas in 2007 finance income/(expense) was presented in the consolidated income statement on a net basis, we have presented finance income and expenses for the year ended December 31, 2008 on a gross basis and have adjusted the 2007 figures for comparative purposes.

Certain comparative amounts in the consolidated cash flow statement have been reclassified for purposes of more appropriate comparison between the figures of the years ended December 31, 2008 and 2007.

### 5.2.19 New standards, interpretations and amendments

#### Standards, amendments and interpretations effective or early adopted in 2008

IAS 23 (Revised) *Borrowing Costs* requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The amendments to IAS 23 eliminate the option available under the previous version of the Standard to recognise all borrowing costs immediately as an expense. The Company adopted IAS 23 (Revised) prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after January 1, 2008 but it did not have a material impact on the Company's accounts.

In addition to Amendments to IAS 39 and IFRS 7 *Reclassification of Financial Assets*, three Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) are effective for the current period. These are: IFRIC 11, *IFRS 2—Group and Treasury Share Transactions*; IFRIC 12, *Service Concession Arrangements*; and IFRIC 14, *IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The adoption of these Amendments and Interpretations did not have a material impact on the Company’s accounts.

**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, 2009 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.
- 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 group will apply IFRS 8 from January 1, 2009, but does not expect that there will be a substantial impact to the manner in which the Company reports its results as its operations are managed and operated as one segment.
- IAS 1 (Revised 2007) *Presentation of Financial Statements* (effective from January 1, 2009) introduces, among other items, new disclosure requirements relating to comprehensive income and makes changes to the titles of some of the financial statements. Other than the required changes in presentation, IAS 1 (Revised 2007) will not have a material impact on the Company’s accounts.
- 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.
- Amendment to IFRS 2 *Share-based Payment—Vesting Conditions and Cancellations* (effective from January 1, 2009) clarifies the definition of vesting conditions and the accounting treatment of cancellations by the counterparty to a share-based arrangement. the Company has not yet determined the potential effect of the amendment.
- Amendments to IAS 32 and IAS 1 *Puttable Financial Instruments and Obligations Arising on Liquidation* (effective from January 1, 2009) requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a *pro rata* share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. These amendments are not expected to have a material impact on the Company’s accounts.

**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:

- IFRS 1 (revised) *First-time Adoption of IFRSs*

- Amendments to IFRS 1 and IAS 27 *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to IAS 39 *Eligible Hedged Items*
- IFRIC 13 *Customer loyalty programmes*
- IFRIC 15 *Agreements for the Construction of Real Estate*
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*
- IFRIC 17 *Distributions of Non-cash Assets to Owners*

## 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 minimize 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 minimize 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 commercial paper are placed with highly rated financial institutions.

#### Quantitative disclosures

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

	December 31, 2008	December 31, 2007
	(in thousands of euro)	
Cash and cash equivalents (including commercial paper/certificates of deposits) . . . . .	65,641	76,611
Trade receivables . . . . .	81,274	113,986
Derivative financial instruments . . . . .	15,103	33,757
Outstanding guarantees to third parties for own liabilities (cash paid) . . . . .	909	823
Total . . . . .	<u>162,927</u>	<u>225,177</u>

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 New 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 New Senior Credit Facility, will be sufficient to fund our currently anticipated working capital needs, capital expenditures and debt service requirements.

On August 1, 2007, a New Senior Credit Facility agreement was executed in order to refinance the 2006 Senior Credit Facility, the Senior Notes, the Senior Discount Notes and to finance a distribution to the Company's shareholders by way of a capital reduction. Our New Senior Credit Facility is discussed in greater detail in Note 5.11.1 to the consolidated financial statements of the Company.

The Company has access to undrawn facilities under the New Senior Credit Facility. As of December 31, 2008, €90.0 million under the revolving credit facility (€175.0 million as of December 31, 2007) and €225.0 million under tranche B2 of the New Senior Credit Facility was available to the Company subject to our being in compliance with certain financial covenants and other conditions.

On October 10, 2007 the Company redeemed the Senior Notes and Senior Discount Notes which bore fixed interest rates of 9% and 11.5% respectively and replaced them by floating rate debt (Euribor) under the New Senior Credit Facility. In order to hedge its increased exposure to floating rate debt, the Company concluded interest rate cap contracts in 2007 for a total nominal amount of €1,500 million.

The Company has implemented a policy on financial risk management. With respect to liquidity and funding risks, the key objectives can be summarised 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. More detailed information has been disclosed under Note 5.9 to the consolidated financial statements of the Company.

A limit has been set regarding the maximum amount that can be invested per derivative product type. On top of this limit, the authorised 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, 2008 and 2007 were as follows:

Situation as per December 31, 2008 Contractual obligations	Payments due by period						
	Total	Less than 1 year	2 years	3 years	4 years	5 years	After 5 years
	(in thousands of euro)						
Long term debt <sup>(1)</sup>	2,653,569	111,174	111,174	111,174	629,791	280,504	1,409,752
Finance lease obligations <sup>(1)</sup>	459,579	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	21,689	5,283	6,702	6,047	3,658	—	—
Foreign Exchange Derivatives <sup>(3)</sup>	3,000	3,000	—	—	—	—	—
Trade payables <sup>(4)</sup>	45,401	45,401	—	—	—	—	—
Total contractual obligations	4,330,471	284,159	205,958	195,860	708,192	350,539	2,585,765

Situation as per December 31, 2007 Contractual obligations	Payments due by period						
	Total	Less than 1 year	2 years	3 years	4 years	5 years	After 5 years
	(in thousands of euro)						
Long term debt <sup>(1)</sup>	2,911,093	150,500	149,957	149,149	148,687	663,244	1,649,556
Finance lease obligations <sup>(1)</sup>	73,214	6,421	6,746	6,514	6,433	6,142	40,958
Operating lease obligations	32,765	9,629	7,054	5,583	3,985	3,867	2,647
Other contractual obligations <sup>(2)</sup>	64,582	24,837	21,344	9,739	5,268	1,199	2,195
Interest Rate Derivatives	1,115	425	426	132	132	—	—
Foreign Exchange Derivatives <sup>(3)</sup>	7,582	7,582	—	—	—	—	—
Trade payables <sup>(4)</sup>	47,722	47,722	—	—	—	—	—
Total contractual obligations	3,138,073	247,116	185,527	171,117	164,505	674,452	1,695,356

(1) Interest included.

(2) Represents fixed minimum commitments under certain programming and purchase agreements and in the 2008 period, amounts associated with certain operating costs resulting from the Interkabel acquisition. See Note 5.22.

(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) Including trade payables, as well as the accrued trade payables for invoices to be received at year end.

### 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 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 utilising 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;



- accruals of interest on the Senior Discount Notes (redeemed on October 10, 2007)
- payments of royalties, franchise or licence 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.

During the last quarter of 2007, we entered into foreign exchange contracts which cover a significant portion of our US dollar obligations in respect of our agreements for the supply of content for our premium cable television service and purchases of goods and services. Our policy is to enter into such foreign exchange hedging arrangements for periods of up to 18 months at any one time, and as we approach the expiration of each foreign exchange contract, we will review our hedging strategy with respect to future US dollar obligations relating to our premium content agreements.

In order to hedge the foreign exchange exposure resulting from the issuance of the \$558 million Senior Discount Notes by Telenet Group Holding NV, we entered into a series of foreign exchange forward contracts ("FECs") (for the purchase of US dollars in exchange for euros) for a total nominal amount of \$558 million with a maturity at the end of accretion period of the Senior Discount Notes on December 15, 2008 (the "Full Accretion Date"). These FECs were dealt with an effective date close to the issuance of the Senior Discount Notes. The underlying rationale of our hedging strategy is that the maximum accreted nominal amount is hedged given that our functional currency is the euro. As a consequence of the full redemption of our Senior Discount Notes in 2007, the FECs were terminated on October 10, 2007.

As referred to above, the outstanding forward foreign exchange derivatives as of December 31, 2008 and 2007, are disclosed in more detail in Note 5.12 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 summarised as:

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

On October 10, 2007 the Company redeemed the Senior Notes and Senior Discount Notes which bore fixed interest rates of 9% and 11.5% respectively and replaced them by floating rate debt (Euribor) under the New Senior Credit Facility. Through this debt refinancing the Company was able to extend the average maturity of its financing and to lower the interest cost on existing debt. On December 31, 2008 fixed interest rates applied to 10.98% of the total financial debt (2007: 3.58%).

Under the New Senior Credit Facility, the Company has a contractual obligation to hedge at least 50% of all outstanding amounts under the Facilities. However based on its internal policy on financial risk management, the Company wishes to hedge at least 80% of its floating interest rate risk.

Interest rate risk is managed by the use of interest rate swap contracts, interest rate cap contracts and interest rate collar contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite. In order to hedge its increased exposure to floating rate debt as a result of the refinancing in 2007, the Company concluded new interest rate cap contracts for a total notional amount of €1,500 million. Through the use of interest rate cap contracts the risk of increasing interest rates has been limited and the Company is still able to benefit from decreases in interest rates.

As referred to above, the outstanding interest rate derivatives as of December 31, 2008 and 2007, are disclosed in more detail in Note 5.12 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, 2008 and 2007 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 2008 and 2007 can be summarised as follows:

	2008		2007	
	+0.25%	−0.25%	+0.25%	−0.25%
	(in thousands of euro)			
Interest				
New Senior Credit Facility . . . . .	(4,806) <i>On P&amp;L</i>	4,806 <i>On P&amp;L</i>	(4,750) <i>On P&amp;L</i>	4,750 <i>On P&amp;L</i>
Finance leases . . . . .	(43) <i>On P&amp;L</i>	43 <i>On P&amp;L</i>	(152) <i>On P&amp;L</i>	(88) <i>On P&amp;L</i>
Interest rate derivatives . . . . .	4,305 <i>On P&amp;L</i>	(3,211) <i>On P&amp;L</i>	5,795 <i>On P&amp;L</i>	276 <i>On P&amp;L</i>
	(544) <i>On P&amp;L</i>	1,638 <i>On P&amp;L</i>	893 <i>On P&amp;L</i>	4,938 <i>On P&amp;L</i>
Changes in fair value				
Swaps . . . . .	3,299 <i>On P&amp;L</i>	(3,299) <i>On P&amp;L</i>	607 <i>On P&amp;L</i>	(614) <i>On P&amp;L</i>
Caps . . . . .	4,982 <i>On P&amp;L</i>	(4,186) <i>On P&amp;L</i>	9,630 <i>On P&amp;L</i>	(8,141) <i>On P&amp;L</i>
Collars . . . . .	213 <i>On P&amp;L</i>	(229) <i>On P&amp;L</i>	423 <i>On P&amp;L</i>	(259) <i>On P&amp;L</i>
	8,495 <i>On P&amp;L</i>	(7,716) <i>On P&amp;L</i>	10,660 <i>On P&amp;L</i>	(9,014) <i>On P&amp;L</i>
Total . . . . .	7,951 <i>On P&amp;L</i>	(6,078) <i>On P&amp;L</i>	11,553 <i>On P&amp;L</i>	(4,076) <i>On P&amp;L</i>

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 2008 of €8 million (2007: €11.5 million). This is mainly attributable to the change in fair value of the new interest rate cap contracts concluded end of 2007 as a result of the refinancing for the notional amount of €1,500 million. At December 31, 2008 the notional amount of the caps was €1,526 million. The analysis is prepared assuming that the amounts of interest rate derivatives at year end 2007 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 2008 in a negative way for an amount of €6.1 million (2007: €4.1 million)

The following table summarises 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.

Situation as per December 31, 2008	Interest payments due by period					
+0.25%	Less than 1 year	2 years	3 years	4 years	5 years	After 5 years
	(in thousands of euro)					
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

Situation as per December 31, 2008 -0.25%	Interest payments due by period					
	Less than 1 year	2 years	3 years	4 years	5 years	After 5 years
	(in thousands of euro)					
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

Situation as per December 31, 2007 +0.25%	Interest payments due by period					
	Less than 1 year	2 years	3 years	4 years	5 years	After 5 years
	(in thousands of euro)					
New SCF Term loan A . . . . .	37,589	37,486	37,486	37,486	21,978	—
New SCF Term loan B1 . . . . .	22,590	22,529	22,529	22,529	22,590	13,126
New SCF Term loan C . . . . .	80,756	80,536	80,536	80,536	80,756	208,069
Finance leases . . . . .	2,390	2,198	1,995	1,788	1,572	6,262
Interest Rate Derivatives . . . . .	(5,028)	(4,703)	(4,905)	(4,786)	(4,677)	(9,899)

Situation as per December 31, 2007 -0.25%	Interest payments due by period					
	Less than 1 year	2 years	3 years	4 years	5 years	After 5 years
	(in thousands of euro)					
New SCF Term loan A . . . . .	34,895	34,800	34,800	34,800	20,403	—
New SCF Term loan B1 . . . . .	21,027	20,970	20,970	20,970	21,027	12,218
New SCF Term loan C . . . . .	75,355	75,149	75,149	75,149	75,355	194,153
Finance leases . . . . .	2,327	2,142	1,947	1,746	1,539	6,217
Interest Rate Derivatives . . . . .	446	518	379	309	(76)	(171)

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.

December 31, 2008	Foreign currency	Amount in foreign currency	Impact in thousands of euro			
			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
December 31, 2007	Foreign currency	Amount in foreign currency	Impact in thousands of euro			
			10% increase		10% decrease	
Trade payables . . . . .	USD	4,425	(337)	On P&L	276	On P&L
	GBP	(26)	4	On P&L	(3)	On P&L
	CHF	36	(2)	On P&L	2	On P&L

As a consequence of the 100% cash flow hedge on the former \$362.7 million Senior Discount Notes, the Company had no exposure to changes in the US dollar/euro exchange rate relating to these notes.

Following the full redemption of the Senior Discount Notes in 2007, the related forward exchange contracts were terminated on October 10, 2007.

### 5.3.4 Categories of financial assets and financial liabilities

In accordance with IAS 39, financial assets and liabilities are to be classified in four primary classification categories. Their carrying amounts can be summarised as of December 31, 2008 and 2007 as follows:

December 31, 2008	Carrying Amount	Fair Value				
		Categories according to IAS 39				
		Financial assets or liabilities at fair value through P&L	Loans and receivables/ Other financial liabilities	Available for sale financial assets	Financial liabilities measured at amortised cost	Out of Scope IAS 39
			(in thousands of euro)			
<b>Assets</b>						
Current						
Trade receivables . . . . .	67,767		67,767			
Other current assets . . . . .	38,403		38,403			
Cash and cash equivalents . . .	65,641		65,641			
Derivative financial assets						
transactional . . . . .	230	230				
Total current assets . . . . .	172,041					
Non current						
Derivative financial assets . . .	14,889	14,889				
Other non current assets . . . .	1,508					1,508
Total other non current assets	16,397					
<b>Liabilities</b>						
Financial debts						
Non current						
Long term debt . . . . .	2,282,127				2,117,310	
Derivative financial liabilities . . . . .	14,934	14,934				
Current						
Current portion of long term debt . . . . .	34,530				34,530	
Derivative financial liabilities . . . . .	5,348	5,348				
Trade payables . . . . .	45,401		45,401			
Other liabilities						
Non current . . . . .	74,839					74,839
Current . . . . .	395,388					395,388
Total liabilities . . . . .	2,852,567					
<b>Net Gains/(Losses)</b>						
On foreign exchange transactions . . . . .	511		511			
On cash and cash equivalents (interest income) . . . . .	5,104		5,104			
On derivative financial instruments . . . . .	(32,986)	(32,986)				
On extinguishment of debt						
On financial debts . . . . .	(163,892)	4,323			(168,215)	

December 31, 2007	Fair Value					
	Categories according to IAS 39					
	Carrying Amount	Financial assets or liabilities at fair value through P&L	Loans and receivables/ Other financial liabilities	Available for sale financial assets	Financial liabilities measured at amortised cost	Out of Scope IAS 39
			(in thousands of euro)			
<b>Assets</b>						
Current						
Trade receivables . . . . .	91,875		91,875			
Other current assets . . . . .	33,278		33,278			
Cash and cash equivalents . . .	76,611		76,611			
Derivative financial assets— transactional . . . . .	2,499	2,499				
Total current assets . . . . .	204,263					
Non current						
Derivative financial assets . . .	31,320	31,320				
Other non current assets . . .	1,868					1,868
Total other non current assets	33,188					
<b>Liabilities</b>						
Financial debts						
Non current						
Long term debt . . . . .	1,999,901				1,949,273	
Derivative financial liabilities . . . . .	5,307	5,307				
Current						
Current portion of long term debt . . . . .	18,529				18,529	
Short term borrowings . . .	—					
Derivative financial liabilities . . . . .	689	689				
Trade payables . . . . .	47,722		47,722			
Other liabilities						
Non current . . . . .	56,525					56,525
Current . . . . .	368,533					368,533
Total liabilities . . . . .	2,497,206					
<b>Net Gains/(Losses)</b>						
On foreign exchange transactions . . . . .	16,730		361		16,369	
On cash and cash equivalents (interest income) . . . . .	5,660		5,660			
On derivative financial instruments . . . . .	(25,487)	(25,487)				
On extinguishment of debt . .	(86,679)				(86,679)	
On financial debts . . . . .	(121,957)	(785)			(121,172)	

## 5.4 PROPERTY AND EQUIPMENT

	Land, buildings, and leasehold improvements	Network	Construction in progress	Furniture, equipment, and vehicles	Total
	(in thousands of euro)				
<b>Cost</b>					
At January 1, 2007 . . . . .	54,900	1,609,428	45,419	38,850	1,748,597
Acquisition of subsidiaries . . . . .	1,339	19,420	—	201	20,960
Additions . . . . .	30,001	15,246	151,558	726	197,531
Transfers . . . . .	3,550	140,757	(147,105)	2,798	—
Impairment . . . . .	—	(1,457)	—	—	(1,457)
Disposals . . . . .	—	(1,290)	—	(476)	(1,766)
At December 31, 2007 . . . . .	89,790	1,782,104	49,872	42,099	1,963,865
Acquisition 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)
At December 31, 2008 . . . . .	93,223	2,324,156	33,992	47,985	2,499,356
<b>Accumulated Depreciation</b>					
At January 1, 2007 . . . . .	7,514	743,811	—	23,893	775,218
Depreciation charge for the year . .	3,043	171,578	—	5,959	180,580
Eliminated on disposal . . . . .	—	(25)	—	(464)	(489)
At December 31, 2007 . . . . .	10,557	915,364	—	29,388	955,309
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)
At December 31, 2008 . . . . .	14,845	1,162,996	—	35,387	1,213,228
<b>Carrying Amount</b>					
At December 31, 2008 . . . . .	78,378	1,161,160	33,992	12,598	1,286,128
At December 31, 2007 . . . . .	79,233	866,740	49,872	12,711	1,008,556
<b>Carrying Amount of Finance Leases included in Property and Equipment</b>					
At December 31, 2008 . . . . .	43,174	271,289	—	689	315,152
At December 31, 2007 . . . . .	45,868	4,082	—	256	50,206

An impairment of €1.5 million was recorded during 2007 for non-recoverable items of equipment.

As part of the Interkabel acquisition, network user rights have been transferred from intangible assets to tangible assets (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 2008, see Note 5.22 to the consolidated financial statements of the Company.

For information regarding finance leases, see Note 5.11.6 to the consolidated financial statements of the Company.

## 5.5 GOODWILL

The Company performed its annual review for impairment during the third quarters of 2008 and 2007. Following the acquisition of Interkabel on October 1, 2008, an additional impairment review was performed in the fourth quarter of 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. 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, and a discount rate of 9.0% (2007: 7.9%) 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:

	December 31, 2008	December 31, 2007
	(in thousands of euro)	(in thousands of euro)
Beginning balance . . . . .	1,096,033	1,148,745
Use of net operating losses acquired in business combinations (Note 5.20) . .	—	(30,898)
Acquisition of subsidiaries and adjustments to allocation of purchase price (Note 5.22) . . . . .	90,244	(21,814)
Goodwill . . . . .	<u>1,186,277</u>	<u>1,096,033</u>

For detailed information regarding the acquisitions of subsidiaries in 2008, see Note 5.22 to the consolidated financial statements of the Company.

## 5.6 OTHER INTANGIBLE ASSETS

	Network user rights	Trade name	Software	Customer relationships	Other	Total
	(in thousands of euro)					
<b>Cost</b>						
At January 1, 2007 . . . . .	140,555	121,000	126,299	84,732	17,019	489,605
Acquisition of subsidiary . . . .	9,731	—	—	459	—	10,190
Additions . . . . .	2,513	—	18,349	—	4,840	25,702
Disposals . . . . .	—	—	—	—	(5,433)	(5,433)
At December 31, 2007 . . . . .	152,799	121,000	144,648	85,191	16,426	520,064
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)
At December 31, 2008 . . . . .	9,700	121,000	175,062	266,602	32,943	605,307
<b>Accumulated Depreciation</b>						
At January 1, 2007 . . . . .	49,785	46,383	79,685	29,561	5,378	210,792
Charge of the year . . . . .	12,398	8,067	18,792	8,199	8,133	55,589
Disposals . . . . .	—	—	—	—	(5,433)	(5,433)
At December 31, 2007 . . . . .	62,183	54,450	98,477	37,760	8,078	260,948
Charge of the year . . . . .	9,228	8,067	23,399	12,923	8,962	62,579
Transfer . . . . .	(69,275)	—	—	—	—	(69,275)
Disposals . . . . .	—	—	(331)	—	(6,394)	(6,725)
At December 31, 2008 . . . . .	2,136	62,517	121,545	50,683	10,646	247,527
<b>Carrying Amount</b>						
At December 31, 2008 . . . . .	7,564	58,483	53,517	215,919	22,297	357,780
At December 31, 2007 . . . . .	90,616	66,550	46,171	47,431	8,348	259,116

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, network user rights have been transferred from intangible assets to tangible assets (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 2008, see Note 5.22 to the consolidated financial statements of the Company.

## 5.7 TRADE RECEIVABLES

	December 31, 2008	December 31, 2007
	(in thousands of euro)	
Trade receivables . . . . .	81,274	113,986
Less: provision for impairment of trade receivables . . . . .	(13,507)	(22,111)
Trade receivables, net . . . . .	<u>67,767</u>	<u>91,875</u>

At year end 2008 and 2007, respectively, the ageing of our current trade receivables can be detailed as follows:

	Not due	1-30 days	31-60 days	Past due 61-90 days	91-120 days	> 120 days	Total
	(in thousands of euro)						
December 31, 2008 . . . . .	30,643	17,761	5,102	4,123	2,202	21,443	81,274
December 31, 2007 . . . . .	44,488	16,355	5,611	3,514	2,720	41,298	113,986

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, 2008 a total amount of €29.2 million (2007: €28.2 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 for 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:

	December 31, 2008	December 31, 2007
	(in thousands of euro)	
Allowance at the beginning of the year . . . . .	(22,111)	(17,979)
Additions . . . . .	(7,300)	(8,660)
Write-offs . . . . .	15,904	4,528
Allowance at the end of the year . . . . .	<u>(13,507)</u>	<u>(22,111)</u>

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 CURRENT ASSETS

	December 31, 2008	December 31, 2007
	(in thousands of euro)	
Recoverable withholding taxes . . . . .	1,194	958
Recoverable VAT . . . . .	119	2,533
Prepaid content . . . . .	4,433	3,979
Prepayments . . . . .	4,415	4,335
Unbilled revenue . . . . .	28,085	18,896
Other . . . . .	157	2,577
Other current assets . . . . .	<u>38,403</u>	<u>33,278</u>

## 5.9 CASH AND CASH EQUIVALENTS

	December 31, 2008	December 31, 2007
	(in thousands of euro)	
Cash at bank and on hand . . . . .	25,948	15,990
Commercial paper . . . . .	—	19,839
Certificates of deposits . . . . .	39,693	40,782
Total cash and cash equivalents . . . . .	<u>65,641</u>	<u>76,611</u>

The Company held no commercial paper on December 31, 2008. On December 31, 2007 the weighted average interest rate of commercial paper was 4.77% with an average maturity of 62 days. As at December 31, 2008, the certificates of deposits had a weighted average interest rate of 2.39% (2007: 3.89%) and an average maturity of 12 days (2007: 7 days).

## 5.10 SHAREHOLDERS' EQUITY

On December 31, 2008 Telenet Group Holding NV has the following shares outstanding, all of which are treated as one class in the earnings (loss) per share calculation:

- 108,633,987 ordinary shares (2007: 107,648,422 shares);
- 1,665,087 Liquidation Dispreference Shares (2007: 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 (2007: 30 shares) held by the financing intercommunales, which have the same rights as the ordinary shares and which also give their holders the right to appoint representatives to the Regulatory Board, which oversees the public interest guarantees related to our offering of digital television.

As of December 31, 2008, share capital amounted to €1,090 million (2007: €1,082 million).

### Capital reduction

On August 17, 2007, the extraordinary shareholders meeting of Telenet Group Holding NV 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 and €0.7 million in 2008. 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 New Senior Credit Facility (see Note 5.11.1 to the consolidated financial statements of the Company) represents a net leverage ratio of 3.7x EBITDA and is calculated as per terms of the New Senior Credit Facility, using the previous two quarters' EBITDA. Within the New Senior Credit Facility, the Company has access to an additional committed loan capacity of €315.0 million, subject to compliance with applicable covenants, composing the Term Loan B2 and Revolving Facility which are available to be drawn up to and including June 30, 2009 and June 30, 2014 respectively pursuant to the amendments of the New Senior Credit Facility notified on May 23, 2008. On January 30, 2009 and on March 30, 2009, the Company reimbursed €35.0 million and €30.0 million, respectively, out of the €85.0 million outstanding on the Revolving Facility.

### **5.10.1 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 extends to a maximum of 40 months and can be exercised through June 2009.

In December 2004, the Company offered 1,251,000 of the 1,350,000 authorised 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 vest over 4 years and can be exercised through December 2009.

Prior to November 19, 2007, the Class A and the Class B options were required to be exercised in multiples of three, giving the right to acquire three Class A Profit Certificates for €20 or three Class B Profit Certificates for €25. 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.

Upon the payment of the capital reduction on November 19, 2007, the Company amended both the Class A and Class B Options. The Company has obtained a tax ruling supporting the conclusion that, in this case, the Company has the legal obligation (in conformity with art. 501 of the Belgian Company Code) to amend the options to ensure that benefits granted to the option holders were not reduced. The options were increased and the exercise price was decreased by a factor of 0.762564 which is the ratio of the quoted market price of the Telenet Group Holding NV shares before the capital reduction less the capital reduction of €6.00 per share versus the quoted market price before the capital reduction. The outstanding numbers of Class A and B options, at that time 1,146,000 and 506,256 options respectively, were increased by 356,824 and 157,627, respectively, as a result of the amendment. At the same time, the exercise prices of the options were adjusted with the same factor bringing the exercise price for the Class A Options from €6.66 to €5.08 and the Class B Options from €8.33 to €6.35. 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. From November 19, 2007, the Class A and Class B Options must no longer be exercised in multiples of three.

#### **Stock option plan 2007 and stock option plan 2008**

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 authorised three separate grants of options under the Stock Option Plan 2007 during 2008.

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.

For accounting purposes, the grant dates of the above mentioned grants were defined as respectively January 27, 2008, April 19, 2008, September 25, 2008 and May 29, 2008.

Under both the Stock Option Plan 2007 and Stock Option Plan 2008, 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.

	Stock Option Plan 2007	Stock Option Plan 2007bis	Stock Option Plan 2007ter	Stock Option Plan 2008
Fair value at grant date . . . . .	3.83	2.79-4.34	3.15-4.62	3.02-4.78
Grant date . . . . .	January 27, 2008	April 19, 2008	September 25, 2008	May 29, 2008
Number granted . . . . .	55,000	1,294,000	63,000	317,000
Number accepted . . . . .	27,500	1,058,600	43,000	317,000

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

	Stock Option Plan 2007	Stock Option Plan 2007bis	Stock Option Plan 2007ter	Stock Option Plan 2008
Share price . . . . .	18.04	14.41	14.78	15.89
Exercise price . . . . .	19.40	14.50	14.69	15.86
Expected volatility . . . . .	25.5%	24.2%-27.7%	25.9%-28.5%	24.3%-27.6%
Expected option life . . . . .	3.61 years	3.61 years	3.61 years	3.61 years
Expected dividends . . . . .	0.0%	0.0%	0.0%	0.0%
Risk-free interest rate . . . . .	3.50%	4.07%-4.20%	4.17%-4.39%	4.48%-4.51%

#### All plans

A summary of the activity of the Company's stock options for the years ended December 31, 2008 and 2007 is as follows:

	Outstanding Options	
	Number of Options	Weighted Average Exercise Prices (in euro)
January 1, 2007 . . . . .	1,793,514	7.23
Class A Options exercised . . . . .	(39,000)	6.67
Class B Options exercised . . . . .	(164,994)	7.58
Additional Class A Options issued upon plan amendment . . . . .	356,824	5.08
Additional Class B Options issued upon plan amendment . . . . .	157,627	6.35
Class B Options forfeited . . . . .	(6,273)	6.35
December 31, 2007 . . . . .	2,097,698	5.44
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 . . . . .	(25,000)	14.50
December 31, 2008 . . . . .	3,101,628	9.76

The options in the table below were exercised versus payments of €2.3 million and €1.5 million during the years ended December 31, 2008 and 2007, 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 Other Reserves within Equity. These reserves are transferred from Other Reserves to Share Capital when the Profit Certificates are exchanged for shares of the Company and resulted in a transfer of

€1.6 million and €2.3 million between Other Reserves and Share Capital within Equity in 2008 and 2007, respectively.

<u>Class of Option</u>	<u>Number of Options Exercised</u>	<u>Exercise Date</u>	<u>Share Price at Exercise Date (in euro)</u>
Class A Options . . . . .	39,000	02/02/2007	24.00
Class B Options . . . . .	44,532	22/03/2007	23.80
Class B Options . . . . .	57,726	15/06/2007	24.92
Class B Options . . . . .	62,736	27/12/2007	19.80
Class B Options . . . . .	16,032	18/04/2008	14.51
Class A Options . . . . .	166,550	17/07/2008	13.75
Class B Options . . . . .	47,030	17/07/2008	13.75
Class B Options . . . . .	5,392	16/10/2008	12.65
Class A Options . . . . .	100,000	17/12/2008	11.40
Class B Options . . . . .	82,166	17/12/2008	11.40

The following table summarises information about stock options outstanding and exercisable as of December 31, 2008:

<u>Class of Option</u>	<u>Number of Options Outstanding</u>	<u>Number of Options Exercisable</u>	<u>Weighted Average Remaining Contractual Life</u>	<u>Weighted Average Exercise Prices (in euro)</u>
Class A Options . . . . .	1,236,274	1,236,274	6 months	5.08
Class B Options . . . . .	444,254	444,254	12 months	6.35
Stock Option Plan 2007 . . . . .	27,500	6,875	50 months	19.40
Stock Option Plan 2007bis . . . . .	1,033,600	196,658	50 months	14.50
Stock Option Plan 2007ter . . . . .	43,000	2,686	56 months	14.69
Stock Option Plan 2008 . . . . .	317,000	59,436	50 months	15.86

Total compensation expense associated with the Company's stock option plans amounted to €4.6 million (2007: €0.5 million).

#### 5.10.2 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 the Company'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.

#### 5.10.3 Subordinated debt warrants

The Company had 3,426,000 Subordinated Debt Warrants outstanding (the "Subordinated Debt Warrants") which were held by the Liberty Global Consortium, the GIMV, the Financial Consortium and the MICs. Each Subordinated Debt Warrant entitled the holder thereof to three shares of Telenet Group Holding NV upon payment of an exercise price of €40. Alternatively, holders could opt for a "cashless" exercise of the Subordinated Debt Warrants. In such a case, they were entitled to acquire a reduced number of shares of Telenet Group Holding NV, using the value of their Subordinated Debt Warrants (measured by the market value of the shares of Telenet Group Holding NV at the time of exercise less the exercise price of the Subordinated Debt Warrants ) to acquire shares of Telenet Group Holding NV at their market value. The Subordinated Debt Warrants could be exercised at any time during the exercise period ending on August 9, 2009.

On March 22, 2007, 412,869 new shares in Telenet Group Holding NV were issued to Chellomedia Investments BV (a Company of the Liberty Global Consortium) following the exercise by Chellomedia Investments BV of 137,623 Subordinated Debt Warrants. Each Subordinated Debt Warrant was exercised at a price of €40.00. The capital of Telenet Group Holding NV was therefore increased by €5.5 million.



On August 10, 2007 all 3,288,377 remaining Subordinated Debt Warrants were exercised. A total of 1,475,960 Subordinated Debt Warrants were exercised at the Penny Exercise Price (*i.e.* a cashless exercise) in exchange for the issuance of 2,103,533 new shares in Telenet Group Holding NV for an aggregate exercise price of €0.06. A total of 1,812,417 Subordinated Debt Warrants were exercised at the Normal Exercise price (€40.00 per Subordinated Debt Warrant) against issuance of 5,437,251 new shares of Telenet Group Holding NV for an aggregate exercise price of €72.5 million.

There were no more Subordinated Debt Warrants outstanding at December 31, 2008.

## 5.11 LOANS AND BORROWINGS

The debt balances specified below include accrued interest as of December 31, 2008 and 2007.

	December 31, 2008	December 31, 2007
	(in thousands of euro)	
New Senior Credit Facility:		
Term Loan A . . . . .	530,000	530,396
Term Loan B1 . . . . .	307,500	307,738
Term Loan B2 . . . . .	115	343
Term Loan C . . . . .	1,062,500	1,063,353
Revolving Credit Facility . . . . .	85,381	223
Clientele Fee . . . . .	—	43,968
Annuity Fee . . . . .	—	47,942
Finance lease obligations . . . . .	322,575	52,329
Favourable component of future lease obligations <sup>(1)</sup> . . . . .	42,814	—
	<b>2,350,885</b>	<b>2,046,292</b>
Less: deferred financing fees . . . . .	(34,228)	(27,862)
	<b>2,316,657</b>	<b>2,018,430</b>
Less: current portion . . . . .	(34,530)	(18,529)
<b>Total non-current loans and borrowings . . . . .</b>	<b>2,282,127</b>	<b>1,999,901</b>

(1) Regarding the Interkabel Acquisition, see 5.22.1.

As of December 31, 2008 and 2007, all debts are denominated in euros. Fixed interest rates applied to 10.98% of the total financial debt (2007: 3.58%). The weighted average interest rates at year end were 6.92% on fixed interest rate loans (2007: 8.73%) and 5.21% on floating interest rate loans (2007: 6.95%).

### 5.11.1 New senior credit facility

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, is 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 the Company, via a dividend or intercompany loan, for a distribution to the Company’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 and on March 30, 2009, the Company reimbursed €35.0 million and €30.0 million, respectively of this latter facility.

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 in full at maturity. The New Telenet TLB1 Facility and the New Telenet TLB2 Facility will each be repaid in three equal instalments, with the first instalment due in February 2013, the second instalment due in August 2013 and the final instalment 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 capitalized 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.

#### **5.11.2 2006 senior credit facility**

Until replaced by the New Senior Credit Facility in August 2007, Telenet Bidco NV, Telenet NV and Telenet Vlaanderen NV (as Borrowers and Guarantors), had a 2006 Senior Credit Facility (the “2006 Senior Credit Facility”). The major terms and conditions of the various tranches of the 2006 Senior Credit Facility were as follows:

- Tranche A provided a €600.0 million amortising loan facility which was drawn in full upon closing. It was repayable in quarterly instalments commencing on March 31, 2007 and called for a final repayment of €370.0 million on March 31, 2011;
- Tranche B was a €200.0 million revolving credit facility of which the undrawn availability was €100.0 million as of January 1, 2007;
- Tranche C was an uncommitted facility of up to €200.0 million or, if utilised for the acquisition of certain Belgian cable assets, up to €350.0 million.

Interest on Tranches A and B of the 2006 Senior Credit Facility was payable at a margin of 0.90% over EURIBOR, and could vary from 0.70% to 1.25% subject to an interest margin ratchet mechanism based on the ratio of Net Cash Pay Debt to Consolidated EBITDA. A commitment fee was payable quarterly in arrears on undrawn amounts of the Tranche B Loan at the rate of 40% of the applicable margin of the Tranche B Loan.

#### **5.11.3 Senior notes**

In 2003, Telenet Communications NV received net proceeds of €482.3 million for Senior Notes issued with a principal amount of €500.0 million. Interest was payable semi-annually at an annual rate of 9% and were to mature on December 15, 2013. Prior to 2007, Telenet Communications NV redeemed notes with a principal value at the time of redemption of €131.6 million.

Telenet Communications NV redeemed all of remaining Senior Notes on October 10, 2007 (the redemption date) for a total redemption price of €413,476€413.5 million, equal to 100% of the outstanding

principal amount, plus accrued and unpaid interest up to the redemption date, plus the applicable premium.

#### 5.11.4 Senior discount notes

In 2003, the Company received net proceeds of €242.5 million for Senior Discount Notes issued at 57.298% of par value with a principal amount at maturity of \$558.0 million (or €450.7 million using the exchange rate obtained upon the issuance of \$1.2382 per €1.00). Interest accreted at an annual rate of 11.5%, compounded semi-annually, and interest would have been payable semi-annually from June 15, 2009 until maturity on June 15, 2014. Prior to 2007, Telenet Group Holding NV redeemed notes with a principal value at the time of redemption of \$138.7 million.

Telenet Group Holding NV redeemed all of remaining Senior Discount Notes on October 10, 2007 (the redemption date) for a total redemption price of \$363.8 million, equal to 100% of the outstanding principal amount, plus accrued and unpaid interest (if any) up to the redemption date, plus the applicable premium.

#### 5.11.5 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 the Company 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. As a result of the Interkabel Acquisition and change in nature, the Clientele and Annuity are accounted for as finance lease obligations as from October 1, 2008, as described in Note 5.11.6 to the consolidated financial statements of the Company.

#### 5.11.6 Finance lease obligations

	Future minimum lease payments		Interest		Present value of future minimum lease payments	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
	(in thousands of euro)					
Within one year . . . . .	48,702	6,421	23,268	2,743	25,434	3,678
In the second to fifth years, inclusive . . . . .	200,861	25,835	77,229	8,770	123,632	17,065
Thereafter . . . . .	210,017	40,958	45,108	9,744	164,909	31,214
<b>Total minimum lease payments .</b>	<b>459,580</b>	<b>73,214</b>	<b>145,605</b>	<b>21,257</b>	<b>313,975</b>	<b>51,957</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) has been accounted for 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. 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 the Company 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 capitalized 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. The old Annuity fee remains unchanged. New capex spending from October 1, 2008 will be added to the network under the network lease agreement (Canon fee) and paid in instalments.

For the year ended December 31, 2008, the average effective borrowing rate for the canon fee was 6.73%.

### Other leases

The Company leases certain assets under finance leases including buildings, head-ends and certain vehicles with average lease terms of 20, 20 and 5 years, respectively. Leases of head-ends include 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. For the year ended December 31, 2008, the average effective borrowing rate was 4.44% (2007: 5.13%). 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.

On July 20, 2006, Telenet NV entered into an arrangement to finance the construction of a new building for a maximum amount of €30.0 million. As from July 1, 2007 (end of the construction period) the Company started paying quarterly lease payments, based on fixed capital repayments, in order to repay the total amount financed (€30.0 million) plus applicable interest charges. The lease period lasts for 15 years starting at the end of the construction period and the Company has a bargain purchase option at the end of the lease. A contractual interest margin of 1.00% is payable over a fixed rate of 3.89% for the term of this finance arrangement.

During the construction phase, the Company paid interest on amounts drawn under the finance arrangement based on 3-month Euribor plus a 1.00% margin. At the end of the construction period a sale and lease back was accounted for whereby the lease back is a finance lease.

#### 5.11.7 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.

	December 31, 2008	December 31, 2007
	(in thousands of euro)	
On demand or within one year . . . . .	—	7,597
In the second year . . . . .	—	7,892
In the third year . . . . .	—	7,614
In the fourth year . . . . .	530,000	7,688
In the fifth year . . . . .	205,000	537,479
After five years . . . . .	1,292,814	1,418,810
<b>Total repayments . . . . .</b>	<b><u>2,027,814</u></b>	<b><u>1,987,080</u></b>

#### 5.11.8 Guarantees and covenants

Before the refinancing on October 10, 2007, obligations under the Senior Notes, Senior Discount Notes and the 2006 Senior Credit Facility were guaranteed and cross-guaranteed by certain subsidiaries of Telenet Group Holding NV. The obligations were also secured by mortgages and by pledges of certain equity interests, material contracts, and other rights and claims held by certain of Telenet Group Holding NV's subsidiaries including, on a consolidated basis, property and equipment, intangible assets, trade receivables and other current assets.

Telenet BidCo NV, Telenet NV and UPC Belgium NV guarantee in 2007 the obligations of the borrower under the New Senior Credit Facility (being Telenet BidCo NV), to the extent permitted by law. The New Senior Credit Facility is secured by the same security as that for the 2006 Senior Credit Facility. This means that security has been given by all members of the Telenet group (except for Telenet Group Holding NV,

Telenet Communications NV, Hostbasket NV and T-VGAS NV) under the 2007 Senior Credit Facility over substantially all their assets of which the carrying amounts as of December 31, 2008 and 2007 can be detailed as follows:

	December 31, 2008	December 31, 2007
	(in thousands of euro)	
Property and equipment (excluding leases) . . . . .	970,227	958,350
Other intangible assets . . . . .	357,279	259,116
Trade receivables . . . . .	66,510	91,875
Inventories . . . . .	4,106	5,466
Other current assets . . . . .	38,403	33,278
	<b>1,436,525</b>	<b>1,348,085</b>

The above mentioned securities include:

- a pledge of all shares of all members of the Telenet group (other than Telenet Group Holding NV and Telenet Communications NV);
- a non-joined (non-cumulative) mortgage of (i) €800 million from Telenet NV, (ii) €625 million from Telenet Vlaanderen NV and former MixtICS NV (succeeded by Telenet NV), and (iii) €50 million from former Telenet Solutions NV (succeeded by Telenet NV);
- a non-joined (non-cumulative) floating charge of (i) €1.25 billion granted by Telenet NV, (ii) €135 million granted by Telenet NV and (iii) €615 million granted by Telenet Vlaanderen NV and former MixtICS NV (succeeded by Telenet NV); a floating charge of €250 million granted by Telenet BidCo NV, of €250 million granted by Telenet Vlaanderen NV, of €250 million granted by former MixtICS (succeeded by Telenet NV) and of €75 million granted by former PayTVCo NV (succeeded by Telenet NV) and former Telenet Solutions NV (succeeded by Telenet NV); a portion of the floating charges being granted in a non-joined manner (non-cumulative) with certain mortgages;
- a non-exercised floating charge mandate of €865 million granted by Telenet NV;
- non-exercised mortgage mandates for a total value of €650 million granted by Telenet BidCo NV and of €450 million granted by Telenet NV, Telenet Vlaanderen NV and former MixtICS NV (succeeded by Telenet NV); and
- pledges on bank accounts, and pledges, as appropriate, of all present and future receivables.

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, 2008 and 2007, the Company was in compliance with all of its financial covenants.

## 5.12 DERIVATIVE FINANCIAL INSTRUMENTS

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

As of December 31, 2008 and 2007, the outstanding forward foreign exchange derivatives were as follows:

	December 31, 2008	December 31, 2007
	(in thousands of euro)	
Forward Purchase Contracts		
Notional amount in US dollar . . . . .	3,768	—
Weighted average strike price (US dollar per euro) . . . . .	1.256	—
Maturity . . . . .	From January to March 2009	—
Option Contracts		
Notional amount in US dollar . . . . .	—	11,000
Weighted average strike price (US dollar per euro) . . . . .	—	1.420
Maturity . . . . .	—	From January to April 2008



As of December 31, 2008 and 2007, the outstanding interest rate derivatives were as follows:

	December 31, 2008	December 31, 2007
	(in thousands of euro)	
Interest Rate Contracts		
Notional amount . . . . .	422,699	159,431
Average pay interest rate . . . . .	4.51%	4.81%
Average receive interest rate . . . . .	5.29%	4.13%
Maturity . . . . .	From 2009 to 2012	From 2008 to 2011
Caps		
Notional amount . . . . .	1,525,596	1,537,426
Average cap interest rate . . . . .	4.71%	4.70%
Maturity . . . . .	From 2009 to 2017	From 2009 to 2017
Collars		
Notional amount . . . . .	75,000	375,000
Average floor interest rate . . . . .	2.50%	2.50%
Average cap interest rate . . . . .	4.83%	5.37%
Maturity . . . . .	2011	From 2009 to 2011

On January 1, 2007, the Company stopped applying hedge accounting for its Senior Credit Facility which resulted in a full release of €0.1 million of hedge reserves relating to the interest rate derivatives for which cash flow hedge relationships were discontinued.

Cash flow hedge accounting on the Senior Discount Note was discontinued on June 30, 2007 because the hedged forecasted transaction of the USD repayment at maturity of the Senior Discount Note could no longer be considered as being “probable” since it was known that the debt/equity structure of the Group would be modified. On September 5, 2007 Telenet Group Holding NV notified the holders of the Senior Discount Notes of the redemption of all of the outstanding Notes, to be executed on October 10, 2007 (the redemption date). As a consequence, the cash flow hedge reserve amounting to €3.7 million was released in September 2007.

Upon the discontinuance of hedge accounting, changes in the fair values of all other derivative instruments are recorded in realised and unrealised gains (losses) on financial and derivative instruments in our consolidated income statement.

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

	December 31, 2008	December 31, 2007
	(in thousands of euro)	
Current asset . . . . .	230	2,499
Non-current asset . . . . .	14,889	31,320
Current liability . . . . .	(5,348)	(689)
Non-current liability . . . . .	(14,934)	(5,307)
	<b>(5,163)</b>	<b>27,823</b>
Interest rate exchange contracts . . . . .	(4,889)	28,025
Foreign exchange options and forwards . . . . .	(233)	(264)
Embedded derivatives . . . . .	(41)	62
	<b>(5,163)</b>	<b>27,823</b>



Realised and unrealised gains (losses) on financial and derivative instruments comprise the following amounts:

	December 31, 2008	December 31, 2007
	(in thousands of euro)	
Interest rate exchange contracts . . . . .	(32,913)	(3,290)
Foreign exchange options and forwards . . . . .	31	(22,259)
Embedded derivatives . . . . .	(104)	62
	<b>(32,986)</b>	<b>(25,487)</b>

### 5.12.1 Summary

The cumulative impact of the all of the derivative instruments has been allocated between hedging reserves and earnings as follows:

	Increase (decrease) in fair value	Cash paid (received)	Increase (decrease) in hedging reserves	Increase (decrease) in earnings
	(in thousands of euro)			
<b>January 1, 2007</b> . . . . .	<b>(36,205)</b>	<b>4,955</b>	<b>(3,599)</b>	<b>(37,561)</b>
Fair value of foreign exchange forward contracts . . .	31,490		(6,831)	38,321
Change in fair value of foreign exchange forward contracts reclassified into earnings . . . . .			6,614	(6,614)
Unwinding of the historic Forward Exchange Contracts concluded by Telenet Bidco for the purchase of USD to redeem the Senior Discount Notes on 15/12/2008 . . . . .		45,903		(45,903)
Settlement of Forward Exchange Contract concluded by Telenet Bidco for the purchase of USD to redeem the Senior Discount Notes on 10/10/2007 .		9,428		(9,428)
Spot purchase of USD 3.806.235 to redeem the Senior Discount Notes on 10/10/2007 <sup>(1)</sup> . . . . .		23		(23)
Change in fair value of foreign exchange option contracts . . . . .	(37)			(37)
Settlement of put/calls concluded by Telenet Bidco and exercised on 10/10/2007 . . . . .		(5,070)		5,070
Prepaid hedge premiums caps . . . . .	35,655	35,655		
Change in fair value of interest rate derivatives not qualifying for hedge accounting . . . . .	(3,142)			(3,142)
Embedded derivatives at fair value through P&L . . .	62			62
Release of hedge reserve upon discontinuance of hedge accounting on IRS . . . . .			148	(148)
Release of hedge reserve upon discontinuance of hedge accounting on futures . . . . .			3,668	(3,668)
<b>December 31, 2007</b> . . . . .	<b>27,823</b>	<b>90,894</b>	<b>0</b>	<b>(63,071)</b>

(1) The spot purchase of \$3.8 million resulted in a foreign exchange loss of €0.02 million.

	Increase (decrease) in fair value	Cash paid (received)	Increase (decrease) in hedging reserves	Increase (decrease) in earnings
	(in thousands of euro)			
<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 not qualifying for hedge accounting . . . . .	(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>(30,085)</b>

### 5.12.2 Fair value

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

	December 31, 2008		December 31, 2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in thousands of euro)			
Long-term debt (including short-term maturities) .	(2,350,885)	(2,151,840)	(2,046,292)	(1,995,625)
Foreign exchange options and forwards . . . . .	(233)	(233)	(264)	(264)
Interest rate swaps . . . . .	(19,062)	(19,062)	(1,094)	(1,094)
Caps . . . . .	14,693	14,693	30,228	30,228
Collars . . . . .	(519)	(519)	(1,109)	(1,109)
Embedded derivatives . . . . .	(42)	(42)	62	62
Total derivative instruments . . . . .	(5,163)	(5,163)	27,823	27,823
Total . . . . .	<u>(2,356,048)</u>	<u>(2,157,003)</u>	<u>(2,018,469)</u>	<u>(1,967,802)</u>

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. The fair values of other financial instruments for which carrying amounts and fair values have not been presented are not materially different than their related carrying amounts.

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 realise in a current market exchange.

### 5.13 DEFERRED TAXES

As of December 31, 2008, Telenet Group Holding NV and its subsidiaries had available combined cumulative tax loss carry forwards of €728.0 million (2007: €765.8 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. A subsidiary acquired in a previous business combination made taxable profits of €156.7 million during the year ended December 31, 2007, and utilised tax loss carry forwards which had not been previously recognised as deferred tax assets. During 2007, the last portion of acquired tax loss carry forwards for this profitable subsidiary were recorded through goodwill resulting in a reduction of goodwill and a deferred tax expense of €30.9 million.

The utilisation of unrecognised tax losses carried forward from previous business combinations is recorded as a reduction of goodwill using the historic tax rate of 40.17% applicable at the time of the acquisition while the deferred tax asset is established using the current tax rate of 33.99%. During 2007, the Company utilised the last €76.9 million of acquired tax loss carry forwards for this subsidiary. As a result, the benefit of utilizing the remaining tax loss carry forwards will now be recorded directly through profit and loss.

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:

	January 1, 2007	(Charged) credited to income statement	Reversal of write-downs to income statement	Reversal of write-downs to goodwill	Acquisition of Subsidiary	December 31, 2007
	(in thousands of euro)					
Deferred tax assets:						
Financial instruments .	—	416	1,071	—	—	1,487
Property and equipment . . . . .	—	44	457	—	—	501
Provisions . . . . .	—	(2,670)	7,260	—	—	4,590
Tax loss carry- forwards . . . . .	—	(65,763)	122,968	30,898	473	88,576
Total Deferred tax assets . . . . .	—	(67,973) <sup>(1)</sup>	131,756 <sup>(1)</sup>	30,898	473	95,154 <sup>(2)</sup>
Deferred tax liabilities:						
Intangible assets . . . .	(5,171.0)	3,395	(36,009)	—	(3,464)	(41,249)
Property and equipment . . . . .	(1,261.0)	376	(1,221)	—	(5,863)	(7,969)
Other . . . . .	(44.0)	(72)	(251)	—	44	(323)
Total Deferred tax liabilities . . . . .	(6,476.0)	3,699 <sup>(1)</sup>	(37,481) <sup>(1)</sup>	—	(9,283)	(49,541) <sup>(2)</sup>
					<b>Income Statement<sup>(1)</sup></b>	<b>Balance Sheet<sup>(2)</sup></b>
					(in thousands of euro)	
Deferred tax assets . . . . .					63,783	95,154
Deferred tax liabilities . . . . .					(33,782)	(49,541)
					30,001	45,613
Income Statement (see Note 5.20)						
Deferred tax (benefit)/expense . . . . .					(30,001)	
Current tax expense . . . . .					2,619	
					(27,382)	
Balance Sheet						
Deferred tax asset . . . . .						60,647
Current tax liability . . . . .						(15,034)
						45,613

	January 1, 2008	(Charged) credited to income statement (in thousands of euro)	Acquisition of Subsidiary	December 31, 2008
Deferred tax assets:				
Financial instruments . . . . .	1,487	554	—	2,041
Property and equipment . . . . .	501	(501)	—	—
Provisions . . . . .	4,590	(4,827)	9,619	9,382
Tax loss carry-forwards . . . . .	88,576	(58,208)	241	30,609
Other . . . . .	—	345	—	345
Total Deferred tax assets . . . . .	95,154.0	(62,637) <sup>(1)</sup>	9,860	42,377 <sup>(2)</sup>
Deferred tax liabilities:				
Intangible assets . . . . .	(41,249)	3,660	(5,702)	(43,291)
Property and equipment . . . . .	(7,969)	(3,327)	(4,520)	(15,816)
Other . . . . .	(323)	215	—	(108)
Total Deferred tax liabilities . . . . .	(49,541.0)	548 <sup>(1)</sup>	(10,222)	(59,215) <sup>(2)</sup>
			<b>Income Statement<sup>(1)</sup></b>	<b>Balance Sheet<sup>(2)</sup></b>
			(in thousands of euro)	
Deferred tax assets . . . . .			(62,637)	42,377
Deferred tax liabilities . . . . .			548	(59,215)
			(62,089)	(16,838)
Income Statement (see Note 5.20)				
Deferred tax (benefit)/expense . . . . .			62,089	
Current tax expense . . . . .			181	
			62,270	
Balance Sheet				
Deferred tax asset . . . . .				—
Current tax liability . . . . .				(16,838)
				(16,838)

Deferred tax assets are recognised for tax loss carry forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. During 2007, the Company determined that it was probable that the tax loss carry forwards for the subsidiary discussed above would be utilised based on both the actual usage in the prior periods and the expected taxable profit for the future. As a result, a net deferred tax asset was recognised for the tax loss carry forwards and other temporary differences.

As Telenet Group Holding NV and virtually all of its subsidiaries with tax loss carry forwards have never realised any substantial taxable profits, no deferred tax assets have been recognised other than those discussed in the previous paragraphs and one acquired in a business combination in 2008. The Company did not recognise deferred tax assets of €216.8 million (2007: €170.7 million) in respect of losses amounting to €638.0 million (2007: €502.3 million) that can be carried forward against future taxable income. Additionally, the Company did not recognise net deferred tax assets of €8.6 million (2007: €2.3 million) related primarily to temporary differences on financial instruments, property and equipment and deferred financing fees, because it is not considered more likely than not that these net deferred tax assets will be utilised in the foreseeable future.

## 5.14 OTHER LIABILITIES

	December 31, 2008	December 31, 2007
	(in thousands of euro)	
Employee benefit obligations <sup>(1)</sup>	7,436	6,730
Copyright fees	2,117	2,751
Other personnel related obligations	7,946	9,778
Long service awards	3,647	3,655
Claims	2,345	2,157
Interkabel out of market opex <sup>(2)</sup>	17,000	—
Asset retirement obligation	2,313	—
Other	4,493	3,675
Total Other liabilities	47,297	28,746

(1) For information on the most significant benefit plans, see Note 5.15 of the consolidated financial statements of the Company.

(2) Regarding the Interkabel Acquisition, see Note 5.22.1 of the consolidated financial statements of the Company.

## 5.15 EMPLOYEE BENEFIT PLANS

### Defined contribution plans

The majority of the Company's employees participate in defined contribution plans funded through a group insurance or pension fund. The accumulated assets in the pension fund amount to €15.4 million at December 31, 2008 (2007: €18.5 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. Taking into account these minimum guaranteed rates of return and the actual returns obtained by the pension fund, and based on actuarial calculations performed, the benefit obligation exceeded the fair value of the plan assets by €1.2 million at December 31, 2008 (2007: €0). This shortfall is treated as an unrecognised actuarial loss.

### Long service awards

The Company has also recognised a liability of €3.6 million at December 31, 2008 (2007: €3.7 million) for long service awards.

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

The funded 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 the Company or property occupied by the Company.

The Company also provides medical and other post-retirement benefits to certain employees. These obligations are financed directly by the Company. The corresponding liabilities are calculated at every reporting date and are recognised on the Company's balance sheet to reflect these obligations under post-retirement plans.

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

	Defined Benefit Pension Plans		Other post-retirement plans	
	2008	2007	2008	2007
	(in thousands of euro)			
Present value of funded obligations	7,559	5,097	—	—
Fair value of plan assets	(5,303)	(3,228)	—	—
	2,256	1,869	—	—
Present value of unfunded obligations	—	—	7,149	6,053
Unrecognised net actuarial loss	(2,481)	(1,742)	(439)	(139)
Net (asset) liability in balance sheet	(225)	127	6,710	5,914

The amounts recognised in the income statement are as follows:

	Defined Benefit Pension Plans		Other post-retirement plans	
	2008	2007	2008	2007
	(in thousands of euro)			
Service cost . . . . .	1,434	1,866	476	821
Interest cost . . . . .	382	283	365	277
Expected return on plan assets . . . . .	(204)	(227)	—	—
Losses/(gains) on curtailments . . . . .	—	—	—	397
Losses/(gains) on settlements . . . . .	—	430	—	—
Actuarial losses recognised in the year . . . . .	115	73	18	29
Total . . . . .	1,727	2,425	859	1,524

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

	Defined Benefit Pension Plans		Other post-retirement plans	
	2008	2007	2008	2007
	(in thousands of euro)			
Opening defined benefit obligation . . . . .	5,097	7,080	6,052	6,351
Service cost . . . . .	1,434	1,866	476	821
Interest cost . . . . .	382	283	365	277
Plan participants contributions . . . . .	56	52	—	—
Losses/(gains) on curtailments . . . . .	—	—	—	397
Actuarial loss (gain) . . . . .	590	(982)	318	(1,688)
Benefits paid . . . . .	—	(3,202)	(62)	(105)
Closing defined benefit obligation . . . . .	7,559	5,097	7,149	6,053

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

	Defined Benefit Pension Plans		Other post-retirement plans	
	2008	2007	2008	2007
	(in thousands of euro)			
Opening fair value of plan assets . . . . .	3,228	6,185	—	—
Expected return on plan assets . . . . .	204	227	—	—
Company contributions . . . . .	2,080	1,513	62	105
Plan participants contributions . . . . .	56	52	—	—
Actuarial (loss) gain . . . . .	(265)	(1,547)	—	—
Benefits paid . . . . .	—	(3,202)	(62)	(105)
Closing fair value of plan assets . . . . .	5,303	3,228	—	—

The actual return on plan assets for the plans shown was €(0.1) million (2007: €(1.3) million).

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

	1% increase	1% decrease
	(in thousands of euro)	
a) aggregate amount of service cost and interest cost . . . . .	96	(76)
b) defined benefit obligation . . . . .	552	(452)



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

	2008	2007	2006	2005	2004
	(in thousands of euro)				
Defined benefit obligation . . . . .	14,708	11,150	13,431	8,189	4,120
Fair value of plan assets . . . . .	5,303	3,228	6,185	1,878	1,462
(Surplus)/deficit . . . . .	9,405	7,922	7,246	6,311	2,658
Experience adjustments on plan liabilities . . . . .	(590)	(831)	1,634	—	—
Experience adjustments on plan assets . . . . .	(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	
	2008	2007	2008	2007
Discount rate at December 31 . . . . .	5.35%	5.35%	5.35%	5.35%
Rate of compensation increase . . . . .	3.10%	3.11%	—	—
Expected return on plan assets . . . . .	4.89%	4.82%	—	—
Underlying inflation rate . . . . .	2.00%	2.00%	2.00%	2.00%
Increase of medical benefits . . . . .	—	—	3.00%	3.00%

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

## 5.16 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	December 31, 2008	December 31, 2007
	(in thousands of euro)	
Customer deposits . . . . .	24,008	24,569
Compensation and employee benefits . . . . .	39,693	29,950
VAT and withholding taxes . . . . .	5,840	1,465
Copyright fees . . . . .	767	3,942
Dividend payable to shareholders . . . . .	239	983
Interkabel out of market component <sup>(1)</sup> . . . . .	9,170	—
Accrued programming fees . . . . .	41,206	30,564
Accrued capital expenditure . . . . .	16,052	12,462
Accrued other liabilities . . . . .	127,827	139,621
Other current liabilities . . . . .	1,168	1,482
Total Accrued expenses and other current liabilities . . . . .	265,970	245,038

(1) Regarding the Interkabel Acquisition, see Note 5.22.1 of the consolidated financial statements of the Company.

## 5.17 REVENUE

The Company's revenue is comprised of the following:

	For the years ended December 31,	
	2008	2007
	(in thousands of euro)	
Cable television:		
Basic Subscribers <sup>(1)</sup> . . . . .	244,325	221,730
Premium Subscribers <sup>(1)</sup> . . . . .	77,985	62,892
Distributors/Other . . . . .	29,820	35,299
Residential:		
Internet . . . . .	353,682	324,435
Telephony <sup>(2)</sup> . . . . .	210,845	200,530
Business . . . . .	102,189	87,010
Total Revenue . . . . .	<u>1,018,846</u>	<u>931,896</u>

The Company also has deferred revenue as follows:

	December 31, 2008	December 31, 2007
	(in thousands of euro)	
Cable television:		
Basic Subscribers <sup>(1)</sup> . . . . .	97,011	95,344
Premium Subscribers <sup>(1)</sup> . . . . .	1,514	21,296
Distributors/Other . . . . .	27,772	6,359
Residential:		
Internet . . . . .	10,361	9,841
Telephony <sup>(2)</sup> . . . . .	2,871	2,745
Business . . . . .	593	655
Total Revenue . . . . .	<u>140,122</u>	<u>136,240</u>
Current portion . . . . .	<u>129,418</u>	<u>123,495</u>
Long term portion . . . . .	<u>10,704</u>	<u>12,745</u>

(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.

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.

## 5.18 EXPENSES BY NATURE

	For the years ended December 31,	
	2008	2007
	(in thousands of euro)	
Employee benefits:		
Wages, salaries, commissions and social security costs . . . . .	107,113	101,983
Other employee benefit costs . . . . .	20,006	20,088
	<u>127,119</u>	<u>122,071</u>
Depreciation and impairment . . . . .	199,535	182,037
Amortisation . . . . .	54,140	48,161
Amortisation of broadcasting rights . . . . .	8,572	7,428
Network operating and service costs . . . . .	281,877	270,238
Advertising, sales and marketing . . . . .	63,171	59,282
Share-based payments granted to directors and employees . . . . .	4,614	507
Other costs . . . . .	41,072	36,891
Total costs and expenses . . . . .	<u>780,100</u>	<u>726,615</u>

The number of full time equivalents employed by the Company at the year ended December 31, 2008 was 1,597 (2007: 1,592).

## 5.19 FINANCE INCOME/EXPENSE

	For the years ended December 31,	
	2008	2007
	(in thousands of euro)	
<b>Recognised in profit or loss</b>		
<b>Finance income</b>		
Interest income on bank deposits and commercial paper . . . . .	5,104	5,660
Net foreign exchange gains/(losses) . . . . .	511	16,730
	<u>5,615</u>	<u>22,390</u>
<b>Interest expense, net</b>		
Interest expense on financial liabilities measured at amortised cost . . . . .	(162,354)	(115,675)
Interest expense on derivatives at fair value through profit or loss . . . . .	(13,151)	(1,199)
Interest income on derivatives at fair value through profit or loss . . . . .	17,474	414
Amortisation of financing cost . . . . .	(5,861)	(5,497)
	<u>(163,892)</u>	<u>(121,957)</u>
<b>Net gains/(losses) on derivative financial instruments</b>		
Net change in fair value of derivatives at fair value through profit or loss . . . . .	(32,986)	(15,057)
Net change in fair value of foreign exchange forward contracts reclassified into earnings . . . . .	—	(6,614)
Transfer of accumulated hedging reserve to profit and loss upon discontinuance of hedge accounting . . . . .	—	(3,816)
	<u>(32,986)</u>	<u>(25,487)</u>
Loss on extinguishment of debt . . . . .	—	(86,679)
<b>Net finance expense recognised in profit or loss . . . . .</b>	<u>(191,263)</u>	<u>(211,733)</u>
<b>Recognised directly in equity</b>		
<b>Net change in fair value of derivatives (loss) recognised directly in equity . . . . .</b>	<b>—</b>	<b>(217)</b>
Transfer of accumulated hedging reserve to profit and loss upon discontinuance of hedge accounting . . . . .	—	3,816
<b>Net finance income recognised directly in equity . . . . .</b>	<u><b>—</b></u>	<u><b>3,599</b></u>

## 5.20 INCOME TAX (BENEFIT)/EXPENSE

	For the years ended December 31,	
	2008	2007
	(in thousands of euro)	
Current tax expense . . . . .	181	2,619
Deferred tax (benefit) expense (Note 5.13) . . . . .	62,089	(30,001)
<b>Income tax (benefit)/expense . . . . .</b>	<b>62,270</b>	<b>(27,382)</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:

	For the years ended December 31,	
	2008	2007
	(in thousands of euro)	
Profit/(loss) before tax . . . . .	47,050	(6,713)
Income tax expense (benefit) at the Belgian statutory rate of 33.99% . . . . .	15,992	(2,282)
Expenses not deductible for tax purposes . . . . .	916	5,014
Notional interest deduction . . . . .	(5,143)	(4,398)
Deferred tax benefit arising from the reversal of a previous write-down of deferred tax assets . . . . .	(998)	(86,589)
Expiration of tax losses . . . . .	212	—
Adjustments recognised in the current year in relation to the filings for prior years . . . . .	(360)	—
Recognition of previously unrecognised acquired tax losses through goodwill at the historic Belgian statutory rate of 40.17% . . . . .	—	30,898
Utilisation of previously unrecognised tax losses . . . . .	—	(26,171)
Tax losses and temporary differences for which no deferred revenue tax asset was recognised . . . . .	51,555	56,115
Other . . . . .	96	31
<b>Tax expense (benefit) for the year . . . . .</b>	<b>62,270</b>	<b>(27,382)</b>

## 5.21 EARNINGS (LOSS) PER SHARE

### 5.21.1 Basic

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

	For the years ended December 31,	
	2008	2007
	(in thousands of euro, except share and per share data)	
Net profit (loss) attributable to the equity holders of the Company . . . . .	(15,220)	20,669
Weighted average number of ordinary shares . . . . .	109,851,262	104,525,939
Weighted average number of Class A Profit Certificates . . . . .	73,650	27,964
Weighted average number of Class B Profit Certificates . . . . .	56,582	61,533
<b>Weighted average number of shares used in the calculation of basic earnings per share . . . . .</b>	<b>109,981,494</b>	<b>104,615,436</b>
Basic earnings (loss) per share in € . . . . .	(0.14)	0.20

### 5.21.2 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, 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

During the year ended December 31, 2007, the Company had three categories of dilutive potential ordinary shares:

- Class A Options
- Class B Options
- Subordinated Debt Warrants

The effects of the dilutive potential ordinary shares were not included in the calculation of diluted earnings (loss) per share for the year ended December 31, 2008 because they are anti-dilutive. 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.

	For the years ended December 31,	
	2008	2007
Weighted average number of shares used in the calculation of basic earnings per share . . . . .	109,981,494	104,615,436
Adjustment for:		
Class A Options . . . . .	—	933,790
Class B Options . . . . .	—	401,292
Subordinated Debt Warrants . . . . .	—	2,637,997
<b>Weighted average number of shares used in the calculation of diluted earnings per share . . . . .</b>	<b>109,981,494</b>	<b>108,588,515</b>
Diluted earnings per share in € . . . . .	(0.14)	0.19

## 5.22 ACQUISITIONS OF SUBSIDIARIES

### 5.22.1 Acquisition of Interkabel

Pursuant to an agreement with four associations of municipalities in Belgium, which we refer to as the pure intercommunales or the “PICs”, that was executed on June 28, 2008 (the 2008 PICs Agreement), the Company acquired from the PICs, effective October 1, 2008, certain cable television assets (Interkabel), including (i) substantially all of the rights that the Company did not already hold to use the broadband communications network owned by the PICs (the Company 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). As further described below, the Company 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. The Company completed the Interkabel Acquisition in order to achieve certain financial, operational and strategic benefits by obtaining full access to the Telenet PICs Network and integrating (i) the PICs digital and analog television activities and (ii) the Company’s digital interactive television services with the broadband internet and telephony services already offered by the Company over the Telenet PICs Network.

In connection with the Interkabel Acquisition, (i) the Company 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, as further described below. The €224.9 million of cash

consideration includes €10.5 million representing compensation to the PICs for the acquisition of certain equipment and other rights, net of compensation to the Company for the transfer of certain liabilities to the Company. In addition, the PICs paid the Company cash of €27.0 million during the fourth quarter of 2008 in connection with certain working capital adjustments. The Company borrowed an additional €85.0 million under the New Senior Credit Facility in September 2008 to fund a portion of the €224.9 million of net cash consideration paid to the PICs. The remaining cash consideration was funded by existing cash and cash equivalent balances. The Company incurred €2.7 million of direct acquisition costs associated with this transaction.

Among other matters, 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 the Company 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, as described below. The fees payable under the 2008 PICs Agreement include (i) principal payments of €13.0 million per year (payable in quarterly instalments) through October 2023 on the €195.0 million value assigned to the initial leased asset base, (ii) payments to the PICs over the life of the 2008 PICs Agreement to reimburse for capital expenditures and compensate for network operating costs incurred by the PICs with respect to the Telenet PICs Network and (iii) interest on the outstanding amount of the initial leased asset base and all capital additions to the initial leased asset base at a rate of 6.25% per annum over the life of the 2008 PICs Agreement. All capital expenditures associated with the Telenet PICs Network will be initiated by the Company but executed and pre-financed by the PICs through an addition to the long-term capital lease, and will follow a 15-year reimbursement schedule.

Including amounts payable under the existing 1996 PICs Agreements, as described below, payments for network operating costs incurred by the PICs will total €34.8 million during the first year of the 2008 PICs Agreement and will decrease by a fixed annual amount through the sixth year of the 2008 PICs Agreement, when the annual reimbursement will be €28.7 million. Thereafter, the percentage change in the amount of reimbursed network operating costs will be based on changes in the network operating costs incurred by the Company with respect to its own networks. Payments to the PICs for network operating costs are included in operating expenses in our consolidated statements of operations.

The 2008 PICs Agreement also provides that the Company will (i) retain certain of the former employees of the PICs at least through the first quarter of 2010 and (ii) allow the PICs to use limited bandwidth on the Telenet PICs Network throughout the life of the 2008 PICs Agreement for certain well-defined (public) services. The 2008 PICs Agreement has the form of an emphyotic lease agreement, which under Belgian law, is the legal form that is closest to ownership of a real estate asset without actually having the full legal ownership.

The 2008 PICs Agreement will expire on September 23, 2046 and cannot be terminated earlier (except in case of non-payment or bankruptcy of the lessee). In the event no agreement has been reached between the parties before or on September 23, 2034 to extend or terminate the 2008 PICs Agreement, the 2008 PICs Agreement will be extended until 2107 if (i) the PICs have not informed the Company on September 23, 2034 of their intention to terminate the 2008 PICs Agreement and (ii) the Company has informed the PICs of its intention to extend the 2008 PICs Agreement. In case the agreement is so extended, it can be terminated by either party by giving 12 years' notice.

In the event a court would require the Company and the PICs to pay a penalty or indemnification to a third party on grounds that the PICs did not organise a market consultation procedure before entering into the agreements, the PICs will be liable to pay such indemnity up to a maximum amount of €20.0 million. Any amount above €20.0 million would be payable by the Company. The arrangement covers claims introduced on or before June 28, 2018.

Pursuant to certain agreements that the Company and the PICs entered into in 1996 (the 1996 PICs Agreements), the Company acquired the exclusive right to provide point-to-point services and the non-exclusive right to provide certain other services on a portion of the Telenet PICs Network. In return for these usage rights, the Company issued equity to the PICs and, in addition, agreed to make various payments to the PICs, including payments associated with the capital upgrade of the Telenet PICs Network so that the Telenet PIC Network would be technologically capable of providing two-way communications services (the two-way upgrade). The discounted value of the amounts payable by the Company through 2016 under the 1996 PICs Agreements that corresponded to the two-way upgrade of the Telenet PICs Network was reflected as a financed obligation within our other debt balances, with corresponding



amounts reflected as intangible assets associated with the Company's right to use a portion of the Telenet PICs Network. Following the completion of the Interkabel Acquisition, we began including these financed obligations (€83.5 million balance at October 1, 2008) and intangible assets (€81.5 million net carrying value at October 1, 2008) together with the respective lease obligations and assets associated with the 2008 PICs Agreement to arrive at the total obligations and assets that we report in our consolidated balance sheet with respect to the capital lease of the Telenet PICs Network. See Note 5.11.6 to the consolidated financial statements of the Company. The Company's obligation to make additional annual payments from 2017 through 2046 under the 1996 PICs Agreements was not terminated by the 2008 PICs Agreement. The discounted value of these payments as of December 31, 2008 (€41.8 million) is included in our other debt balances in our consolidated balance sheet.

The Company has 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 these consolidated financial statements, is preliminary and subject to adjustment based on the Company's final assessment of the fair values of the acquired identifiable assets and liabilities. Although most items in the valuation process remain open, we expect that the most significant adjustments to the preliminary allocation will involve long-lived assets and deferred taxes.

The Interkabel Acquisition had the following effect on the Company's assets and liabilities on acquisition date.

	(in thousands of euro)
Current assets, net of cash acquired . . . . .	500
Property and equipment . . . . .	195,532
Intangible assets . . . . .	196,200
Non current assets . . . . .	9,620
Liabilities assumed . . . . .	(286,471)
Goodwill . . . . .	85,226
<b>Total cash consideration paid . . . . .</b>	<b>200,607</b>

Before the acquisition, Interkabel was not reporting under IFRSs as adopted by the EU. Consequently, the pre-acquisition carrying amounts of the assets and liabilities under IFRSs as adopted by the EU are not disclosed.

### 5.22.2 Other acquisitions

#### Hostbasket NV

On January 7, 2008, the Company 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 finalised 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>

Before the acquisition, Hostbasket was not reporting under IFRSs as adopted by the EU. Consequently, the pre-acquisition carrying amounts of the assets and liabilities under IFRSs as adopted by the EU is not disclosed.

### City Live NV

Upon the capital increase performed by City Live NV in January 2008, the Company participated in this capital increase for an amount of €0.2 million. On September 4, 2008, the Company sold all its shares in City Live NV. City Live NV was qualified as an associate and as a result was accounted for using the equity method.

## 5.23 NON CASH INVESTING AND FINANCING TRANSACTIONS

	For the years ended December 31,	
	2008	2007
	(in thousands of euro)	
Acquisition of property and equipment in exchange for debt . . . . .	7,665	—
Acquisition of network user rights in exchange for debt . . . . .	—	2,347
Acquisition of property and equipment in exchange for short-term borrowings and refinancing of short-term borrowings with finance lease . .	—	(15,545)
Refinance of short-term borrowings with finance leases . . . . .	—	30,000

## 5.24 COMMITMENTS AND CONTINGENCIES

### 5.24.1 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 the Company and the pure intercommunal cable operators, Interkabel and IN.DI (together the “PICs”)**

In November 2007, the Company signed an in-principle agreement with the PICs concerning a possible collaboration whereby the Company would take over all analogue and digital TV services from the PICs for a fixed amount of €170 million (as a remuneration for the customer base) as well as an annual payment for the operational expenses of the network. The PICs would retain bandwidth for some of their own internal public services.

The successful conclusion of this in-principle agreement led to Belgacom, the Company’s main competitor, taking action in a number of court cases to have it overturned. Belgacom brought cases before a civil court in Antwerp, the Council of State and the Government Commissioner.

On December 26, 2007, Belgacom lodged summary proceedings with the President of the Court of First Instance of Antwerp with a view to obtaining a provisional injunction preventing the PICs from effecting

the agreement-in-principle. Belgacom's claim is based on the allegation that the PICs should have organised a market consultation prior to entering into the agreement-in-principle. The PICs are challenging this allegation, and the Company intervened in this litigation in order to protect its interests. On March 11, 2008 the Antwerp civil court ruled in favour of Belgacom, temporarily suspending the implementation of the in-principle agreement. On June 4, 2008 this decision was overruled by the court of appeal in Antwerp. The court declared itself incompetent to consider the claim in short cause by Belgacom. As a consequence this claim was rejected. Belgacom has appealed against this decision.

On February 1, 2008 Belgacom has also initiated legal proceedings before the Council of State, an administrative court, with a view to obtaining a provisional injunction preventing the PICs from effecting the agreement-in-principle. On May 22, 2008 this claim for a provisional injunction was rejected by the Council of State.

In December 2007, the Company's main competitor also filed a complaint with the Government Commissioner. The Government Commissioner and the Minister have not deemed it necessary to suspend the agreement-in-principle in light of the pending legal proceedings referred to above.

Seen the positive decisions in the procedures in summary proceedings before the court of appeal in Antwerp and the Council of State, the Company and the PICs were able to resume their discussions about the execution of the in-principle agreement in June 2008. These resumed discussions led to the signing of final agreements on June 28, 2008. These final agreements confirm the take over of all analogue and digital TV services from the PICs for a fixed amount as well as an annual payment for the operational expenses of the network. The transaction took effect as of October 1, 2008.

Belgacom used the approval of the final agreements by the PICs to start new procedures before the Council of State on July 23, 2008. The claim by Belgacom to order a provisional injunction to the PICs was rejected again on November 27, 2008.

For the moment, there are still two procedures on the merits pending before the Council of State. These procedures on the merits aim to cancel the decisions of the boards of directors of the PICs approving the final agreements. It will take several years before the Council of State will render a judgment in these cases. Even if this judgment would be negative for the Company, this would not necessarily affect the existence and the validity of the final agreements.

On March 9, 2009 a procedure on the merits was pleaded before the Court of First Instance in Antwerp. In this procedure, Belgacom asked the court to cancel the final agreements. On April 6, 2009, the Court of First Instance in Antwerp decided in favor of the PICs and the Company. That judgment can always be appealed. We estimate that the handling of this appeal would probably take one and a half to two years.

If the court annuls the final agreements, this could make our take over of the television activities of the PICs more difficult and/or impossible. Also in this context the Company could be held to pay compensations.

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

In 2007, the Company and the PICs were discussing the PICs' desire to provide video-on-demand and related digital interactive services over the the Company 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 the Company in exchange for stock in 1996. The Company learned that the PICs intended to launch certain digital interactive services in breach of the Company'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 unfavourable to the Company, the Company'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 the Company concluded with the PICs in the meanwhile concerning the take over 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 (see also section 1.4 of the consolidated annual report of the Board of Directors). 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 the Company 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. We expect a definitive decision of the Council of State by mid 2009. In the meantime Belgacom has filed a compensation claim of €75 million before the Court of First Instance in Brussels. For the moment, this case was sent to the docket awaiting the final judgment by the Council of State.

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 the Company’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*), which will review only whether the lower courts have made an error in law or have breached certain formal procedural requirements in the case. A final decision may take up to two years, since the Supreme Court can refer the case back to the Court of Appeal if it is indeed of the opinion that certain rules were not properly followed or that there was an error in law.

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

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. The Company 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, the results of which are not expected before end 2009, 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 will be included into the Belgian Telecommunications Act, allowing the Regulator to repair annulled BIPT decisions retro-actively, which could be in the Company’s advantage if the 2002 BIPT decision were indeed annulled by the Council of State.

## Copyright litigation

As of December 31, 2008, we retained an accrual of €3.2 million for liabilities arising from settlements of copyright litigation in which we have been involved. Together with other Belgian cable television operators,

we pay fees to copyright collection agencies and broadcasters for the content that we distribute to end users on our network. In September 1995, copyright collection agencies and broadcasters began to dispute the terms for the payment of these fees. These disputes ultimately resulted in extensive litigation between the majority of the copyright collection agencies and broadcasters and the Belgian cable television operators, including us, represented through 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”).

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 RTD 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 31, 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 the Company, 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 the Company 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 the Company. Unitron has significant outstanding invoices owed by M-Tec for the delivery of Expressnet equipment and aims to recover these directly from the Company. The Company 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 the Company in the Company’s favour. Following this, sums previously paid by the Company 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 the Company 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. The Company filed for appeal.

### 5.24.2 Operating leases

The Company leases facilities, vehicles and equipment under cancellable and non-cancellable operating leases. The following schedule details, at December 31, 2008 and 2007, the future minimum lease payments under cancellable and non-cancellable operating leases:

	December 31, 2008	December 31, 2007
	(in thousands of euro)	
Within one year . . . . .	9,083	9,629
In the second to fifth year, inclusive . . . . .	15,441	20,489
Thereafter . . . . .	2,617	2,647
Total minimum lease payments . . . . .	27,141	32,765
Minimum lease payments recognised as an expense in the year . . . . .	25,722	20,719

### 5.25 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 2008 and 2007.

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

#### 5.25.1 Balance sheet

	December 31, 2008	December 31, 2007
	(in thousands of euro)	
Trade receivables . . . . .	—	10
Trade payables . . . . .	239	260

#### 5.25.2 Income statement

	For the years ended December 31,	
	2008	2007
	(in thousands of euro)	
Operating		
Leases and other operating expenses . . . . .	(481)	(389)
Other operating income . . . . .	164	128

#### 5.25.3 Key management compensation

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

	For the years ended December 31,	
	2008	2007
	(in thousands of euro)	
Salaries and other short-term employee benefits . . . . .	4,655	5,491
Post-employment benefits . . . . .	168	213
Share-based payments . . . . .	1,626	162
	6,449	5,866



## 5.26 SUBSIDIARIES

Details of the Company's significant subsidiaries as of December 31, 2008 are as follows:

<u>Company</u>	<u>National Number</u>	<u>Address</u>	<u>% Held</u>	<u>Consolidation Method</u>
Telenet Group Holding NV . . . . .	0477.702.333	Liersesteenweg 4, 2800 Mechelen, Belgium	—	Parent company
Telenet Communications NV . .	0473.416.814	Liersesteenweg 4, 2800 Mechelen, Belgium	100%	Fully consolidated
Telenet Bidco NV . . . .	0473.416.418	Liersesteenweg 4, 2800 Mechelen, Belgium	100%	Fully consolidated
Telenet NV . . . . .	0439.840.857	Liersesteenweg 4, 2800 Mechelen, Belgium	100% <sup>(1)</sup>	Fully consolidated
Telenet Vlaanderen NV . . . . .	0458.840.088	Liersesteenweg 4, 2800 Mechelen, Belgium	100%	Fully consolidated
Telenet Solutions Luxembourg SA . . . . .	1.999.223.4426	Rue de Neudorf 595, L-2220 Luxembourg, Luxembourg	100%	Fully consolidated
Hostbasket NV . . . . .	0472.225.692	Antwerpsesteenweg 19, 9080 Lochristi, Belgium	100% <sup>(2)</sup>	Fully consolidated
T-VGAS NV . . . . .	0808.321.289	Ballaerstraat 99, 2018 Antwerpen, Belgium	90% <sup>(3)</sup>	Fully consolidated

On September 4, 2008 Telenet NV sold its 25.68% stake in City Live NV to the management of City Live NV for one euro (€1.00). See also Note 5.22.2 to the consolidated financial statements of the Company.

## 5.27 SUBSEQUENT EVENTS

### 5.27.1 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

- (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 5.22.2 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. The Company holds 100% of the ordinary shares issued and Frank Molnar holds profit certificates corresponding to a 10% economic interest.

dividend rights in this venture. This joint-venture will be active in intermediation services for the sale of online advertising space and will also offer certain ancillary online advertising services.

#### **5.27.2 Full MVNO agreement with Mobistar**

On February 12, 2009, Mobistar and the Company announced the extension of their strategic partnership for a period of at least three years. The new partnership has evolved into a full MVNO (mobile virtual network operator) agreement. This implies that the Company will develop its own MSC (mobile switching centre) to strengthen its offering of fixed-mobile convergence services and will collaborate with Mobistar for its voice and data radio infrastructure. Mobistar will be able to rent the Company's fiber optic network to optimize its backhaul.

The experience and the offer of the two operators will contribute to real convergence opportunities for fixed and mobile, internet and voice, as well as operational synergies. This partnership agreement will enable the Company to further expand its mobile voice and data offer with the support of Mobistar's radio infrastructure and experience. The Company can also access the extensive handset and smartphone catalogue of Mobistar.

#### **5.27.3 NYSE Liffe launches options on Telenet Group Holding NV**

On March 3 2009, NYSE Liffe, the European based derivatives business of NYSE Euronext, launched options on shares of Telenet Group Holding NV on its Brussels market. The options were launched following our Company's increasing profile and the growing trading volumes in our shares. Options offer all investors the opportunity to hedge their positions in shares, to benefit from future share price increases or to protect against future share price decreases.

At the same time, the Company entered the BEL 20 index, an index featuring the top 20 listed companies in terms of market capitalization on the Brussels Stock Exchange.

### **5.28 EXTERNAL AUDIT**

(all amounts in euro)

The general shareholders' meeting of May 29, 2008 has 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, 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.

Fees paid to KPMG for other engagements prescribed by Belgian Company Law amounted to €4,000 for the year ended December 31, 2008. Fees paid to KPMG for engagements other than those described above amounted to €30,300 for the year ended December 31, 2008. These related primarily to additional audit-related services to Telenet NV. For other advisory services, during the year ended December 31, 2008, fees of €90,822 were paid to KPMG Advisory CVBA.

## **REPORT OF THE STATUTORY AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS**

### **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, 2008**

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.

#### **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 balance sheet as of December 31, 2008 and the consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, as well as the summary of significant accounting policies and the other explanatory notes. The total of the consolidated balance sheet amounts to €3,022,729,000 and the consolidated income statement shows a loss for the year of €15,220,000.

The Board of Directors of the company is responsible for the preparation of these 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 December 31, 2008 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**

The preparation of the management report and its content are the responsibility of the Board of Directors of the company.

Our responsibility is to supplement our report with the following additional comment which does not modify our audit opinion on the consolidated 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.

Brussels, April 27, 2009

KPMG Bedrijfsrevisoren—Réviseurs d'Entreprises  
Statutory auditor  
represented by

Jos Briers  
Réviseur d'Entreprises/Bedrijfsrevisor

**ANNEX A**  
**COPY OF THE SENIOR CREDIT FACILITY AGREEMENT**

**AGREEMENT**

UP TO €2,300,000,000  
CREDIT FACILITIES

FOR

**TELENET BIDCO NV**

ARRANGED BY

**ABN AMRO BANK N.V.  
BNP PARIBAS S.A.  
J.P. MORGAN PLC**

WITH

**TORONTO DOMINION (TEXAS) LLC  
as Facility Agent**

AND

**KBC BANK NV  
as Security Agent**

Originally dated 1 August 2007 and as amended and restated by supplemental agreements dated  
22 August 2007, 11 September 2007, 8 October 2007, 23 June 2009 and 25 August 2009 and  
4 October 2010

**ALLEN & OVERY**

**Allen & Overy LLP**

0033351-0001866 BK:11478503.7



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**THIS AGREEMENT** is dated 1 August 2007

**BETWEEN:**

- (1) **TELENET BIDCO NV** (HR Mechelen 89835, Enterprise No. 0473.416.418) as original borrower (in this capacity, the **Original Borrower**);
- (2) **THE PARTIES** listed in Part 1 of Schedule 1 (Original Parties) as original guarantors (in this capacity, each an **Original Guarantor** and together the **Original Guarantors**);
- (3) **ABN AMRO BANK N.V., BNP PARIBAS S.A., and J.P. MORGAN PLC** as mandated lead arrangers (in this capacity each a **Mandated Lead Arranger** and together the **Mandated Lead Arrangers**);
- (4) **THE FINANCIAL INSTITUTIONS** listed in Part 2 of Schedule 1 (Original Parties) as initial original lenders (the **Initial Original Lenders**);
- (5) **TORONTO DOMINION (TEXAS) LLC** as facility agent (in this capacity the **Facility Agent**); and
- (6) **KBC BANK NV** as security agent (in this capacity, the **Security Agent**).

**IT IS AGREED** as follows:

## **1. INTERPRETATION**

### **1.1 Definitions**

In this Agreement:

**Accession Agreement** means a letter, substantially in the form of Schedule 10 (Form of Accession Agreement), with such amendments as the Facility Agent may approve or reasonably require.

**Accounting Principles** means accounting principles and practices generally applied in Belgium, including IFRS, as the same are from time to time in force or applied.

**Acquisition** means the acquisition by Telenet of 100 per cent. of the issued share capital of MixtICS NV on 9 August 2002.

**Acquisition Business Plan** means, in respect of a Majority Acquisition or JV Minority Acquisition, a business plan for the Target to be acquired which has been reviewed by PricewaterhouseCoopers (or such other leading firm of independent and internationally recognised consultants or accountants appointed by Telenet) and which sets out the management plan for the period from the date of the proposed Majority Acquisition or JV Minority Acquisition (as applicable) (taking into account the Acquisition Cost of such Majority Acquisition or JV Minority Acquisition and financial projections relating to the Target) up to and including the latest Final Maturity Date and based on assumptions which are no more aggressive (when taken as a whole) than those used in preparation of the Business Plan dated on or about the date of this Agreement.

**Acquisition Cost** means, in relation to a Majority Acquisition and a JV Minority Acquisition, the value of the consideration for that Majority Acquisition or JV Minority Acquisition (as applicable) at the time of completion of the Majority Acquisition or JV Minority Acquisition and for this purpose:

- (a) the value at the time of completion of the Majority Acquisition or JV Minority Acquisition of any consideration to be paid or delivered after the time of completion of the Majority Acquisition or JV Minority Acquisition will be determined in accordance with the Accounting Principles;
- (b) if the entity acquired becomes a member of the Group as a result of the Majority Acquisition, the aggregate principal amount of Financial Indebtedness of any entity acquired outstanding at the time of completion of the Majority Acquisition (including without limitation any Lending Transaction (as defined in Clause 19.15(f) (Loans and guarantees) made by a member of the Group in connection with the relevant Majority Acquisition) will be counted as part of the consideration for that Majority Acquisition;
- (c) if the entity acquired does not become a member of the Group as a result of the JV Minority Acquisition, the aggregate principal amount of Financial Indebtedness of the entity acquired at the time of completion of the JV Minority Acquisition will be counted as part of the consideration for that JV Minority Acquisition to the extent of the aggregate principal

amount of the payment and repayment obligations in respect of such Financial Indebtedness assumed or guaranteed by any member of the Group; and

- (d) subject to paragraphs (a), (b) and (c) above, the value at the time of completion of the Majority Acquisition or JV Minority Acquisition of any non-cash consideration will be determined in accordance with the Accounting Principles,

expressed in euros, if required, using the Agent's Spot Rate of Exchange on the date of completion of the relevant Majority Acquisition or JV Minority Acquisition.

**Additional Borrower** means a member of the Group which becomes a Borrower after the date of this Agreement pursuant to Clause 27.7 (Additional Borrowers).

**Additional Guarantor** means a member of the Group which becomes a Guarantor after the date of this Agreement pursuant to Clause 27.8 (Additional Guarantors).

**Additional Obligor** means an Additional Borrower or an Additional Guarantor.

**Administrative Party** means a Mandated Lead Arranger or an Agent and, where the context so admits or requires, includes each of them.

**Affiliate** means a Subsidiary or a Holding Company of a person or any other Subsidiary of that Holding Company.

**Agent** means the Facility Agent or the Security Agent.

**Agent's Spot Rate of Exchange** means the spot rate of exchange as determined by the Facility Agent for the purchase of euros in the London foreign exchange market with the relevant currency in which any part of the Acquisition Cost for a Majority Acquisition or JV Minority Acquisition is incurred at or about 11.00 a.m. on a particular day.

**Annuity Fees** means the amounts payable by Vlaanderen to Interkabel Vlaanderen CVBA pursuant to Sections 5, 6 and 7 of the contribution deed dated 23 September 1996 pursuant to which Interkabel Vlaanderen CVBA effected a contribution in kind of usage rights to a cable network to Vlaanderen, as amended on 28 May 1998.

**Anti-Terrorism Law** means each of:

- (a) Executive Order No. 13224 of 23 September 2001—Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (the **Executive Order**);
- (b) the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56 (commonly known as the USA Patriot Act);
- (c) the Money Laundering Control Act of 1986, Public Law 99-570; and
- (d) any similar law enacted in the United States of America subsequent to the date of this Agreement.

**Approved Stock Options** means any options, warrants, rights to purchase or other equivalents (however designated) issued or granted by a member of the Group to any former, present or future officers, consultants, directors and/or employees of any member of the Group or its Affiliates to subscribe for share capital or similar rights of ownership in that member of the Group provided that the maximum aggregate amount of such options, warrants, rights to purchase or other equivalents (however designated) shall not exceed 3 per cent. of its issued share capital.

**Auditors** means PricewaterhouseCoopers or such other firm of independent public accountants of international standing which may be appointed by Telenet in accordance with this Agreement as its auditors.

**Availability Period** means:

- (a) in the case of the Term Loan A Facility, the Term Loan B1 Facility, and with respect to the first €462,500,000 available to be drawn under the Term Loan C Facility, the period from and including the date of this Agreement to and including 31 October 2007;

- (b) in the case of any amount of the Term Loan C Facility in excess of the first €462,500,000 drawn, the period from and including the date of this Agreement to and including the date falling 6 months after the date of this Agreement (or such other date as may be agreed in writing between the Majority Term Loan C Facility Lenders and Telenet);
- (c) in the case of the Term Loan B2A Facility, the period from and including the date of this Agreement to and including 30 June 2010 (or such other date as may be agreed in writing between the Majority Term Loan B2A Facility Lenders and Telenet);
- (d) in the case of the Term Loan B2B Facility, the period from and including the date of this Agreement to and including 30 June 2009 (or such other date as may be agreed in writing between the Majority Term Loan B2B Facility Lenders and Telenet);
- (e) in the case of the Revolving Facility, the period from and including the date of this Agreement to and including the date falling one month before the Revolving Facility Final Maturity Date; and
- (f) in the case of a Telenet Additional Facility, the period agreed between Telenet and the relevant Telenet Additional Facility Lenders in the applicable Telenet Additional Facility Accession Agreement.

**Basel II Costs** means any amount referred to in paragraph (c) of Clause 12.2 (Exceptions).

**Belgacom Interconnect Agreement** means the interconnection agreement with Belgacom N.V. dated 19 December 1997.

**Beneficiaries** has the meaning given to it in the Intercreditor Agreement.

**Borrower** means the Original Borrower or an Additional Borrower.

**Break Costs** means the amount (if any) which a Lender is entitled to receive under Clause 24.3 (Break Costs).

**Business** means any business of the Group:

- (a) that consists of the upgrade, construction, creation, development, marketing, acquisition (to the extent permitted under this Agreement), operation, utilisation and maintenance of networks that use existing or future technology for the transmission, reception and delivery of voice, video and/or other data (including networks that transmit, receive and/or deliver services such as multi-channel television and radio, programming, telephony, Internet services and content, high speed data transmission, video, multi-media and related activities); or
- (b) that supports, is incidental to or is related to any such business; or
- (c) that comprises being a Holding Company of one or more persons engaged in such business, and references to **business** or **ordinary course of business** shall be similarly construed.

**Business Day** means a day (other than a Saturday or a Sunday) on which banks are open for general business in London, Paris and Brussels and which is also a TARGET Day.

**Business Plan** means:

- (a) the business plan of the Group delivered to the Facility Agent by Telenet dated on or about the date of this Agreement; or
- (b) any revised business plan of the Group delivered to the Facility Agent by Telenet after the date of this Agreement.

**Capital Expenditure** means any expenditure which is or will be treated as a capital expenditure in the audited consolidated financial statements of the Group in accordance with the Accounting Principles.

**change of control** has the meaning given to it in Clause 7.2 (Mandatory prepayment—change of control).

**Clientele Fees** means the fees payable by a member of the Group to Interkabel Vlaanderen CVBA pursuant to a clientele fee agreement dated 23 September 1996 as amended on 28 May 1998.

**Closing Date** means the date of first utilisation under the Facilities.

**Code** means the United States Internal Revenue Code of 1986, as amended and any rule or regulation issued thereunder from time to time in effect.

**Commitment** means a Term Loan A Facility Commitment, a Term Loan B1 Facility Commitment, a Term Loan B2A Facility Commitment, a Term Loan B2B Facility Commitment, a Term Loan C Facility Commitment, a Revolving Facility Commitment or a Telenet Additional Facility Commitment and, where the context so admits or requires, includes each of them.

**Company** means Telenet BidCo NV (a company registered in Belgium with registration number HR Mechelen 89835, Enterprise No. 0473.416.418).

**Company Share Pledge** means the share pledge agreement entered into or to be entered into between (amongst others) Holdco and the Security Agent over Holdco's entire shareholding in Telenet.

**Compliance Certificate** means a certificate substantially in the form of Schedule 9 (Form of Compliance Certificate) setting out, among other things, calculations of the financial covenants.

**Consolidated Annualised EBITDA** means, in the case of a Measurement Period Consolidated EBITDA for the two financial quarters ending on the last day of that Measurement Period multiplied by two.

**Consolidated Cash and Cash Equivalents** means, at any time:

- (a) cash in hand or on deposit with any acceptable bank which, in either case, is remittable to the Kingdom of Belgium;
- (b) certificates of deposit, maturing within one year after the relevant date of calculation, issued by an acceptable bank;
- (c) any investment in marketable obligations issued or guaranteed by the government of the United States of America, the U.K. or the Kingdom of Belgium or by an instrumentality or agency of the government of the United States of America, the U.K. or the Kingdom of Belgium having an equivalent credit rating;
- (d) open market commercial paper:
  - (i) for which a recognised trading market exists;
  - (ii) issued in the United States of America, the U.K. or the Kingdom of Belgium;
  - (iii) which matures within one year after the relevant date of calculation; and
  - (iv) which has a credit rating of A-1 or higher by S&P and P-1 or higher by Moody's, or, if no rating is available in respect of the commercial paper or indebtedness, the issuer of which has, in respect of its long-term debt obligations, a rating of AA or higher by S&P and Aa2 or higher by Moody's; or
- (e) any other instrument, security or investment approved by the Majority Lenders,

in each case, to which any member of the Group is beneficially entitled at that time and is capable of being applied against Consolidated Total Borrowings. An acceptable bank for this purpose is a commercial bank or trust company which has a rating of A or higher by S&P and A-2 or higher by Moody's or a comparable rating from a nationally recognised credit rating agency for its long-term debt obligations.

**Consolidated EBITDA** means the consolidated net pre-taxation profits of the Reporting Group for a Measurement Period:

- (a) including the net pre-taxation profit or loss of a member of the Reporting Group or business or assets acquired during that Measurement Period for the part of that Measurement Period when it was not a member of the Reporting Group and/or the business or assets were not owned by a member of the Reporting Group; but
- (b) excluding the net pre-taxation profit or loss attributable to any member of the Reporting Group or to any business or assets sold during that Measurement Period,

and all as adjusted by (to the extent included in paragraph (a) or (b) above or):

- (i) adding back all interest and periodic finance charges, including acceptance commission, commitment fee and the interest element of rental payments on finance or capital lease payments (whether, in each case, paid, payable or accrued) incurred by the Reporting Group in that period;
- (ii) adding back or deducting any loss or gain attributable to minority interests; and
- (iii) adding back depreciation, amortisation and any other non-cash charges.

**Consolidated Total Borrowings** means, in respect of the Reporting Group, at any time, the aggregate of the following:

- (a) the outstanding principal amount of any moneys borrowed (including for the avoidance of doubt any interest that has been capitalised under such borrowings);
- (b) the outstanding principal amount of any acceptance under any acceptance credit;
- (c) the outstanding principal amount of any bond, note, debenture, loan stock or other similar instrument;
- (d) the capitalised element of indebtedness under any Finance Lease;
- (e) the outstanding principal amount of all moneys owing in connection with the sale or discounting of receivables (otherwise than on a non-recourse basis);
- (f) the outstanding principal amount of any indebtedness arising from any deferred payment agreements arranged primarily as a method of raising finance or financing the acquisition of an asset other than any trade credit on normal commercial terms deferred for no more than 90 days;
- (g) any fixed or minimum premium amount on the scheduled repayment or scheduled redemption of any instrument referred to in paragraph (c) above;
- (h) the outstanding principal amount of any indebtedness arising in connection with any other transaction (including any forward sale or purchase agreement) which has the commercial effect of a borrowing;
- (i) the outstanding principal amount of any indebtedness in respect of any counter-indemnity obligation of a type referred to in paragraph (i) of the definition of Financial Indebtedness; and
- (j) the outstanding principal amount of any indebtedness of any person other than a member of the Group of a type referred to in paragraphs (a)—(i) above which is the subject of a guarantee, indemnity or similar assurances against financial loss given by a member of the Group,

and so that where any amount falls within more than one of the preceding paragraphs, that amount shall be included only once.

**Dangerous Substance** means any radioactive emissions and any natural or artificial substance (whether in solid or liquid form or in the form of a gas or vapour and whether alone or in combination with any other substance) which, taking into account the concentrations and quantities present and the manner in which it is being used or handled, it is reasonably foreseeable will cause harm to man or any other living organism or damage to the Environment including any controlled, special, hazardous, toxic, radioactive or dangerous waste.

**Default** means:

- (a) an Event of Default; or
- (b) an event or circumstance which would be (with the expiry of a grace period or the giving of notice) an Event of Default.

**Deferral** means an Equity Funded Deferral, as repaid or prepaid from time to time, and any refinancing thereof.



**Deferral Debt** has the meaning given to that term in paragraph (o) of the definition of Permitted Financial Indebtedness in this Clause 1.1.

**Designated Party** means any person listed:

- (a) in the Annex to the Executive Order;
- (b) on the “Specially Designated Nationals and Blocked Persons” list maintained by the Office of Foreign Assets Control of the United States Department of the Treasury; or
- (c) in any successor list to either of the foregoing.

**Double Tax Treaty** means any convention between the government of the Kingdom of Belgium and any other government for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital gains.

**Environment** means the media of air, water and land (wherever occurring) and in relation to the media of air and water includes, without limitation, the air and water within buildings and the air and water within other natural or man-made structures above or below ground and any water contained in any underground strata.

**Environmental Approval** means any authorisation required by an Environmental Law.

**Environmental Claim** means any claim by any person in connection with:

- (a) a breach, or alleged breach, of an Environmental Law;
- (b) any accident, fire, explosion or other event of any type involving an emission or substance which is capable of causing harm to any living organism or the environment; or
- (c) any other environmental contamination,

which might result in any liability on any Party.

**Environmental Law** means any law or regulation concerning:

- (a) the protection of health and safety;
- (b) the environment; or
- (c) any emission or substance which is capable of causing harm to any living organism or the environment.

**Equity Funded Deferrals** means any cash element of the consideration payable in respect of the Acquisition, subject to an aggregate maximum principal amount of €198,000,000, payment of which is deferred.

**ERISA** means the United States Employee Retirement Income Security Act of 1974, as amended.

**ERISA Affiliate** means each trade or business, whether or not incorporated, that would be treated as a single employer with any member of the Group under section 414 of the United States Internal Revenue Code of 1986, as amended. When any provision of this Agreement relates to a past event, the term **ERISA Affiliate** includes any person that was an ERISA Affiliate of a member of the Group at the time of that past event.

**EURIBOR** means for a Term of any Loan or overdue amount denominated in euro:

- (a) the applicable Screen Rate; or
- (b) if no Screen Rate is available for that Term of that Loan or overdue amount, the arithmetic mean (rounded upward to four decimal places) of the rates as supplied to the Facility Agent at its request quoted by the Reference Banks to leading banks in the European interbank market,

as of 11.00 a.m. (Paris time) on the Rate Fixing Day for the offering of deposits in euro for a period comparable to that Term.

**euro** means the single currency of the Participating Member States.

**Event of Default** means an event specified as such in Clause 20 (Default).

**Existing Notes Security** means the existing security entered into in connection with the Senior Notes and Senior Discount Notes as set out at in Schedule 8 (Existing Notes Security).

**Existing Security** means the existing security entered into in connection with the Existing Senior Facility as set out in Schedule 6 (Existing Security).

**Existing Security Document** means an agreement or instrument in respect of Existing Security.

**Existing Security Provider** means an Original Obligor, SuperHoldco, Holdco or Vlaanderen.

**Existing Senior Facility** means the €1,000,000,000 credit facilities provided to Telenet pursuant to a credit agreement dated 10 May 2006 between (amongst others) Telenet and KBC Bank NV as security agent.

**Existing Share Pledge** means each existing share pledge agreement as set out in Schedule 7 (Existing Share Pledges).

**Facility** means the Term Loan A Facility, the Term Loan B1 Facility, the Term Loan B2A Facility, the Term Loan B2B Facility, the Term Loan C Facility, the Revolving Facility and each Telenet Additional Facility and, where the context so admits or requires, includes each of them.

**Facility Office** means the office notified by a Lender to the Facility Agent:

- (a) on or before the date it becomes a Lender; or
- (b) by not less than five Business Days' notice,

as the office(s) through which it will perform its obligations under this Agreement.

**Fee Letter** means any letter entered into by reference to this Agreement between one or more Administrative Parties and an Obligor setting out the amount of certain fees referred to in this Agreement.

**Final Maturity Date** means:

- (a) the Term Loan A Facility Final Maturity Date;
- (b) the Term Loan B1 Facility Final Maturity Date;
- (c) the Term Loan B2A Facility Final Maturity Date;
- (d) the Term Loan B2B Facility Final Maturity Date;
- (e) the Term Loan C Facility Final Maturity Date; or
- (f) the Revolving Facility Final Maturity Date; or
- (g) the Final Maturity Date as set out in any Telenet Additional Facility Accession Agreement.

**Finance Document** means:

- (a) this Agreement;
- (b) a Security Document;
- (c) a Fee Letter;
- (d) the Intercreditor Agreement;
- (e) each Telenet Additional Facility Accession Agreement;
- (f) the Hedging Letter;
- (g) a Hedging Document;
- (h) any subordination agreement relating to Subordinated Shareholder Loans;
- (i) the Syndication Letter;
- (j) a Transfer Certificate;
- (k) an Accession Agreement;
- (l) a Resignation Request; or
- (m) any other document designated as such by the Facility Agent and Telenet.

**Finance Lease** means any contract treated as a finance or capital lease in accordance with Accounting Principles.

**Finance Party** means a Lender, a Hedging Bank or an Administrative Party.

**Financial Indebtedness** means any indebtedness for or in respect of:

- (a) moneys borrowed and debit balances at banks;
- (b) any acceptance credit (including any dematerialised equivalent);
- (c) any bond, note, debenture, loan stock or other similar instrument;
- (d) any Finance Lease provided that indebtedness in respect of network leases shall only be included in this paragraph (d) for the purposes of Clause 20.5 (Cross-default and cross acceleration);
- (e) receivables sold or discounted (other than any receivables to the extent they are sold or discounted on a non-recourse basis);
- (f) the acquisition cost of any asset to the extent payable after its acquisition or possession by the party liable where the deferred payment is arranged primarily as a method of raising finance or financing the acquisition of that assets;
- (g) (for the purposes of Clause 20.5 (Cross-default and cross acceleration) only) any derivative transaction protecting against or benefiting from fluctuations in any rate or price (and, at any time, the then marked to market value of the derivative transaction will be used to calculate its amount);
- (h) any other transaction (including any forward sale or purchase agreement) which has the commercial effect of a borrowing;
- (i) any counter-indemnity obligation in respect of any guarantee, indemnity, bond, letter of credit or any other instrument issued by a bank or financial institution; or
- (j) any guarantee, indemnity or similar assurance against financial loss of any person in respect of any item referred to in the above paragraphs,

provided that indebtedness which has been cash-collateralised shall not be included in any calculation of Financial Indebtedness to the extent so cash-collateralised and indebtedness which is in the nature of equity (other than redeemable shares) shall not be regarded as Financial Indebtedness.

**Funds Flow Statement** means a funds flow statement in agreed form continuing details of the flow of funds on the Closing Date.

**Group** means Telenet and its Subsidiaries other than a Non-Recourse Subsidiary.

**Guarantor** means an Original Guarantor or an Additional Guarantor.

**Hedging Bank** has the meaning given to it in the Intercreditor Agreement.

**Hedging Document** has the meaning given to it in the Intercreditor Agreement.

**Hedging Letter** has the meaning given to that term in Part 1 of Schedule 2 (Conditions Precedent Documents).

**Holdco** means Telenet Communications NV (a company registered in Belgium with registration number HR Mechelen 090032, Enterprise No. 0473.416.814).

**Holding Company** of any other person, means a company in respect of which that other person is a Subsidiary.

**IFRS** means international accounting standards within the meaning of IAS Regulation 1606/2002 to the extent applicable to the relevant financial statements.

**Increased Cost** means:

- (a) an additional or increased cost;

- (b) a reduction in the rate of return from a Facility or on a Finance Party's (or its Affiliate's) overall capital; or
- (c) a reduction of an amount due and payable under any Finance Document,

which is incurred or suffered by a Finance Party or any of its Affiliates but only to the extent attributable to that Finance Party having entered into any Finance Document or funding or performing its obligations under any Finance Document.

**Information Memorandum** means the document in the form approved by Telenet which, at the request of Telenet was prepared in relation to this Agreement and distributed by the Mandated Lead Arrangers in connection with the syndication of the Facilities.

**Information Package** means the Information Memorandum and the written materials to be provided/presented to certain prospective lenders at a management presentation meeting prior to the bank presentation meeting and/or to prospective lenders at the bank presentation meeting to be held on or shortly after the date of this Agreement in relation to the Facilities.

**Infosys Technologies Agreement** means the software services agreement with Infosys Technologies Limited dated 19 April 2001.

**Intellectual Property Rights** means all know-how, patents, trademarks, service marks, designs, business names, domain names, topographical or similar rights, copyrights, database rights and other intellectual property rights and any interests (including by way of licence) in any of the foregoing (in each case whether registered or not and including all applications for the same) of any member of the Group.

**Intercreditor Agreement** means the intercreditor agreement entered into or to be entered into between (amongst others) the Facility Agent (on behalf of all of the Finance Parties), the Security Agent and the Obligors.

**Interest** means, for any period, all interest and periodic financing charges (including, without limitation, acceptance commission or commitment fees, and the interest element of Finance Leases entered into after the date of this Agreement) accrued during that period.

**Interkabel Acquisition** means (1) the acquisition by a member of the Group of the analogue and digital television business (including customer base) and certain or all assets related to this business and/or (2) the lease by a member of the Group of certain assets related to this business from:

- (a) Provinciale Intercommunale Elektriciteitsmaatschappij van Limburg Interelectra (INTERELECTRA) and Intermedia (INTERMEDIA);
- (b) West-Vlaamse Energie-en Teledistributiemaatschappij (WVEM);
- (c) Provinciale Brabantse Energiemaatschappij (PBE);
- (d) Interkommunale voor Teledistributie van het Gewest Antwerpen (Integan);
- (e) Interkabel Vlaanderen CVBA; and
- (f) IN.DI.

**Interkabel Contribution Deed** means the notarial deeds passed before notary Kiebooms on 23 September 1996 and 18 May 1998 whereby Interkabel Vlaanderen CV contributed usage rights over the PICs cable networks to Vlaanderen.

**Joint Venture** means any joint venture entity, whether a company, unincorporated firm, undertaking, association, joint venture or partnership or any other entity.

**Lender** means:

- (a) an Original Lender;
- (b) any Telenet Additional Facility Lender; or
- (c) any person which becomes a Lender after the date of this Agreement.

**LIBOR** means for a Term of any Loan or overdue amount denominated in U.S. Dollars:

- (a) the applicable Screen Rate; or

- (b) if no Screen Rate is available for that Term of that Loan or overdue amount, the arithmetic mean (rounded upward to four decimal places) of the rates, as supplied to the Facility Agent at its request, quoted by the Reference Banks to leading banks in the London interbank market,

as of 11:00 am (London time) on the Rate Fixing Day for the offering of deposits in U.S. Dollars for a period comparable to that Term.

**Licence** means each approval, consent, authorisation and licence from, and all filings, registrations and agreements with any governmental or regulatory authority, in each case granted, issued, made or entered into pursuant to any Telecommunications and Cable Law necessary in order to enable each member of the Group to carry on its business as may be permitted by the terms of this Agreement.

**Loan** means a Term Loan A Facility Loan, a Term Loan B1 Facility Loan, a Term Loan B2A Facility Loan, a Term Loan B2B Facility Loan, a Term Loan C Facility Loan, a Revolving Loan or a Telenet Additional Facility Loan and, where the context so admits or requires, includes each of them.

**Majority Acquisition** has the meaning given in paragraph (d) of the definition of **Permitted Acquisition**.

**Majority Lenders** means, at any time, Lenders:

- (a) whose share in the outstanding Loans and whose undrawn Commitments then aggregate two thirds or more of the aggregate of all the outstanding Loans and the undrawn Commitments of all the Lenders;
- (b) if there is no Loan then outstanding, whose undrawn Commitments then aggregate two thirds or more of the Total Commitments; or
- (c) if there is no Loan then outstanding and the Total Commitments have been reduced to zero, whose Commitments aggregated two thirds or more of the Total Commitments immediately before the reduction,

provided that, solely for the purposes of determining whether any amendment or waiver of any term of the Finance Documents requested by Telenet has been approved by the Majority Lenders, the amount of the Loans and undrawn Commitments of the Lenders referred to in paragraph (a) above shall be reduced by the amount of the Loans and undrawn Commitments of any Lender that has not, on or before the day 10 Business Days after the date such request has been notified to the Lenders by the Facility Agent, notified the Facility Agent of its decision or requested further information to enable it to make such decision, or has notified the Facility Agent that it is actively reviewing such request with a view to making such decision.

**Majority Term Loan A Facility Lenders** means, at any time, Term Loan A Facility Lenders:

- (a) whose share in the outstanding Term Loan A Facility Loans and whose undrawn Term Loan A Facility Commitments then aggregate two thirds or more of the aggregate of all the outstanding Term Loan A Facility Loans and the undrawn Term Loan A Facility Commitments of all the Term Loan A Facility Lenders;
- (b) if there is no Term Loan A Facility Loan then outstanding, whose undrawn Term Loan A Facility Commitments then aggregate two thirds or more of the Total Term Loan A Facility Commitments; or
- (c) if there is no Term Loan A Facility Loan then outstanding and the Total Term Loan A Facility Commitments have been reduced to zero, whose Term Loan A Facility Commitments aggregated two thirds or more of the Total Term Loan A Facility Commitments immediately before the reduction.

**Majority Term Loan B1 Facility Lenders** means, at any time, Term Loan B1 Facility Lenders:

- (a) whose share in the outstanding Term Loan B1 Facility Loans and whose undrawn Term Loan B1 Facility Commitments then aggregate two thirds or more of the aggregate of all the outstanding Term Loan B1 Facility Loans and the undrawn Term Loan B1 Facility Commitments of all the Term Loan B1 Facility Lenders;

- (b) if there is no Term Loan B1 Facility Loan then outstanding, whose undrawn Term Loan B1 Facility Commitments then aggregate two thirds or more of the Total Term Loan B1 Facility Commitments; or
- (c) if there is no Term Loan B1 Facility Loan then outstanding and the Total Term Loan B1 Facility Commitments have been reduced to zero, whose Term Loan B1 Facility Commitments aggregated two thirds or more of the Total Term Loan B1 Facility Commitments immediately before the reduction.

**Majority Term Loan B2A Facility Lenders** means, at any time, Term Loan B2A Facility Lenders:

- (a) whose share in the outstanding Term Loan B2A Facility Loans and whose undrawn Term Loan B2A Facility Commitments then aggregate two thirds or more of the aggregate of all the outstanding Term Loan B2A Facility Loans and the undrawn Term Loan B2A Facility Commitments of all the Term Loan B2A Facility Lenders;
- (b) if there is no Term Loan B2A Facility Loan then outstanding, whose undrawn Term Loan B2A Facility Commitments then aggregate two thirds or more of the Total Term Loan B2A Facility Commitments; or
- (c) if there is no Term Loan B2A Facility Loan then outstanding and the Total Term Loan B2A Facility Commitments have been reduced to zero, whose Term Loan B2A Facility Commitments aggregated two thirds or more of the Total Term Loan B2A Facility Commitments immediately before the reduction.

**Majority Term Loan B2B Facility Lenders** means, at any time, Term Loan B2B Facility Lenders:

- (a) whose share in the outstanding Term Loan B2B Facility Loans and whose undrawn Term Loan B2B Facility Commitments then aggregate two thirds or more of the aggregate of all the outstanding Term Loan B2B Facility Loans and the undrawn Term Loan B2B Facility Commitments of all the Term Loan B2B Facility Lenders;
- (b) if there is no Term Loan B2B Facility Loan then outstanding, whose undrawn Term Loan B2B Facility Commitments then aggregate two thirds or more of the Total Term Loan B2B Facility Commitments; or
- (c) if there is no Term Loan B2B Facility Loan then outstanding and the Total Term Loan B2B Facility Commitments have been reduced to zero, whose Term Loan B2B Facility Commitments aggregated two thirds or more of the Total Term Loan B2B Facility Commitments immediately before the reduction.

**Majority Term Loan C Facility Lenders** means, at any time, Term Loan C Facility Lenders:

- (a) whose share in the outstanding Term Loan C Facility Loans and whose undrawn Term Loan C Facility Commitments then aggregate two thirds or more of the aggregate of all the outstanding Term Loan C Facility Loans and the undrawn Term Loan C Facility Commitments of all the Term Loan C Facility Lenders;
- (b) if there is no Term Loan C Facility Loan then outstanding, whose undrawn Term Loan C Facility Commitments then aggregate two thirds or more of the Total Term Loan C Facility Commitments; or
- (c) if there is no Term Loan C Facility Loan then outstanding and the Total Term Loan C Facility Commitments have been reduced to zero, whose Term Loan C Facility Commitments aggregated two thirds or more of the Total Term Loan C Facility Commitments immediately before the reduction.

**Management Fees** means any management, consultancy or similar fees payable by any member of the Group to any Restricted Person.

**Mandatory Cost** means the percentage rate per annum calculated by the Facility Agent in accordance with Schedule 4 (Calculation of the Mandatory Cost) and shall, for the avoidance of doubt, exclude Basel II Costs.

**Margin** means:

- (a) in respect of a Term Loan A Facility Loan, the applicable Term Loan A Facility Margin;



- (b) in respect of a Term Loan B1 Facility Loan, the applicable Term Loan B1 Facility Margin;
- (c) in respect of a Term Loan B2A Facility Loan, the applicable Term Loan B2A Facility Margin;
- (d) in respect of a Term Loan B2B Facility Loan, the applicable Term Loan B2B Facility Margin;
- (e) in respect of a Term Loan C Facility Loan, the applicable Term Loan C Facility Margin;
- (f) in respect of a Revolving Loan, the applicable Revolving Facility Margin; and
- (g) in respect of a Telenet Additional Facility Loan, the applicable Telenet Additional Facility Margin.

**Material Adverse Effect** means a material adverse effect on the ability of the Obligors (taken as a whole) to perform their payment obligations under any Finance Document.

**Material Contracts** means:

- (a) the Belgacom Interconnect Agreement;
- (b) the Infosys Technologies Agreement; and
- (c) the Interkabel Contribution Deed,

in each case including any contract which might be substituted in place of any contract listed in (a) to (c) above.

**Material Group Member** means an Obligor or a Material Subsidiary.

**Material Subsidiary** means, at any time any Subsidiary of Telenet (other than a Non-Recourse Subsidiary) whose gross assets, earnings before interest, depreciation, amortisation and taxes or turnover (excluding intra-group items) equal or exceed, respectively, 10 per cent. of the consolidated gross assets, earnings before depreciation, amortisation, interest and taxes or turnover of the Reporting Group (excluding intra-group items).

For this purpose:

- (a) the gross assets, earnings before interest, depreciation, amortisation and taxes or turnover of a Subsidiary of Telenet will be determined from its financial statements (unconsolidated if it has Subsidiaries) upon which the latest financial statements of the Reporting Group that have been delivered to the Facility Agent pursuant to Clause 17.1(a) (Financial statements) are based;
- (b) if a Subsidiary of Telenet becomes such a Subsidiary after the date on which the latest financial statements of the Reporting Entity have been prepared, the gross assets, earnings before depreciation, amortisation, interest and taxes or turnover of that Subsidiary will be determined from its latest financial statements;
- (c) the gross assets, earnings before interest, depreciation, amortisation and taxes or turnover of the Reporting Group will be determined from its latest financial statements delivered to the Facility Agent pursuant to Clause 17.1(a) (Financial statements), adjusted (where appropriate) to reflect the gross assets, earnings before interest, depreciation, amortisation and taxes or turnover of any company or business subsequently acquired or disposed of;
- (d) if a Material Subsidiary disposes of all or substantially all of its assets to another Subsidiary of Telenet, it will immediately cease to be a Material Subsidiary and the other Subsidiary (if it is not already) will immediately become a Material Subsidiary; the subsequent financial statements of those Subsidiaries and Telenet will be used to determine whether those Subsidiaries are Material Subsidiaries or not.

**Maturity Date** means the last day of the Term of a Revolving Loan.

**Measurement Period** means with respect to the first Measurement Period, the two financial quarters ending on 30 September 2007 and, thereafter, the two financial quarters ending on 31 December 31 March 30 June and 30 September of each year.

**Necessary Authorisations** means all material approvals, consents, authorisations and licences from, all rights granted by and all filings, registrations and agreements with, any government or other

regulatory authority necessary in order to enable each member of the Group to carry on its business as may be permitted by the terms of this Agreement as carried on by it at the relevant time.

**Net Proceeds** means the aggregate cash (or cash equivalent) proceeds received by any member of the Group in consideration for or otherwise in respect of a relevant disposal, net of all Taxes applicable on, or to any gain resulting from, that disposal and of all reasonable costs, fees and expenses properly incurred by continuing members of the Group in arranging and effecting that disposal.

**Net Total Debt** means, at any time, Total Debt less Consolidated Cash and Cash Equivalents at that time.

**Non-Recourse Subsidiary** means a company or partnership:

- (a) is a limited liability company or a limited liability partnership in which no member of the Group is the general partner;
- (b) none of whose indebtedness or any other obligations benefits from any recourse whatsoever to any member of the Group in respect of the repayment or payment thereof; and
- (c) which has been designated as such by the Original Borrower by written notice to the Facility Agent on or prior to its becoming a Subsidiary of the Original Borrower which notice shall be accompanied by evidence satisfactory to the Facility Agent that the requirements of paragraph (b) above will be complied with at all times in respect of that Subsidiary,

provided that the Original Borrower may, having obtained the prior consent of the Majority Lenders and having submitted a Business Plan referred to in paragraph (b) of the definition of 'Business Plan', give written notice to the Facility Agent at any time that any Non-Recourse Subsidiary is no longer a Non-Recourse Subsidiary, whereupon it shall cease to be a Non-Recourse Subsidiary and shall, if it would be a Material Subsidiary immediately after its redesignation as a member of the Group, accede to this Agreement as an Additional Guarantor in accordance with Clause 27.8 (Additional Guarantors).

**Obligor** means a Borrower or a Guarantor.

**Obligor Pledge of Receivables** means the pledges of receivables that may be entered into between certain Obligors and the Security Agent in substantially the same form as the pledges of receivables that comprise part of the Existing Security.

**Original Financial Statements** means the audited consolidated financial statements of SuperHoldco for the year ended 31 December 2006 as prepared or restated in accordance with the Accounting Principles.

**Original Lender** means:

- (a) an Initial Original Lender; and
- (b) any person which has become a New Lender (as defined in Clause 27.3 (Transfers by Lenders) under a Facility other than a Telenet Additional Facility in accordance with Clause 27 (Changes to the Parties),

which in each case has not ceased to be a party in accordance with the terms of this Agreement.

**Original Obligor** means Telenet or an Original Guarantor.

**Participating Member State** means a member state of the European Union that adopts or has adopted the euro as its lawful currency under the legislation of the European Economic and Monetary Union.

**Party** means a party to this Agreement.

**Permitted Acquisition** means:

- (a) any acquisition by any member of the Group pursuant to a Permitted Disposal by a member of Group;
- (b) any Restricted Acquisition of a member of the Group by any other member of the Group as part of the solvent reorganisation of the Group;

- (c) any Restricted Acquisition of further share capital (or equivalent) of an entity which was a member of the Group immediately prior to the completion of the Restricted Acquisition;
- (d) any acquisition by a member of the Group of assets, businesses and entities located principally in the Kingdom of Belgium, the Netherlands or Luxembourg or any equity interests in, or debts or securities owed or issued by any such entity, where upon completion of the acquisition the Target will be a Subsidiary of Telenet or where a member of the Group will own directly or indirectly greater than a 50 per cent. interest in the assets or assets constituting the acquired business (a **Majority Acquisition**) and the principal activities of such entities are related to the Permitted Business as at the date of this Agreement and are carried out principally in Belgium, the Netherlands or Luxembourg, provided that

in the case of any Majority Acquisition where the Acquisition Cost exceeds €250,000,000 (or its equivalent), Telenet provides to the Facility Agent within 15 days of the date of any such Majority Acquisition:

- (i) a Business Plan prepared for the period beginning on the date of (and assuming completion of) the relevant acquisition and ending on the Final Maturity Date and which must demonstrate that, following the relevant acquisition, Telenet will be able to comply with all its obligations (present and future) under Clause 18 (Financial Covenants) for the period referred to above; and
- (ii) to the extent they are available to Telenet, the most recent six-months management accounts of or relating to the Target, together with a certificate signed by a managing director of Telenet certifying that the copy of such management accounts provided to the Facility Agent is a true copy; and
- (iii) an Acquisition Business Plan; and
- (iv) a certificate signed by a managing director of Telenet which certifies that, if the ratio of the Net Total Debt to Consolidated Annualised EBITDA was re-calculated for the most recent Measurement Period ending prior to the date of the Majority Acquisition in respect of which financial statements have been delivered pursuant to Clause 17.1(a) (Financial statements) (the **Relevant Measurement Period**) but adding to the:
  - (A) amount of Total Debt used in such calculation any net increase in the Total Debt since the end of the Relevant Measurement Period or subtracting from the amount of Total Debt used in such calculation any net deduction in the Total Debt (in each case taking into account the amount of Total Debt used to fund the Acquisition Cost); and
  - (B) Consolidated Annualised EBITDA, the annualised earnings before interest, tax, depreciation and amortisation of the Target for the Relevant Measurement Period,

the ratio of Net Total Debt to Consolidated Annualised EBITDA would be less than 5.0:1;

- (e) acquisitions of Consolidated Cash and Cash Equivalents; and
- (f) acquisitions permitted by the Majority Lenders,

provided that:

- (i) in the case of any acquisition falling within paragraphs (a), (d) and (f) above (other than any acquisition of Consolidated Cash or Cash Equivalents) no Event of Default has occurred and is continuing at the time of such proposed acquisition; and
- (ii) in the case of any acquisition of any company or partnership, such company is a company incorporated with limited liability or is a limited liability partnership provided that the acquisition does not include the acquisition of the general partner of that limited liability partnership.

**Permitted Business** means the carrying on of the Business principally in Belgium, the Netherlands or Luxembourg.

**Permitted Disposal** means:

- (a) any disposal (including, for the avoidance of doubt, the outsourcing of activities that support or are incidental to the Permitted Business) of assets on arm's length commercial terms in the ordinary course of business;
- (b) any disposal of property or other assets on bona fide arm's length commercial terms in the ordinary course of business in consideration for, or to the extent that the Net Proceeds of disposal are applied within 120 days after such disposal in the acquisition of, property or other assets of a similar nature and approximately equal value to be used in the Permitted Business;
- (c) the disposal of assets in exchange for other assets similar or superior as to type, value or quality;
- (d) any disposal of assets on bona fide arm's length commercial terms where such assets are obsolete or no longer required for the purposes of the Permitted Business;
- (e) the application of cash in payments which are not otherwise restricted by the terms of this Agreement and the Security Documents including, for the avoidance of doubt, Permitted Acquisitions and Permitted Payments;
- (f) disposals (or the payment of management, consultancy or similar fees):
  - (i) by an Obligor to another Obligor; or
  - (ii) from a member of the Group which is not an Obligor, to an Obligor; or
  - (iii) from an Obligor to another member of the Group which is not an Obligor;
- (g) disposals arising as a result of any Permitted Security Interest;
- (h) disposals made in connection with Approved Stock Options;
- (i) the payment, transfer or other disposal of consideration for any Majority Acquisition, merger or consolidation permitted by Clause 19.10 (Acquisitions and mergers);
- (j) the grant of indefeasible rights of use or equivalent arrangements with respect to network capacity, communications, fibre capacity or conduit, in each case on arm's length commercial terms or on terms that are fair and reasonable and in the best interests of the Group;
- (k) the payment, transfer or other disposal between members of the Group constituting consideration or investment for or towards or in furtherance of any Permitted Acquisition, Permitted Joint Venture or a merger or consolidation permitted by Clause 19.10 (Acquisitions and mergers);
- (l) the granting of operating leases or licences of real property on arm's length terms;
- (m) any disposal made as part of a Permitted Transaction;
- (n) disposals required by law or under the authority of any government or agency; and
- (o) any disposal (in addition to those described in paragraphs (a) to (n) above) of any asset, the annualised earnings before interest, tax, depreciation and amortisation attributable to which for the most recent Measurement Period ending immediately prior to the date of that disposal (**Annualised EBITDA**), when aggregated with the Annualised EBITDA attributable to all other disposals of assets other than those described in paragraphs (a) to (n), does not exceed 15% of the Consolidated Annualised EBITDA for that most recent Measurement Period (the **Disposal Cap**). The Disposal Cap shall be re-credited by a percentage amount equal to the percentage which the Annualised EBITDA attributable to any Permitted Acquisition (annualised for the financial year of Telenet in which such Permitted Acquisition is completed) represents of the Consolidated Annualised EBITDA of the Group in that financial year (taking into account such Permitted Acquisition), provided that the Disposal Cap may never exceed an amount equal to 15% of the Consolidated Annualised EBITDA for that most recent Measurement Period.

**Permitted Financial Indebtedness** means any Financial Indebtedness:

- (a) arising hereunder or under the Security Documents;

- (b) permitted pursuant to Clause 19.15 (Loans and guarantees);
- (c) incurred through a Subordinated Shareholder Loan made to any member of the Group;
- (d) of any member of the Group arising as a result of the issue by it or a financial institution of a surety or performance bond in relation to the performance by such member of the Group of its obligations under contracts entered into in the ordinary course of its business (other than for the purpose of raising indebtedness);
- (e) approved in writing by the Facility Agent (acting on the instructions of the Majority Lenders);
- (f) in respect of deposits or prepayments constituting Financial Indebtedness received by any member of the Group from a customer or subscriber for its services;
- (g) owing by any member of the Group being permitted Management Fees or management, consultancy or similar fees payable to another member of the Group in respect of which payment has been deferred;
- (h) constituting Permitted Payments the payment of which has been deferred;
- (i) of a company which is acquired by a member of the Group after the date hereof as an acquisition permitted by Clause 19.10 (Acquisitions and mergers) where such Financial Indebtedness existed at the date of completion of such acquisition provided that:
  - (i) such Financial Indebtedness was not incurred in contemplation of the acquisition;
  - (ii) the amount of such Financial Indebtedness is not increased beyond the amount in existence at the date of completion of the acquisition; and
  - (iii) such Financial Indebtedness is discharged within six months of the date of completion of the acquisition;
- (j) of any member of the Group (other than any Obligor) constituting Financial Indebtedness to all the holders (or their Affiliates) of the share capital of any such member of the Group on a basis that is substantially proportionate to their interests in such share capital (with any disproportionately large interest received by any member of the Group or any disproportionately small interest received by any person other than a member of the Group, in each case relative to its interests in such share capital, being ignored for this purpose), provided such Financial Indebtedness does not bear interest (other than by way of addition to its principal amount on a proportionate basis as described above) and is made on terms that repayment or pre-payment of such Financial Indebtedness shall only be made to each such holder:
  - (i) in proportion to their respective interests in such share capital (ignoring any disproportionately large interest held by any member of the Group or any disproportionately small interest received by any person other than a member of the Group, in each case relative to its interests in such share capital, for this purpose); and
  - (ii) only on and in connection with the liquidation or winding up (or equivalent) of such member of the Group;
- (k) arising as a result of any cash pooling arrangements in the ordinary course of the Group's banking business to which any member of the Group is a party;
- (l) under:
  - (i) a financial lease arrangement in relation to the Group's corporate headquarters at Liersesteenweg 4, Mechelen, Belgium;
  - (ii) the Clientele Fees or the Annuity Fees;
  - (iii) any other Finance Leases or guarantees thereof in respect of any assets leased by any member of the Group entered into in the ordinary course of trade of the Group in a maximum aggregate amount of €100,000,000 (provided that the maximum aggregate amount which may be incurred to fund capital expenditure other than in respect of the business acquired pursuant to the Interkabel Acquisition shall be €50,000,000);

- (m) referred to in paragraph (f) of the definition of Financial Indebtedness, for which the acquisition cost of the assets is payable by a member of the Group no more than 90 days after its acquisition or possession;
- (n) which is incurred by a member of the Group pursuant to or in respect of any BIPT performance bond subject to an aggregate maximum amount outstanding at any time of €20,000,000 (or its equivalent);
- (o) incurred by Telenet and owed to Holdco as a result of the assumption by Holdco of Telenet's obligations in respect of any of the Deferrals (the **Deferral Debt**) provided that the relevant Financial Indebtedness is subordinated as a Subordinated Shareholder Loan pursuant to the Intercreditor Agreement and Holdco has entered into a Pledge of Subordinated Shareholder Loan in respect of such indebtedness; and
- (p) not included in the preceding paragraphs which does not exceed in aggregate at any time €50,000,000 (or its equivalent).

**Permitted Joint Venture means:**

- (a) any Restricted Acquisition referred to in paragraph (b) of the definition of "Permitted Acquisition" and any Acquisition as a result of a reorganisation of a person that is not a Subsidiary of Telenet but in which a member of the Group has an interest, provided that such reorganisation does not result in an overall increase in the value of the Group's interest in that person, other than adjustments to the basis of any member of the Group's interest in accordance with the Accounting Principles;
- (b) any acquisition by a member of the Group of assets, businesses and entities located principally in the Kingdom of Belgium, the Netherlands or Luxembourg or any equity interests in, or debts or securities owed or issued by any such entity, where upon completion of the acquisition the Target will not be a Subsidiary of Telenet and where a member of the Group will own directly or indirectly no more than a 50 per cent. interest in the assets or assets constituting the acquired business (a **JV Minority Acquisition**) and the principal activities of such entities are related to the Permitted Business as at the date of this Agreement and are carried out principally in Belgium, the Netherlands or Luxembourg, provided that in the case of any JV Minority Acquisition where the Acquisition Cost exceeds €250,000,000 (or its equivalent), Telenet provides to the Facility Agent within 15 days of the date of any such JV Minority Acquisition;
  - (a) a Business Plan prepared for the period beginning on the date of (and assuming completion of) the relevant acquisition and ending on the Final Maturity Date and which must demonstrate that, following the relevant acquisition, Telenet will be able to comply with all its obligations (present and future) under Clause 18 (Financial Covenants) for the period referred to above; and
  - (b) to the extent they are available to Telenet, the most recent six-months management accounts of or relating to the Target, together with a certificate signed by a managing director of Telenet certifying that the copy of such management accounts provided to the Facility Agent is a true copy; and
  - (c) an Acquisition Business Plan; and
  - (d) a certificate signed by a managing director of Telenet which certifies that, if the ratio of the Net Total Debt to Consolidated Annualised EBITDA was re-calculated for the most recent Measurement Period ending prior to the date of the JV Minority Acquisition in respect of which financial statements have been delivered pursuant to Clause 17.1(a) (Financial statements)(the **Relevant Measurement Period**) but adding to the:
    - (A) amount of Total Debt used in such calculation any net increase in the Total Debt since the end of the Relevant Measurement Period or subtracting from the amount of Total Debt used in such calculation any net deduction in the Total Debt (in each case taking into account the amount of Total Debt used to fund the Acquisition Cost); and



- (B) Consolidated Annualised EBITDA, the annualised earnings before interest, tax, depreciation and amortisation of the Target for the Relevant Measurement Period,

the ratio of Net Total Debt to Consolidated Annualised EBITDA would be less than 5.0:1,

provided that no Event of Default has occurred and is continuing at the time of such proposed acquisition.

**Permitted Payment** means any distribution, dividend, transfer of assets, loan or other payment:

- (a) to any Restricted Person in relation to transactions carried out on bona fide arm's length commercial terms in the ordinary course of business or on terms which are fair and reasonable and in the best interest of the Group;
- (b) by way of payment of Management Fees:
  - (i) which are paid on bona fide arm's length terms in the ordinary course of business to a Restricted Person; or
  - (ii) of up to €15,000,000 in any financial year,provided that, at the time of payment, no Default is outstanding or would occur as a result of such payment;
- (c) by way of payment of principal or interest on Subordinated Shareholder Loans or by way of distributions, dividends or other payments made by Telenet in respect of its share capital or by way of intercompany loans described to in Clauses 3.1(a)(i) or 3.1(b)(i) provided that:
  - (i) the ratio of Net Total Debt to Consolidated Annualised EBITDA is 5:1 or less prior to making the relevant payment and will be 5:1 or less after such payment has been made; and
  - (ii) no Default has occurred and is continuing or would occur as a result of such payment;
- (d) by way of payment to any Restricted Person of consideration for an acquisition, merger or consolidation permitted by Clause 19.10 (Acquisitions and mergers).

**Permitted Security Interest** means:

- (a) any Security Interest created or evidenced by the Security Documents or in favour of another Obligor;
- (b) any Security Interest listed in Schedule 8 (Existing Notes Security) except to the extent the principal amount secured by that Security Interest exceeds the amount stated in that Schedule and provided all such Security Interests are irrevocably and unconditionally released and discharged on or before the first Utilisation Date under this Agreement;
- (c) any lien arising in the ordinary course of business by way of contract which secures indebtedness under any agreement for the supply of goods or services in respect of which payment is not deferred for more than 180 days (or 360 days if such deferral is in accordance with the terms pursuant to which the relevant goods were acquired or services provided);
- (d) any Security Interest imposed by any taxation or governmental authority in respect of amounts which are being contested by the relevant member of the Group in good faith and not yet payable for which adequate reserves have been set aside in the books of the relevant member of the Group in accordance with the Accounting Principles; or
- (e) an Security Interest approved in writing by the Facility Agent (acting on the instructions of the Majority Lenders);
- (f) any Security Interest in favour of any bank incurred in relation to any cash management arrangements;
- (g) any netting or set-off arrangement entered into by a member of the Group in the ordinary course of business;

- (h) any Security Interest securing any Financial Indebtedness referred to in paragraph (i) of the definition of Permitted Financial Indebtedness above provided that:
  - (i) such Security Interest was not created in contemplation of the acquisition of such company;
  - (ii) the debt secured by such Security Interest is not increased beyond that secured at the date the company in question is acquired and such Security Interest secures only that debt; and
  - (iii) such Security Interest is discharged within 12 months of completion of the relevant acquisition;
- (i) Security Interests arising under agreements entered into in the ordinary course of business relating to:
  - (i) network leases;
  - (ii) the leasing of:
    - (A) buildings;
    - (B) cars; and
    - (C) other operational equipment;
- (j) any Security Interests causing any retention of title arrangement contained in any contract for the acquisition of any asset by a member of the Group in the ordinary course of its business from any person in the ordinary course of its business and on customary terms unless in relation to such a retention of title arrangement, there are payments of €15,000,000 or more which are overdue and unpaid; and
- (k) any Security Interest securing indebtedness the amount of which (when aggregated with the amount of any other indebtedness which has the benefit of a Security Interest not allowed under the preceding sub-paragraphs) does not exceed €25,000,000 or its equivalent at any time.

**Permitted Transaction** means:

- (a) an intra-Group re-organisation of a member of the Group (other than an Obligor) on a solvent basis (including by way of a solvent dissolution or liquidation of a Subsidiary of Telenet where all the assets of that Subsidiary remain within the ownership of an Obligor); or
- (b) any other transaction agreed by the Majority Lenders.

**Plan** means a plan that is subject to section 302 or regulated by Title IV of ERISA maintained by any member of the Group or any ERISA Affiliate currently or at any time within the last five years, or to which any member of the Group or any ERISA Affiliate is required to make payments or contributions or has made payments or contributions within the past five years.

**Pledge of Subordinated Shareholder Loans** means each pledge of Subordinated Shareholder Loans entered into between certain Restricted Persons and the Security Agent and any other pledge entered into pursuant to any such pledge or the terms of this Agreement.

**Pro Rata Share** means:

- (a) for the purpose of determining a Lender's share in a utilisation of a Facility, the proportion which its Commitment under that Facility bears to all the Commitments under that Facility; and
- (b) for any other purpose on a particular date:
  - (i) the proportion which a Lender's share of the Loans (if any) bears to all the Loans;
  - (ii) if there is no Loan outstanding on that date, the proportion which its Commitment bears to the Total Commitments on that date;
  - (iii) if the Total Commitments have been cancelled, the proportion which its Commitments bore to the Total Commitments immediately before being cancelled; or

- (iv) when the term is used in relation to a Facility, the above proportions but applied only to the Loans and Commitments for that Facility.

For the purpose of sub-paragraph (iv) above, the Facility Agent will (in its absolute discretion) determine, in the case of a dispute whether the term in any case relates to a particular Facility.

**Qualifying Lender** means a Lender which is:

- (a) a credit institution established in a country of the European Economic Area or in a country with which the Kingdom of Belgium has concluded a Double Tax Treaty;
- (b) a “non-resident saver” within the meaning of Article 105, 5<sup>o</sup> of the Royal Decree implementing the Belgian Income Tax Code 1992;
- (c) a “professional investor” within the meaning of Article 105, 3<sup>o</sup> of the Royal Decree implementing the Belgian Income Tax Code 1992;
- (d) in the case of a U.S. Borrower only, a Lender which is not described in Clause 11.5 (U.S. Taxes); or
- (e) a company of a Member State that is associated with the Borrower within the meaning of Article 105, 6<sup>o</sup> of the Royal Decree implementing the Belgian Income Tax Code 1992.

**Rate Fixing Day** means:

- (a) in respect of the first Term of a Loan to be made on the first Utilisation Date, the TARGET Day before the first Utilisation Date; and
- (b) otherwise, the second TARGET Day before the first day of a Term,

or such other day as the Facility Agent determines is generally treated as the rate fixing day by market practice in the relevant interbank market.

**Reference Banks** means BNP Paribas S.A., J.P. Morgan plc and ABN AMRO Bank N.V. and any other bank or financial institution appointed as such in good faith by the Facility Agent in consultation with Telenet.

**Repayment Instalment** means each scheduled instalment for repayment of the Term Loan B1 Facility Loans, the Term Loan B2A Facility Loans and the Term Loan B2B Facility Loans.

**Repeating Representations** means the representations which are deemed to be repeated under Clause 16.23 (Times for making representations and warranties).

**Reportable Event** means:

- (a) an event specified as such in section 4043 of ERISA or any regulation promulgated thereunder, with respect to a Plan that is subject to Title IV of ERISA, other than an event in relation to which the requirement to give 30 days notice of that event is waived by any regulation; or
- (b) a failure to meet the minimum funding standard under section 412 of the Code or section 302 of ERISA with respect to a Plan that is subject to such sections of the Code and ERISA, whether or not there has been any waiver of notice or waiver of the minimum funding standard under section 412 of the Code.

**Reporting Entity** means SuperHoldco.

**Reporting Group** means SuperHoldco and its Subsidiaries.

**Request** means a request for a Loan, substantially in the form of Schedule 3 (Form of Request).

**Resignation Request** means a letter in the form of Schedule 12 (Form of Resignation Request), with such amendments as the Facility Agent and Telenet may agree.

**Restricted Acquisition** means the acquisition, whether by one or a series of transactions, (including, without limitation, by purchase, subscription or otherwise) of all or any part of the share capital or equivalent of any company or other person (including, without limitation, any partnership or joint venture) or any asset or assets of any company or other person (including, without limitation, any partnership or joint venture) constituting a business or separate line of business of that company or other person.

**Restricted Payment** means, in each case whether in cash, securities, property or otherwise:

- (a) any direct or indirect distribution, dividend or other payment on account of any class of share capital or capital stock or other securities;
- (b) any payment of principal of, or interest on, any loan; or
- (c) any transfer of assets, loan or other payment,

in each case, to a Restricted Person.

**Restricted Person** means any Affiliate of the Borrower (other than a member of the Group).

**Retranching Adjustment** has the meaning given to it in Clause 26.7 (Retranching Adjustments).

**Revolving Facility** means the €175,000,000 revolving credit facility made available by the Lenders under Clause 2.6 (Revolving Facility) of this Agreement.

**Revolving Facility Commitment** means:

- (a) for an Initial Original Lender, the amount set opposite its name in Part 2 of Schedule 1 (Original Parties) under the heading Revolving Facility Commitments and the amount of any other Revolving Facility Commitment it acquires; and
- (b) for any other Lender, the amount of any Revolving Facility Commitment it acquires,

to the extent not cancelled, transferred or reduced under this Agreement.

**Revolving Facility Final Maturity Date** means the seventh anniversary of the date of this Agreement.

**Revolving Facility Margin** means 2.125 per cent. per annum.

**Revolving Loan** means, unless otherwise stated in this Agreement, the principal amount of each borrowing under the Revolving Facility or the principal amount outstanding of that borrowing.

**Rollover Loan** means one or more Revolving Loans:

- (a) to be made on the same day that a maturing Revolving Loan is due to be repaid;
- (b) the aggregate amount of which is equal to or less than the maturing Revolving Loan; and
- (c) to be made to the same Borrower for the purpose of refinancing a maturing Revolving Loan.

**S&P** means Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. or any successor to its rating business.

**Screen Rate** means:

- (a) in relation to LIBOR, the British Bankers' Association Interest Settlement Rate for the relevant currency and Term; and
- (b) in relation to EURIBOR, the percentage rate per annum determined by the Banking Federation of the European Union,

for the relevant currency and Term displayed on the appropriate page of the Telerate screen selected by the Facility Agent. If the relevant page is replaced or the service ceases to be available, the Facility Agent (after consultation with Telenet and the Lenders) may specify another page or service displaying the appropriate rate.

**Security Document** means:

- (a) a Share Pledge;
- (b) an Existing Security Document;
- (c) any Pledge of Subordinated Shareholder Loans;
- (d) any Obligor Pledge of Receivables;
- (e) any other agreement or instrument under which any Obligor may from time to time grant a Finance Party a Security Interest in respect of an obligation under any Finance Document; or
- (f) any other document designated as such by the Security Agent and Telenet.

**Security Interest** means any mortgage, pledge, lien, charge, assignment, hypothecation or security interest or any other agreement or arrangement having a similar effect.

**Security Provider's Deed of Accession** has the meaning given to it in the Intercreditor Agreement.

**Senior Discount Notes** means SuperHoldco's 11.5% Senior Discount Notes due 2014.

**Senior Notes** means Holdco's 9% Senior Notes due 2013.

**Share Pledge** means:

- (a) Telenet Share Pledge;
- (b) the Telenet Share Pledge; or
- (c) the UPC Belgium Share Pledge.

**Structural Adjustment** has the meaning given to it in Clause 26.6 (Structural Adjustments).

**Subordinated Creditor** means any Restricted Person who has, at any relevant time, entered into a Pledge of Subordinated Shareholder Loans and the Intercreditor Agreement.

**Subordinated Shareholder Loans** means any Financial Indebtedness of any member of the Group owed to a Subordinated Creditor.

**Subsidiary** means an entity of which a person has direct or indirect control or owns directly or indirectly more than 50 per cent. of the voting capital or similar right of ownership and control for this purpose means the power to direct the management and the policies of the entity whether through the ownership of voting capital, by contract or otherwise.

**SuperHoldco** means Telenet Group Holding NV (a limited liability company registered in Belgium with registration number HR Mechelen 090008 and Enterprise No. 0477.702.333).

**Supplemental Agreement** means the supplemental agreement dated 23 June 2009, pursuant to which this Agreement was amended and restated.

**Syndication** means the primary syndication of the Facilities by the Mandated Lead Arrangers.

**Syndication Letter** means a syndication letter between, among others, the Mandated Lead Arrangers and Telenet.

**Target** means any assets or entity which is or are the subject of an acquisition in accordance with the terms of this Agreement.

**TARGET Day** means a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer payment system is open for the settlement of payments in euro.

**Tax** means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest imposed with respect thereto).

**Tax Deduction** means a deduction or withholding for or on account of Tax from a payment under a Finance Document.

**Tax Payment** means a payment made by an Obligor to a Finance Party in any way relating to a Tax Deduction or under any indemnity given by that Obligor in respect of Tax under any Finance Document.

**Telecommunications and Cable Law** means all laws, statutes, regulations and judgments relating to telecommunications, cable television and data services applicable to any member of the Group and/or the business carried on by any member of the Group in any jurisdiction in which a member of the Group is incorporated or formed or in which such member has its principal place of business or owns any material assets.

**Telenet** means Telenet NV (formerly Telenet Operaties NV) (a company registered in Belgium with registration number HR Mechelen 82218, Enterprise No. 0439.840.857).

**Telenet Additional Facility** means an additional term and/or revolving loan facility referred to in Clause 2.7 (Telenet Additional Facility) and **Telenet Additional Facilities** means all or any such Telenet Additional Facilities.

**Telenet Additional Facility Accession Agreement** means an agreement in the form set out in Schedule 11 (Form of Telenet Additional Facility Accession Agreement) with such amendments as the Facility Agent may approve or reasonably require.

**Telenet Additional Facility Availability Period** in relation to a Telenet Additional Facility means the period specified in a Telenet Additional Facility Accession Agreement for that Telenet Additional Facility.

**Telenet Additional Facility Commitment** means in relation to:

- (a) a Telenet Initial Additional Facility Lender, the amount in euros or U.S. Dollars set out as the Telenet Additional Facility Commitment of a Lender in the relevant Telenet Additional Facility Accession Agreement and the amount of any other Telenet Additional Facility Commitment transferred to it under this Agreement; and
- (b) any other Telenet Additional Facility Lender, the amount in euros or U.S. Dollars transferred to it in accordance with this Agreement,

to the extent not cancelled, transferred or reduced under this Agreement:

**Telenet Additional Facility Lender** means:

- (a) a Telenet Initial Additional Facility Lender; and
- (b) any person which has become a New Lender (as defined in Clause 27.3 (Transfers by Lenders) under a Telenet Additional Facility in accordance with Clause 27 (Changes to the Parties),

which in each case has not ceased to be a Party in accordance with the terms of this Agreement.

**Telenet Additional Facility Loan** means the principal amount of each borrowing under a Telenet Additional Facility or the principal amount outstanding of that borrowing.

**Telenet Additional Facility Margin** means the percentage rate set out in the relevant Telenet Additional Facility Accession Agreement.

**Telenet Group** means SuperHoldco and its Subsidiaries.

**Telenet Initial Additional Facility Lender** means a person which becomes a Lender under a Telenet Additional Facility pursuant to Clause 2.7 (Telenet Additional Facility).

**Telenet Share Pledge** means the share pledge agreement entered into or to be entered into between (amongst others) Telenet and the Security Agent over Telenet's entire shareholding in Telenet.

**Term** means each period determined under this Agreement by reference to which interest on a Loan or an overdue amount is calculated.

**Term Loan** means a Term Loan A Facility Loan, a Term Loan B1 Facility Loan, a Term Loan B2A Facility Loan, a Term Loan B2B Facility Loan, a Term Loan C Facility Loan or a Telenet Additional Facility Loan.

**Term Loan A Facility** means the €530,000,000 term loan facility made available by the Lenders under Clause 2.1 (Term Loan A Facility).

**Term Loan A Facility Commitment** means:

- (a) for an Initial Original Lender, the amount set opposite its name in Part 2 of Schedule 1 (Original Parties) under the heading Term Loan A Facility Commitments and the amount of any other Term Loan A Facility Commitment it acquires; and
  - (b) for any other Lender, the amount of any Term Loan A Facility Commitment it acquires,
- to the extent not cancelled, transferred or reduced under this Agreement.

**Term Loan A Facility Final Maturity Date** means the fifth anniversary of the date of this Agreement.

**Term Loan A Facility Lender** means a Lender under Term Loan A Facility.

**Term Loan A Facility Loan** means the principal amount of each borrowing under the Term Loan A Facility or the principal amount outstanding of that borrowing.



**Term Loan A Facility Margin** means 2.25 per cent. per annum (or such higher amount as the Majority Term Loan A Facility Lenders and Telenet may agree in writing from time to time).

**Term Loan B1 Facility** means the €307,500,000 term loan facility made available by the Lenders under Clause 2.2 (Term Loan B1 Facility).

**Term Loan B1 Facility Commitment** means:

- (a) for an Initial Original Lender, the amount set opposite its name in Part 2 of Schedule 1 (Original Parties) under the heading Term Loan B1 Facility Commitments and the amount of any other Term Loan B1 Facility Commitment it acquires; and
- (b) for any other Lender, the amount of any Term Loan B1 Facility Commitment it acquires, to the extent not cancelled, transferred or reduced under this Agreement.

**Term Loan B1 Facility Final Maturity Date** means the date that is seventy-eight months after the date of this Agreement.

**Term Loan B1 Facility Lender** means a Lender under Term Loan B1 Facility.

**Term Loan B1 Facility Loan** means, unless otherwise stated in this Agreement, the principal amount of each borrowing under the Term Loan B1 Facility or the principal amount outstanding of that borrowing.

**Term Loan B1 Facility Margin** means 2.50 per cent. per annum (or such higher amount as the Majority Term Loan B1 Facility Lenders and Telenet may agree in writing from time to time).

**Term Loan B2A Facility** means the €135,000,000 term loan facility made available by the Lenders under Clause 2.3 (Term Loan B2A Facility).

**Term Loan B2B Facility** means the €90,000,000 term loan facility made available by the Lenders under Clause 2.4 (Term Loan B2B Facility).

**Term Loan B2A Facility Commitment** means:

- (a) for an Initial Original Lender, the amount set opposite its name in Part 2 of Schedule 1 (Original Parties) under the heading Term Loan B2A Facility Commitment and the amount of any other Term Loan B2A Facility Commitment it acquires; and
- (b) for any other Lender, the amount of any Term Loan B2A Facility Commitment it acquires, to the extent not cancelled, transferred or reduced under this Agreement.

**Term Loan B2B Facility Commitment** means:

- (a) for an Initial Original Lender, the amount set opposite its name in Part 2 of Schedule 1 (Original Parties) under the heading Term Loan B2B Facility Commitments and the amount of any other Term Loan B2B Facility Commitment it acquires; and
- (b) for any other Lender, the amount of any Term Loan B2B Facility Commitment it acquires, to the extent not cancelled, transferred or reduced under this Agreement.

**Term Loan B2A Facility Final Maturity Date** means the date that is seventy-eight months after the date of this Agreement.

**Term Loan B2B Facility Final Maturity Date** means the date that is seventy-eight months after the date of this Agreement.

**Term Loan B2A Facility Lender** means a Lender under Term Loan B2A Facility.

**Term Loan B2B Facility Lender** means a Lender under Term Loan B2B Facility.

**Term Loan B2A Facility Loan** means, unless otherwise stated in this Agreement, the principal amount of each borrowing under the Term Loan B2A Facility or the principal amount outstanding of that borrowing.

**Term Loan B2B Facility Loan** means, unless otherwise stated in this Agreement, the principal amount of each borrowing under the Term Loan B2B Facility or the principal amount outstanding of that borrowing.

**Term Loan B2A Facility Margin** means 2.50 per cent. per annum (or such higher amount as the Majority Term Loan B2A Facility Lenders and Telenet may agree in writing from time to time).

**Term Loan B2B Facility Margin** means 2.50 per cent. per annum (or such higher amount as the Majority Term Loan B2B Facility Lenders and Telenet may agree in writing from time to time).

**Term Loan C Facility** means the €1,062,500,000 term loan facility made available by the Lenders under Clause 2.5. (Term Loan C Facility).

**Term Loan C Facility Commitment** means:

- (a) for an Initial Original Lender, the amount set opposite its name in Part 2 of Schedule 1 (Original Parties) under the heading Term Loan C Facility Commitments and the amount of any other Term Loan C Facility Commitment it acquires; and
- (b) for any other Lender, the amount of any Term Loan C Facility Commitment it acquires, to the extent not cancelled, transferred or reduced under this Agreement.

**Term Loan C Facility Final Maturity Date** means the eighth anniversary of the date of this Agreement.

**Term Loan C Facility Lender** means a Lender under Term Loan C Facility.

**Term Loan C Facility Loan** means, unless otherwise stated in this Agreement, the principal amount of each borrowing under the Term Loan C Facility or the principal amount outstanding of that borrowing.

**Term Loan C Facility Margin** means 2.75 per cent. per annum (or such higher amount as the Majority Term Loan C Facility Lenders and Telenet may agree in writing from time to time).

**Total Cash Interest** means, in respect of any period, the total amount of all Interest accrued in respect of Total Debt during such period and payable in cash (either during such period or after such period) (having taken into account the effect of any Hedging Documents).

**Total Commitments** means:

- (a) with respect to the Term Loan A Facility, the Total Term Loan A Facility Commitments;
- (b) with respect to the Term Loan B1 Facility, the Total Term Loan B1 Facility Commitments;
- (c) with respect to the Term Loan B2A Facility, the Total Term Loan B2A Facility Commitment;
- (d) with respect to the Term Loan B2B Facility, the Total Term Loan B2B Facility Commitments;
- (e) with respect to the Term Loan C Facility, the Total Term Loan C Facility Commitments;
- (f) with respect to the Revolving Facility, the Total Revolving Facility Commitments; or
- (g) with respect to each or all of the Telenet Additional Facilities, the Total Telenet Additional Facility Commitments,

and, where the context so admits or requires, includes each of them.

**Total Debt** means, at any time, the principal amount outstanding at that time of all Consolidated Total Borrowings of Super Holdco and its Subsidiaries but excluding:

- (a) Subordinated Shareholder Loans; and
- (b) the capitalised element of indebtedness under the Clientele Fees and the Annuity Fees, any Finance Lease entered into as at the date of this Agreement; and
- (c) any indebtedness incurred under the network lease entered into in connection with the Interkabel Acquisition up to a maximum aggregate amount of €195,000,000.

**Total Revolving Facility Commitments** means the aggregate of the Revolving Facility Commitments of all of the Lenders, being at the date of this Agreement, the total amount specified as such in Part 2 of Schedule 1 (Original Parties).

**Total Telenet Additional Facility Commitments** means, with respect to the Telenet Additional Facilities, the aggregate of all of the Telenet Additional Facility Commitments of all of the Telenet Additional Facility Lenders under all of the Telenet Additional Facilities or, when applied to an

individual Telenet Additional Facility, the aggregate of all the Telenet Additional Facility Commitments of all of the Telenet Additional Facility Lenders under that Telenet Additional Facility.

**Total Term Loan A Facility Commitments** means the aggregate of the Term Loan A Facility Commitments of all of the Lenders, being at the date of this Agreement, the total amount specified as such in Part 2 of Schedule 1 (Original Parties).

**Total Term Loan B1 Facility Commitments** means the aggregate of the Term Loan B1 Facility Commitments of all of the Lenders, being at the date of this Agreement, the total amount specified as such in Part 2 of Schedule 1 (Original Parties).

**Total Term Loan B2A Facility Commitments** means the aggregate of the Term Loan B2A Facility Commitments of all of the Lenders, being at the date of this Agreement, the total amount specified as such in Part 2 of Schedule 1 (Original Parties).

**Total Term Loan B2B Facility Commitments** means the aggregate of the Term Loan B2B Facility Commitments of all of the Lenders, being at the date of this Agreement, the total amount specified as such in Part 2 of Schedule 1 (Original Parties).

**Total Term Loan C Facility Commitments** means the aggregate of the Term Loan C Facility Commitments of all of the Lenders, being at the date of this Agreement, the total amount specified as such in Part 2 of Schedule 1 (Original Parties).

**Transfer Certificate** means a certificate, substantially in the form of Schedule 5 (Form of Transfer Certificate), with such amendments as the Facility Agent may approve or reasonably require or any other form agreed between the Facility Agent and Telenet.

**Treasury Transaction** means any derivative transaction protecting against or benefiting from fluctuations in any rate or price.

**U.K. means the United Kingdom.**

**U.S. Borrower** means any Additional Borrower under this Agreement which is incorporated or formed in or under the laws of the United States or any jurisdiction thereof, or therein (including any State or the District of Columbia) or that is engaged in the conduct of a trade or business within the United States within the meaning of the Code.

**U.S. Dollars** means the lawful currency for the time being of the United States.

**U.S. Finance Vehicle** means a member of the Group which has been incorporated specifically for the purpose of becoming a U.S. Borrower under this Agreement and whose sole function is to act as a finance vehicle for the Group.

**U.S. Obligor** has the meaning given to it in Clause 20.6(b).

**U.S. Person** means a United States person as defined by section 7701(a)(30) of the Code.

**United States or U.S.** means the United States of America.

**UPC Belgium Share Pledge** means the share pledge agreement entered into or to be entered into between (amongst others) Telenet and the Security Agent over Telenet's entire shareholding in UPC Belgium NV.

**Utilisation Date** means each date on which a Facility is utilised.

**Vlaanderen** means Telenet Vlaanderen NV, (a company registered in Belgium with registration number HR Mechelen 83076 and Enterprise No. 0458.840.088).

## **1.2 Construction**

- (a) In this Agreement, unless the contrary intention appears, a reference to:
- (i) an amendment includes a supplement, novation, restatement or re-enactment and amended will be construed accordingly;
  - (ii) assets includes present and future properties, revenues and rights of every description;

- (iii) an authorisation includes an authorisation, consent, approval, resolution, licence, exemption, filing, registration or notarisation;
- (iv) disposal means a sale, transfer, grant, lease or other disposal, whether voluntary or involuntary, and dispose will be construed accordingly;
- (v) indebtedness includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money;
- (vi) know your customer requirements are the identification checks that a Finance Party requests in order to meet its obligations under any applicable law or regulation to identify a person who is (or is to become) its customer;
- (vii) a person includes any individual, company, corporation, unincorporated association or body (including a partnership, trust, joint venture or consortium), government, state, agency, organisation or other entity whether or not having separate legal personality;
- (viii) a regulation includes any regulation, rule, official directive, request or guideline (whether or not having the force of law but, if not having the force of law, being of a type with which any person to which it applies is accustomed to comply) of any governmental, inter-governmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;
- (ix) a currency is a reference to the lawful currency for the time being of the relevant country;
- (x) a Default being outstanding means that it has not been remedied or waived;
- (xi) a provision of law is a reference to that provision as extended, applied, amended or re-enacted and includes any subordinate legislation;
- (xii) a Clause, a Subclause or a Schedule is a reference to a clause or subclause of, or a schedule to, this Agreement;
- (xiii) a Party or any other person includes its successors in title, permitted assigns and permitted transferees;
- (xiv) a Finance Document or other document includes (without prejudice to any prohibition on amendments) all amendments however fundamental to that Finance Document or other document, including any amendment providing for any increase in the amount of a facility or any additional facility; and
- (xv) a time of day is a reference to Paris time;
- (xvi) except as provided to the contrary in this Agreement, an accounting term used in any of Clause 1.1 (Definitions), or Clause 18 (Financial Covenants) is to be construed in accordance with the Accounting Principles;
- (xvii) a liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrator receiver, administrator or similar officer includes a *curator/curateur, vereffenaar/liquidateur, voorlopig bewindvoerder/administrateur judiciaire, commissaris inzake opschorting/commissaire au sursis* and *sekwester/séquestre*;
- (xviii) a security interest includes a mortgage (*hypotheek/hypothèque*), a pledge (*pand/nantissement*), a privilege (*voorrecht/privilege*), a retention of title (*eigendomsvoorbehoud/réserve de propriété*), a real surety (*zakelijke zekerheid/sûreté réelle*), a transfer by way of security (*overdracht ten titel van zekerheid/transfert à titre de garantie*) and a promise or mandate to create any of the security interest mentioned above;
- (xix) a person being unable to pay its debts is that person being in a state of cessation of payments (*staking van betaling/cessation de paiements*);
- (xx) a composition includes *gerechtelijk akkoord/concordat judiciaire*;
- (xxi) an insolvency includes *gerechtelijk akkoord/concordat judiciaire, faillissement/faillite, voorlopige ontneming van beheer/déssaisissement provisoire* and any other concurrence between creditors (*samenloop van schuldeisers/concours des créanciers*);

- (xxii) a winding up, liquidation, administration or dissolution includes *vereffening/liquidation, ontbinding/dissolution, faillissement/faillite* and *sluiting van een onderneming/fermeture d'entreprise*; and
  - (xxiii) an attachment, sequestration, distress, execution or analogous events includes *uitvoerend beslag/saisie exécutoire* and *bewaarend beslag/saisie conservatoire*.
- (b) Unless the contrary intention appears, a reference to a month or months is a reference to a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month or the calendar month in which it is to end, except that:
- (i) if the numerically corresponding day is not a Business Day, the period will end on the next Business Day in that month (if there is one) or the preceding Business Day (if there is not);
  - (ii) if there is no numerically corresponding day in that month, that period will end on the last Business Day in that month; and
  - (iii) notwithstanding sub-paragraph (i) above, a period which commences on the last Business Day of a month will end on the last Business Day in the next month or the calendar month in which it is to end, as appropriate.
- (c) Unless expressly provided to the contrary in a Finance Document, a person who is not a party to a Finance Document may not enforce any of its terms under the Contracts (Rights of Third Parties) Act 1999 and, notwithstanding any term of any Finance Document, no consent of any third party is required for any amendment (including any release or compromise of any liability) or termination of any Finance Document.
- (d) Unless the contrary intention appears:
- (i) a reference to a Party will not include that Party if it has ceased to be a Party under this Agreement;
  - (ii) unless otherwise stipulated, a word or expression used in any other Finance Document or in any notice given in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement; and
  - (iii) any obligation of an Obligor under the Finance Documents which is not a payment obligation remains in force for so long as any payment obligation of an Obligor is or may be outstanding under the Finance Documents.
- (e) The headings in this Agreement do not affect its interpretation.

## **2. FACILITIES**

### **2.1 Term Loan A Facility**

Subject to the terms of this Agreement, the Lenders make available to the Borrowers a term loan facility in an aggregate amount equal to the Total Term Loan A Facility Commitments.

### **2.2 Term Loan B1 Facility**

Subject to the terms of this Agreement, the Lenders make available to the Borrowers a term loan facility in an aggregate amount equal to the Total Term Loan B1 Facility Commitments.

### **2.3 Term Loan B2A Facility**

Subject to the terms of this Agreement, the Lenders make available to the Borrowers a term loan facility in an aggregate amount equal to the Total Term Loan B2A Facility Commitment.

### **2.4 Term Loan B2B Facility**

Subject to the terms of this Agreement, the Lenders make available to the Borrowers a term loan facility in an aggregate amount equal to the Total Term Loan B2B Facility Commitment.

## **2.5 Term Loan C Facility**

Subject to the terms of this Agreement, the Lenders make available to the Borrowers a term loan facility in an aggregate amount equal to the Total Term Loan C Facility Commitments.

## **2.6 Revolving Facility**

Subject to the terms of this Agreement, the Lenders make available to the Borrowers a revolving credit facility in an aggregate amount equal to the Total Revolving Facility Commitments.

## **2.7 Telenet Additional Facility**

- (a) Any person may, subject to the terms of this Agreement, become a Lender by delivering to the Facility Agent a Telenet Additional Facility Accession Agreement in each case duly completed and executed by that person and the Borrower. That person shall become a Lender on the date specified in a Telenet Additional Facility Accession Agreement.
- (b) Upon the relevant person becoming a Lender, the Total Commitments shall be increased by the amount set out in the relevant Telenet Additional Facility Accession Agreement as that Lender's Telenet Additional Facility Commitment.
- (c) Each Lender will grant to the Borrower a term or revolving loan facility in the amount specified in the relevant Telenet Additional Facility Accession Agreement in euros or U.S. Dollars during the Telenet Additional Facility Availability Period specified in such Telenet Additional Facility Accession Agreement, subject to the terms of this Agreement.
- (d) The execution by the Borrower of a Telenet Additional Facility Accession Agreement constitutes confirmation by each Guarantor that its obligations under Clause 15 (Guarantee and Indemnity) shall continue unaffected except that those obligations shall extend to the Total Commitments as increased by the addition of the relevant Lender's Commitment and shall be owed to each Finance Party including the relevant Lender.
- (e) Telenet may only arrange a Telenet Additional Facility, and paragraphs (a) to (d) above shall only take effect if:
  - (i) after giving effect to the utilisation of the Total Telenet Additional Facility Commitments under such Telenet Additional Facility, the ratio of Net Total Debt to Consolidated Annualised EBITDA would not be greater than 5:1; and
  - (ii) either:
    - (A) the average maturity date of the Telenet Additional Facility (taking into account any scheduled amortisation and any voluntary or mandatory cancellation which is anticipated when the Telenet Additional Facility is arranged) is no earlier than 31 July 2017; or
    - (B) after giving effect to the utilization in full of such Telenet Additional Facility the ratio of Net Total Debt to Consolidated Annualised EBITDA would not be greater than 4:1.

## **2.8 Overall facility limits**

- (a) The aggregate amount of all outstanding advances under a Telenet Additional Facility shall not at any time exceed the relevant Total Telenet Additional Facility Commitments for that Telenet Additional Facility.
- (b) The aggregate amount of the participations of a Lender in advances under a Telenet Additional Facility shall not at any time exceed that Lender's Telenet Additional Facility Commitment for that Telenet Additional Facility at that time.

## **2.9 Nature of a Finance Party's rights and obligations**

Unless all the Finance Parties agree otherwise:

- (a) the obligations of a Finance Party under the Finance Documents are several;



- (b) failure by a Finance Party to perform its obligations does not affect the obligations of any other Party under the Finance Documents;
- (c) no Finance Party is responsible for the obligations of any other Finance Party under the Finance Documents;
- (d) the rights of a Finance Party under the Finance Documents are separate and independent rights;
- (e) a Finance Party may, except as otherwise stated in the Finance Documents, separately enforce those rights; and
- (f) a debt arising under the Finance Documents to a Finance Party is a separate and independent debt.

## **2.10 Security Agent as joint creditor**

- (a) Each of the Obligor and each of the Finance Parties agree that the Security Agent shall be the joint and several creditor of each and every obligation of any Obligor towards each of the Finance Parties under each Finance Document, and that accordingly the Security Agent will have its own independent right to demand performance by the relevant Obligor of those obligations. However, any discharge of such obligation to either the Security Agent or a Finance Party shall, to the same extent, discharge the corresponding obligation owing to the other.
- (b) Without limiting or affecting the Security Agent's rights against any Obligor (whether under this paragraph or under any other provision of the Finance Documents), the Security Agent agrees with each other Finance Party (on a several and divided basis) that, subject as set out in the next sentence, it will not exercise its rights as a joint and several creditor with a Finance Party except after consultation with the relevant Finance Party. However, for the avoidance of doubt, nothing in the previous sentence shall in any way limit the Security Agent's right to act in the protection or preservation of rights under or to enforce any Security Document as contemplated by the Finance Documents (or to do any act reasonably incidental to any of the foregoing).
- (c) Each of the Finance Parties hereby appoints the Security Agent as its representative in the sense of Article 5 of the Belgian Financial Collateral Act of 15 December 2004 (*Wet van 15 december 2004 betreffende financiële zekerheden en houdende diverse fiscale bepalingen inzake zakelijkezekerheidsovereenkomsten en leningen met betrekking tot financiële instrumenten*) for the purpose of creating each Share Pledge.

## **3. PURPOSE**

### **3.1 Term Loan A Facility Loans, Term Loan B1 Facility Loans, Term Loan B2A Facility Loans, Term Loan B2B Facility Loans and Term Loan C Facility Loans**

- (a) Each Term Loan A Facility Loan, Term Loan B1 Facility Loan and Term Loan C Facility Loan (in the case of the first €462,500,000 available to be drawn under Term Loan C Facility) may only be used:
  - (i) to refinance by intercompany loans or repayment of amounts outstanding, the Existing Senior Facility, the Senior Discount Notes and the Senior Notes; and
  - (ii) to pay any fees and expenses incurred in connection with the Facilities.
- (b) Any remaining Term Loan C Facility Loan may only be used:
  - (i) to fund a payment to the shareholders of Telenet via a dividend or intercompany loan to be upstreamed to SuperHoldco to fund a capital reduction; and
  - (ii) for the general corporate purposes of the Group (including financing a Permitted Acquisition or Permitted Joint Venture).
- (c) Any Term Loan B2A Facility Loan and Term Loan B2B Facility Loan may be used:
  - (i) to fund a payment to the shareholders of Telenet via a dividend or intercompany loan to be upstreamed to SuperHoldco to fund a capital reduction; and

- (ii) for the general corporate purposes of the Group (including financing a Permitted Acquisition or Permitted Joint Venture).

### **3.2 Revolving Facility Loans**

Each Revolving Facility Loan may only be used for the general corporate purposes of the Group (including financing a Permitted Acquisition or Permitted Joint Venture).

### **3.3 Telenet Additional Facility Loans**

Each Telenet Additional Facility Loan may only be used for the general corporate purposes of the Group (including funding the payment of permitted dividends or intercompany loans by Telenet, financing a Permitted Acquisition and/or refinancing amounts outstanding under any other Facility (including any Telenet Additional Facility)).

### **3.4 No obligation to monitor**

No Finance Party is bound to monitor or verify the utilisation of a Facility.

## **4. CONDITIONS PRECEDENT**

### **4.1 Conditions precedent documents**

The obligations of each Lender under Clause 5.4 (Advance of Loan) to make a Loan are subject to the condition precedent that the Facility Agent has notified Telenet and the Lenders that it has received (or waived receipt of) all of the documents and evidence set out in Part 1 of Schedule 2 (Conditions Precedent Documents) in form and substance satisfactory to the Facility Agent. The Facility Agent must give this notification to Telenet and the Lenders promptly upon being so satisfied.

### **4.2 Further conditions precedent**

The obligations of each Lender to participate in any Loan are subject to the further conditions precedent that on both the date of the Request and the Utilisation Date for that Loan:

- (a) in the case of a Rollover Loan, no Event of Default is outstanding or would result from the Loan; or
- (b) in any other case:
  - (i) the Repeating Representations are, and will be immediately after the Loan is drawn, correct in all material respects; and
  - (ii) no Default is outstanding or would result from the Loan; and
  - (iii) no change of control has occurred where the event has not been waived by the Majority Lenders).

### **4.3 Initial utilisation—pro forma covenant compliance**

- (a) Telenet may not request or obtain the first Loan under this Agreement unless Telenet certifies to the Facility Agent (providing reasonable detail of the relevant calculations) that the ratio of Net Total Debt to Consolidated Annualised EBITDA, taking the amount of such Loan into account, would not be greater than 5.0:1.
- (b) For the purposes of paragraph (a) above, Consolidated Annualised EBITDA shall be calculated by reference to Consolidated EBITDA for the financial quarter ending 30 June 2007 multiplied by four (with Consolidated EBITDA being calculated for that financial quarter on the same basis as Consolidated EBITDA for a Measurement Period).

### **4.4 Maximum number**

Unless the Facility Agent agrees, a Request may not be given if, as a result, there would be more than 15 Loans outstanding.

## **5. UTILISATION**

### **5.1 Giving of Requests**

- (a) A Borrower may borrow a Loan by giving to the Facility Agent a duly completed Request.
- (b) Unless the Facility Agent otherwise agrees, the latest time for receipt by the Facility Agent of a duly completed Request is 10.00 a.m. (Paris time) one Business Day before the Rate Fixing Day for the proposed borrowing.
- (c) Each Request is irrevocable.

### **5.2 Completion of Requests**

- (a) A Request for a Loan will not be regarded as having been duly completed unless:
  - (i) it identifies the Borrower;
  - (ii) it identifies the Facility the Loan applies to;
  - (iii) the Utilisation Date is a Business Day falling within the relevant Availability Period or the Telenet Additional Facility Availability Period (as the case may be); and
  - (iv) the proposed Term complies with this Agreement.
- (b) Only one Loan may be requested in each Request (other than the Request in respect of the first utilisation under each Facility).
- (c) No Requests may be delivered to the Facility Agent within 5 Business Days of each other.
- (d) No Request for a Term Loan B1 Facility Loan may be submitted by a Borrower until the Term Loan A Facility has been drawn in full or will be drawn in full simultaneously with the relevant Term Loan B1 Facility Loan.
- (e) No request for a Term Loan C Facility Loan may be submitted by a Borrower until both the Term Loan A Facility and the Term Loan B1 Facility have been drawn in full or will be drawn in full simultaneously with the relevant Term Loan C Facility Loan.
- (f) No request for a Term Loan B2A Facility Loan or a Term Loan B2B Facility Loan may be submitted by a Borrower until the Term Loan A Facility, the Term Loan B1 Facility and the Term Loan C Facility have been drawn in full or will be drawn in full simultaneously with the relevant Term Loan B2A Facility Loan or Term Loan B2B Facility Loan as applicable.

### **5.3 Amount of Loan**

- (a) Except as provided below, the amount of a Loan must be a minimum amount of €5,000,000 and an integral multiple of €1,000,000.
- (b) The amount of the Loan may also be the balance of the relevant undrawn Total Commitments or such other amount as the Facility Agent (acting on behalf of the Lenders) may agree.

### **5.4 Advance of Loan**

- (a) The Facility Agent must promptly notify each Lender of the details of the requested Loan and the amount of its share in that Loan.
- (b) The amount of each Lender's share of the Loan will be its Pro Rata Share on the proposed Utilisation Date.
- (c) No Lender is obliged to participate in a Loan if, as a result:
  - (i) its share in the Loans under a Facility would exceed its Commitment for that Facility; or
  - (ii) the Loans would exceed the Total Commitments.
- (d) If the conditions set out in this Agreement have been met, each Lender must make its share in the Loan available to the Facility Agent for the relevant Borrower through its Facility Office on the Utilisation Date.

## **6. REPAYMENT**

### **6.1 Repayment of Term Loan A Facility Loans**

All amounts outstanding under the Term Loan A Facility must be repaid in full on the Term Loan A Facility Final Maturity Date.

### **6.2 Repayment of Term Loan B1 Facility Loans**

- (a) All amounts outstanding under the Term Loan B1 Facility must be repaid in full by three equal instalments.
- (b) The first Repayment Instalment in respect of the Term Loan B1 Facility must be repaid on the date that is sixty-six months after the date of this Agreement, and subsequent Repayment Instalments in respect of the Term Loan B1 Facility must be repaid at six-monthly intervals from that date. The final Repayment Instalment in respect of the Term Loan B1 Facility must be repaid on the Term Loan B1 Facility Final Maturity Date.

### **6.3 Repayment of Term Loan B2A Facility Loans**

- (a) All amounts outstanding under the Term Loan B2A Facility must be repaid in full by three equal instalments.
- (b) The first Repayment Instalment in respect of the Term Loan B2A Facility must be repaid on the date that is sixty-six months after the date of this Agreement, and subsequent Repayment Instalments in respect of the Term Loan B2A Facility must be repaid at six-monthly intervals from that date. The final Repayment Instalment in respect of the Term Loan B2A Facility must be repaid on the Term Loan B2A Facility Final Maturity Date.

### **6.4 Repayment of Term Loan B2B Facility Loans**

- (a) All amounts outstanding under the Term Loan B2B Facility must be repaid in full by three equal instalments.
- (b) The first Repayment Instalment in respect of the Term Loan B2B Facility must be repaid on the date that is sixty-six months after the date of this Agreement, and subsequent Repayment Instalments in respect of the Term Loan B2B Facility must be repaid at six-monthly intervals from that date. The final Repayment Instalment in respect of the Term Loan B2B Facility must be repaid on the Term Loan B2B Facility Final Maturity Date.

### **6.5 Repayment of Term Loan C Facility Loans**

All amounts outstanding under the Term Loan C Facility must be repaid in full on the Term Loan C Facility Final Maturity Date.

### **6.6 Repayment of Revolving Loans**

- (a) Each Borrower must repay each Revolving Loan made to it in full on its Maturity Date.
- (b) Subject to the other terms of this Agreement, any amounts repaid under paragraph (a) above may be re-borrowed.

### **6.7 Repayment of Telenet Additional Facility Loans**

Each Telenet Additional Facility Loan will be repaid on such dates as Telenet and the Telenet Additional Facility Lenders may agree in the Telenet Additional Facility Accession Agreement relating to that Telenet Additional Facility Loan.

## **7. PREPAYMENT AND CANCELLATION**

### **7.1 Mandatory prepayment—illegality**

- (a) A Lender must notify the Facility Agent and Telenet promptly if it becomes aware that it is unlawful in any applicable jurisdiction for that Lender to perform any of its obligations under a Finance Document or to fund or maintain its share in any Loan.

- (b) After notification under paragraph (a) above the Facility Agent must notify Telenet and:
  - (i) each Borrower must repay or prepay the share of that Lender in each Loan made to it on the date specified in paragraph (c) below; and
  - (ii) the Commitments of that Lender will be immediately cancelled.
- (c) The date for repayment or prepayment of a Lender's share in a Loan will be:
  - (i) the last day of the current Term of that Loan; or
  - (ii) if earlier, the date specified by the Lender in the notification under paragraph (a) above and which must not be earlier than the last day of any applicable grace period allowed by law.

## 7.2 Mandatory prepayment—change of control

- (a) For the purposes of this Clause:

a **change of control** occurs if: (i) any person or group of persons (other than a Permitted Holder or Permitted Holders and other than through a Permitted Holder) becomes the beneficial owner of a majority of the aggregate voting power of all outstanding shares of Telenet or otherwise controls Telenet; or (ii) no Permitted Holder controls (directly or indirectly) Telenet.

**control** means the power of a person:

- (i) by means of the holding of shares or the possession of voting power in or in relation to any other person; or
- (ii) by virtue of any powers conferred by the articles of association or other documents regulating any other person,

to direct or cause the direction of the management and policies of that other person;

**Permitted Holder** means any of the following:

- (i) UGC Europe, Inc.;
- (ii) in the event of a Spin-Off, the Spin Parent and any Subsidiary of the Spin Parent; and
- (iii) each Subsidiary of UGC Europe, Inc.;

**Spin-Off** means a transaction by which all outstanding ordinary shares of SuperHoldco or any of its Subsidiaries directly or indirectly owned by Liberty Global, Inc. are distributed to all of Liberty Global, Inc.'s shareholders in proportion to such shareholders' holdings in Liberty Global, Inc. at the time of such transaction either directly or indirectly through the distribution of shares in a company holding such SuperHoldco shares or Subsidiary's shares; and

**Spin Parent** means the company the shares of which are distributed to the shareholders of Liberty Global, Inc. pursuant to the Spin-Off.

- (b) Telenet must promptly notify the Facility Agent if it becomes aware of any change of control.
- (c) After a change of control, if the Majority Lenders so require, the Facility Agent must, by notice to Telenet:
  - (i) cancel the Total Commitments; and
  - (ii) declare all outstanding Loans, together with accrued interest and all other amounts accrued under the Finance Documents, to be due and payable on a date not less than 30 days after the date of that notice.

Any such notice will take effect in accordance with its terms.

## 7.3 Mandatory prepayment from disposal proceeds

- (a) Other than as provided in paragraphs (b) and (c) below, on a Permitted Disposal (other than a disposal in accordance with paragraphs (a) to (n) of the definition of Permitted Disposals), Telenet shall, upon receipt of the proceeds of such Permitted Disposal, immediately prepay an amount of the Facilities equal to five times the Annualised EBITDA of the person or asset disposed of for the most recent Measurement Period for which financial statements have been delivered pursuant to

Clause 17.1(a) (Financial statements), provided that the amount to be prepaid shall not exceed the Net Proceeds.

For the purposes of this paragraph (a), Annualised EBITDA of a person or asset for a Measurement Period shall be the earnings before interest, tax, depreciation and amortisation for the two financial quarters ending on the last day of that Measurement Period multiplied by two.

- (b) No prepayment in accordance with paragraph (a) above is required where the amount of any such prepayment in respect of one or a series of connected transactions would be less than €200,000,000.
- (c) No prepayment is required in accordance with paragraph (a) above in connection with any Permitted Disposal where an amount equal to the amount that would otherwise be required to be prepaid under paragraph (a) above is promptly deposited in a Blocked Account (as defined in Clause 7.4 (Date for prepayment) below) on terms that the principal amount deposited may only be released in order to make prepayments in accordance with this Clause 7.3 or to reinvest in assets in the Permitted Business (for the avoidance of doubt, including Permitted Acquisitions and Capital Expenditure). Any amount so deposited that has not been so reinvested (or contracted to be so reinvested) within 12 months of the relevant Permitted Disposal shall be applied in prepayment of the Facilities.

#### **7.4 Date for prepayment**

Each amount of the Facilities to be prepaid under Clause 7.3 (Mandatory prepayment from disposal proceeds) and Clause 18.5 (Cure provisions) shall be applied in prepayment of the Facility within the period required by the relevant Clause or deposited before the end of such period with the Security Agent in an account (or accounts) (each a **Blocked Account**) in the name of any Obligor bearing interest at rates customarily offered by the Security Agent in such circumstances, secured (if requested by the Security Agent) by a first ranking pledge in favour of the Security Agent on behalf of the Beneficiaries, in form and substance satisfactory to the Security Agent together with such other documents and evidence and legal opinions as the Security Agent may reasonably require, at the Obligors' expense, on terms that the principal amount so deposited may only be released by making the relevant prepayment on the last day of the Term or (as applicable) Terms falling immediately thereafter, in accordance with Clause 7.5 (Order of application), until the prepayment obligations under Clause 7.3 (Mandatory prepayment from disposal proceeds) and Clause 18.5 (Cure provisions) have been satisfied or otherwise as permitted under Clause 7.3(c) above.

#### **7.5 Order of application**

- (a) The amount of each prepayment of the Facilities made under Clause 7.3 (Mandatory prepayment from disposal proceeds) and Clause 18.5 (Cure provisions) shall be applied:
  - (i) first against the Term Loan A Facility, the Term Loan B1 Facility, the Term Loan B2A Facility, the Term Loan B2B Facility, the Term Loan C Facility and the Telenet Additional Facilities that are term loan facilities in such proportion as may be specified to the Facility Agent by Telenet not less than two Business Days before the date on which the prepayment is due to be made and against all the outstanding Loans made under the relevant Facilities *pro rata*; and
  - (ii) second against the Revolving Facility and any Telenet Additional Facility that is a revolving facility in such proportion as may be specified to the Facility Agent by Telenet not less than two Business Days before the date on which the prepayment is due to be made and against all the outstanding Loans made under the relevant Facility *pro rata*,

in each case with a corresponding permanent cancellation of the relevant Commitments (*pro rata* between the Commitments of the Lenders under the relevant Facility).

- (b) If Telenet does not give a notice to the Facility Agent specifying how amounts are to be applied in prepayment under Clause 7.3 (Mandatory prepayment from disposal proceeds) within the time period specified in paragraph (a) above, the amount of the relevant prepayment shall be applied against all outstanding Term Loans *pro rata* in accordance with paragraph (a) above.



## **7.6 Voluntary prepayment**

- (a) Subject to paragraph (b) below, Telenet may, by giving not less than five Business Days' prior notice to the Facility Agent, prepay (or ensure that a Borrower prepays) any Loan at any time in whole or in part.
- (b) For as long as both the Term Loan B2A Facility Margin and the Term Loan B2B Facility Margin is lower than the Term Loan B1 Facility Margin, a Borrower must prepay the Term Loan B2A Facility Loans and the Term Loan B2B Facility Loans in whole before it may prepay any other Loan under this Clause.
- (c) A prepayment of part of a Loan must be in a minimum amount of €5,000,000 and an integral multiple of €1,000,000.

## **7.7 Automatic cancellation**

The Commitments of each Lender under a Facility will be automatically cancelled at the close of business on the last day of the Availability Period for that Facility.

## **7.8 Voluntary cancellation**

- (a) Subject to paragraph (b) below, Telenet may, by giving not less than five Business Days' prior notice to the Facility Agent, cancel the unutilised amount of the Total Commitments in whole or in part.
- (b) Telenet must first cancel the whole of the unutilised Total Term Loan B2A Facility Commitment and the whole of the unutilised Total Term Loan B2B Facility Commitment before it can cancel the unutilised amount of any other Total Commitment.
- (c) Telenet must second cancel the whole of the unutilised Total Term Loan C Facility Commitment before it can cancel the unutilised amount of any other Total Commitment.
- (d) Partial cancellation of the Total Commitments must be in a minimum amount of €5,000,000 and an integral multiple of €1,000,000.
- (e) Any cancellation in part will be applied against the relevant Commitment of each Lender *pro rata*.

## **7.9 Right of repayment and cancellation of a single Lender**

- (a) If an Obligor is, or will be, required to pay to a Lender:
  - (i) a Tax Payment; or
  - (ii) an Increased Cost,Telenet may, while the requirement continues, give notice to the Facility Agent requesting prepayment and cancellation in respect of that Lender.
- (b) After notification under paragraph (a) above:
  - (i) each Borrower must repay or prepay that Lender's share in each Loan made to it on the date specified in paragraph (c) below; and
  - (ii) the Commitments of that Lender will be immediately cancelled.
- (c) The date for repayment or prepayment of a Lender's share in a Loan will be:
  - (i) the last day of the current Term for that Loan; or
  - (ii) if earlier, the date specified by Telenet in its notification.

## **7.10 Prepayment of Term Loans**

- (a) Except where this Clause expressly provides otherwise, any prepayment of a Term Loan B1 Facility Loan, a Term Loan B2A Facility Loan, or a Term Loan B2B Facility Loan will be applied against the relevant remaining Repayment Instalments *pro rata*.
- (b) No amount of a Term Loan prepaid under this Agreement may subsequently be re-borrowed.

### **7.11 Re-borrowing of Revolving Loans**

Any voluntary prepayment of a Revolving Loan under Clause 7.6 (Voluntary prepayment) may be re-borrowed on the terms of this Agreement. Any other prepayment of a Revolving Loan may not be re-borrowed.

### **7.12 Miscellaneous provisions**

- (a) Any notice of prepayment and/or cancellation under this Agreement is irrevocable and must specify the relevant date(s) and the affected Loans and Commitments. The Facility Agent must notify the Lenders promptly of receipt of any such notice.
- (b) All prepayments under this Agreement must be made with accrued interest on the amount prepaid. No premium or penalty is payable in respect of any prepayment except for Break Costs.
- (c) The Majority Lenders may agree a shorter notice period for a voluntary prepayment or a voluntary cancellation.
- (d) No prepayment or cancellation is allowed except in accordance with the express terms of this Agreement.
- (e) No amount of the Total Commitments cancelled under this Agreement may subsequently be reinstated.
- (f) Any partial prepayment of a Loan will be applied against the participations of the Lenders in that Loan *pro rata*.

## **8. INTEREST**

### **8.1 Calculation of interest**

The rate of interest on each Loan for each Term is the percentage rate per annum equal to the aggregate of the applicable:

- (a) Margin;
- (b) EURIBOR or LIBOR (as applicable); and
- (c) Mandatory Cost.

### **8.2 Payment of interest**

Except where it is provided to the contrary in this Agreement, each Borrower must pay accrued interest on each Loan made to it on the last day of each Term and also, if the Term is longer than six months, on the dates falling at six-monthly intervals after the first day of that Term.

### **8.3 Interest on overdue amounts**

- (a) If an Obligor fails to pay any amount payable by it under the Finance Documents, it must immediately on demand by the Facility Agent pay interest on the overdue amount from its due date up to the date of actual payment, both before, on and after judgment.
- (b) Interest on an overdue amount is payable at a rate determined by the Facility Agent to be one per cent. per annum above the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted a Loan in the currency of the overdue amount. For this purpose, the Facility Agent may (acting reasonably):
  - (i) select successive Terms of any duration of up to three months; and
  - (ii) determine the appropriate Rate Fixing Day for that Term.
- (c) Notwithstanding paragraph (b) above, if the overdue amount is a principal amount of a Loan and becomes due and payable before the last day of its current Term, then:
  - (i) the first Term for that overdue amount will be the unexpired portion of that Term; and
  - (ii) the rate of interest on the overdue amount for that first Term will be one per cent. per annum above the rate then payable on that Loan.

After the expiry of the first Term for that overdue amount, the rate on the overdue amount will be calculated in accordance with paragraph (b) above.

- (d) Interest (if unpaid) on an overdue amount will be compounded with that overdue amount at the end of each of its Terms but will remain immediately due and payable.

#### **8.4 Notification of rates of interest**

The Facility Agent must promptly notify each relevant Party of the determination of a rate of interest under this Agreement.

### **9. TERMS**

#### **9.1 Selection—Term Loans**

- (a) Each Term Loan has successive Terms.
- (b) A Borrower must select the first Term for a Term Loan in the relevant Request and each subsequent Term in an irrevocable notice received by the Facility Agent not later than 10.00 a.m. (Paris time) three Business Days before the Rate Fixing Day for that Term. Each Term for a Term Loan will start on its Utilisation Date or on the expiry of its preceding Term.
- (c) If a Borrower fails to select a Term for an outstanding Term Loan under paragraph (b) above, that Term will, subject to the other provisions of this Clause, be three months.
- (d) Subject to the following provisions of this Clause, each Term for a Term Loan will be one, two, three or six months or:
  - (i) any shorter period agreed by Telenet and the Facility Agent; or
  - (ii) any longer period agreed by Telenet and the Majority Lenders.
- (e) Until the Mandated Lead Arrangers have notified Telenet that Syndication has been completed, each Term for a Term Loan will be one week or such other period as Telenet and the Mandated Lead Arrangers shall agree.

#### **9.2 Selection—Revolving Loans**

- (a) Each Revolving Loan has one Term only.
- (b) A Borrower must select the Term for a Revolving Loan in the relevant Request.
- (c) Subject to the following provisions of this Clause, each Term for a Revolving Loan will be one, two, three or six months or any other period agreed by Telenet and the Facility Agent.
- (d) Until the Mandated Lead Arrangers have notified Telenet that Syndication has been completed, each Term for a Revolving Loan will be one week or such other period as Telenet and the Mandated Lead Arrangers shall agree.

#### **9.3 Consolidation—Term Loans**

Unless a Borrower otherwise requests a Term for a Term Loan will end on the same day as the current Term for any other Term Loan denominated in the same currency as that Term Loan and borrowed by that Borrower under the same Facility. On the last day of those Terms, those Term Loans will be consolidated and treated as one Term Loan under the relevant Facility.

#### **9.4 Coincidence with Repayment Instalment dates**

- (a) A Borrower may select any Term of less than six months for a Term Loan B1 Facility Loan, a Term Loan B2A Facility Loan or a Term Loan B2B Facility Loan (and may redesignate any Term Loan B1 Facility Loan as two Term Loan B1 Facility Loans, any Term Loan B2A Facility Loan as two Term Loan B2A Facility Loans or any Term Loan B2B Facility Loan as two Term Loan B2B Facility Loans) to ensure that the amount of the Term Loan B1 Facility Loans, Term Loan B2A Facility Loans or Term Loan B2B Facility Loans with a Term ending on a date for repayment of a Repayment Instalment is not less than the Repayment Instalment due on that date.

- (b) If a Borrower fails to make a selection in the circumstances envisaged in paragraph (a) above, the Facility Agent may (after giving prior written notice to Telenet), before the Rate Fixing Day for the relevant Term shorten any Term for a Term Loan B1 Facility Loan, Term Loan B2A Facility Loan or a Term Loan B2B Facility Loan (and may designate any such Loan as two such Loans) to achieve the same end.

#### **9.5 No overrunning the Final Maturity Date**

If a Term in respect of a Loan under a Facility would otherwise overrun the Final Maturity Date for that Facility, it will be shortened so that it ends on the Final Maturity Date for that Facility.

#### **9.6 Other adjustments**

The Facility Agent and Telenet may enter into such other arrangements as they may agree for the adjustment of Terms and the consolidation and/or splitting of Loans under a Facility.

#### **9.7 Notification**

The Facility Agent must notify each relevant Party of the duration of each Term promptly after ascertaining its duration.

### **10. MARKET DISRUPTION**

#### **10.1 Failure of a Reference Bank to supply a rate**

If LIBOR/EURIBOR is to be calculated by reference to the Reference Banks but a Reference Bank does not supply a rate by 12.00 noon (local time) on a Rate Fixing Day, the applicable LIBOR/EURIBOR will, subject as provided below, be calculated on the basis of the rates of the remaining Reference Banks.

#### **10.2 Market disruption**

- (a) In this Clause, each of the following events is a **market disruption event**:
  - (i) LIBOR/EURIBOR is to be calculated by reference to the Reference Banks but no, or only one, Reference Bank supplies a rate by 12.00 noon (local time) on the Rate Fixing Day; or
  - (ii) the Facility Agent receives by close of business on the Rate Fixing Day notification from Lenders whose shares in the relevant Loan exceed 35 per cent. of that Loan that the cost to them of obtaining matching deposits in the relevant interbank market is in excess of LIBOR/EURIBOR for the relevant Term.
- (b) The Facility Agent must promptly notify Telenet and the Lenders of a market disruption event.
- (c) After notification under paragraph (b) above, the rate of interest on each Lender's share in the affected Loan for the relevant Term will be the aggregate of the applicable:
  - (i) Margin;
  - (ii) rate notified to the Facility Agent by that Lender as soon as practicable, and in any event before interest is due to be paid in respect of that Term, to be that which expresses as a percentage rate per annum the cost to that Lender of funding its share in that Loan from whatever source it may reasonably select; and
  - (iii) Mandatory Cost.

#### **10.3 Alternative basis of interest or funding**

- (a) If a market disruption event occurs and the Facility Agent or Telenet so requires, Telenet and the Facility Agent must enter into negotiations for a period of not more than 30 days with a view to agreeing an alternative basis for determining the rate of interest and/or funding for the affected Loan.
- (b) Any alternative basis agreed will be, with the prior consent of all the Lenders, binding on all the Parties.

## **11. TAXES**

### **11.1 General**

In this Clause **Tax Credit** means a credit against any Tax or any relief or remission for Tax (or its repayment).

### **11.2 Tax gross-up**

- (a) Each Obligor must make all payments to be made by it under the Finance Documents without any Tax Deduction, unless a Tax Deduction is required by law.
- (b) If:
  - (i) Lender is not, or ceases to be, a Qualifying Lender; or
  - (ii) an Obligor or a Lender is aware that an Obligor must make a Tax Deduction (or that there is a change in the rate or the basis of a Tax Deduction),it must promptly notify the Facility Agent. The Facility Agent must then promptly notify the affected Parties.
- (c) Except as provided below, if a Tax Deduction is required by law to be made by an Obligor or the Facility Agent, the amount of the payment due from the Obligor will be increased to an amount which (after making the Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.
- (d) Except as provided below, an Obligor is not required to make an increased payment under paragraph (c) above to a Lender that is not, or has ceased to be, a Qualifying Lender in respect of that Obligor in excess of the amount that the Obligor would have had to pay had the Lender been, or not ceased to be, a Qualifying Lender in respect of that Obligor.
- (e) Paragraph (d) above will not apply if the Lender has ceased to be a Qualifying Lender by reason of any change after the date it became a Lender under this Agreement in (or in the interpretation, administration, or application of) any law or double taxation agreement or Double Tax Treaty or any published practice or concession of any relevant taxing authority.
- (f) If an Obligor is required to make a Tax Deduction, that Obligor must make the minimum Tax Deduction allowed by law and must make any payment required in connection with that Tax Deduction within the time allowed by law.
- (g) Within 30 days of making either a Tax Deduction or a payment required in connection with a Tax Deduction, the Obligor making that Tax Deduction must deliver to the Facility Agent for the relevant Finance Party evidence satisfactory to that Finance Party (acting reasonably) that the Tax Deduction has been made or (as applicable) the appropriate payment has been paid to the relevant taxing authority.

### **11.3 Tax indemnity**

- (a) Except as provided below, Telenet must indemnify a Finance Party against any loss or liability which that Finance Party (in its absolute discretion) determines will be or has been suffered (directly or indirectly) by that Finance Party for or on account of Tax in relation to a payment received or receivable (or any payment deemed to be received or receivable) under a Finance Document.
- (b) Paragraph (a) above does not apply to any Tax assessed on a Finance Party under the laws of the jurisdiction in which:
  - (i) that Finance Party is incorporated or, if different, the jurisdiction (or jurisdictions) in which that Finance Party has a Facility Office and is treated as resident for tax purposes; or
  - (ii) that Finance Party's Facility Office is located in respect of amounts received or receivable in that jurisdiction,

if that Tax is imposed on or calculated by reference to the net income received or receivable by that Finance Party. However, any payment deemed to be received or receivable, including any amount treated as income but not actually received by the Finance Party, such as a Tax Deduction, will not be treated as net income received or receivable for this purpose.

- (c) A Finance Party making, or intending to make, a claim under paragraph (a) above must promptly notify Telenet of the event which will give, or has given, rise to the claim.

#### **11.4 Tax Credit**

If an Obligor makes a Tax Payment and the relevant Finance Party (in its absolute discretion) determines that:

- (a) a Tax Credit is attributable to that Tax Payment; and
- (b) it has used and retained that Tax Credit,

the Finance Party must pay an amount to the Obligor which that Finance Party determines (in its absolute discretion) will leave it (after that payment) in the same after-tax position as it would have been if the Tax Payment had not been required to be made by the Obligor.

#### **11.5 U.S. Taxes**

A U.S. Borrower shall not be required to pay any additional amount pursuant to Clause 11.2 (Tax gross-up) in respect of Taxes of the United States or any political subdivision thereof which arise or are imposed as a result of the failure of a Lender to provide the forms described in Clauses 11.5(a) or (b), or a connection of a Lender as described in Clause 11.5(c) below, with respect to a sum payable by it pursuant to this Agreement to a Lender if on the date such Lender becomes a Party to this Agreement or has designated a new Facility Office either:

- (a) in the case of a Lender which is not a U.S. person,
  - (i) such Lender has not provided the Borrower with two accurate and complete original signed copies including all necessary attachments of (i) U.S. Internal Revenue Service Form W-8BEN (or successor form) or (ii) U.S. Internal Revenue Service Form W-8ECI (or successor form), or (iii) (if appropriate) Internal Revenue Service Form W-8IMY, certifying, in each case, to such Lender's entitlement as of such date to a complete exemption from United States withholding with respect to all amounts payable pursuant to the Finance Documents; or
  - (ii) after the date such Lender becomes a Party to this Agreement, when a lapse in time or change in circumstances renders the previous certification of such Lender made pursuant to Clause 11.5(a)(i) above obsolete or inaccurate, such Lender has not delivered to Telenet two new accurate and complete original signed copies of U.S. Internal Revenue Service Form W-8ECI or Form W-8BEN, as the case may be, and such other forms as may be required in order to confirm or establish the entitlement of such Lender to a continued exemption from United States withholding tax with respect to amounts payable pursuant to the Finance Documents;
- (b) in the case of a Lender which is a U.S. Person:
  - (i) such Lender has not provided the Borrower with two accurate and complete original signed copies, including all necessary attachments, of U.S. Internal Revenue Service Form W-9 (or successor form); or
  - (ii) after the date such Lender becomes a Party to this Agreement, when a lapse in time or change in circumstances renders the previous certification of such Lender made pursuant to Clause 11.5(b)(i) above obsolete or inaccurate, such Lender has not delivered to Telenet two new accurate and complete original signed copies of U.S. Internal Revenue Service Form W-9, as the case may be, and such other forms as may be required in order to confirm or establish the entitlement of such Lender to a continued exemption from United States withholding tax with respect to amounts payable pursuant to the Finance Documents; or
- (c) such Lender is subject to such Tax by reason of any connection between the jurisdiction imposing such Tax and the Lender or its Facility Office other than a connection arising solely from this Agreement or any transaction contemplated hereby.



## **11.6 Stamp taxes**

Telenet must pay and indemnify each Finance Party against any stamp duty, registration or other similar Tax payable in connection with the entry into, performance or enforcement of any Finance Document, except for any such Tax payable in connection with the entry into a Transfer Certificate.

## **11.7 Value added taxes**

Any amount payable under a Finance Document by an Obligor is exclusive of any value added tax or any other Tax of a similar nature which might be chargeable in connection with that amount. If any such Tax is chargeable, the Obligor must pay to the Finance Party (in addition to and at the same time as paying that amount) an amount equal to the amount of that Tax.

Where a Finance Document requires any Party to reimburse a Finance Party for any costs or expenses, that Party must also at the same time pay and indemnify the Finance Party against all value added tax or any other Tax of a similar nature incurred by the Finance Party in respect of those costs or expenses but only to the extent that the Finance Party (acting reasonably) determines that neither it nor any other member of any group of which it is a member for value added tax purposes is entitled to credit or repayment from the relevant tax authority in respect of the Tax.

## **11.8 Confirmation by Lenders**

Each Initial Original Lender hereby confirms that, as at the date of this Agreement, it is a Qualifying Lender.

## **12. INCREASED COSTS**

### **12.1 Increased Costs**

Except as provided below in this Clause, Telenet must pay to a Finance Party the amount of any Increased Cost incurred by that Finance Party or any of its Affiliates as a result of:

- (a) the introduction of, or any change in, or any change in the interpretation, administration or application of, any law or regulation; or
- (b) compliance with any law or regulation made after the date of this Agreement.

### **12.2 Exceptions**

Telenet need not make any payment for an Increased Cost to the extent that the Increased Cost is:

- (a) compensated for under another Clause or would have been but for an exception to that Clause;
- (b) attributable to a Finance Party or its Affiliate wilfully failing to comply with any law or regulation; or
- (c) attributable to the implementation or application of or compliance with the “International Convergence of Capital Measurement and Capital Standards, a Revised Framework” published by the Basel Committee on Banking Supervision in June 2004 in the form existing on the date of this Agreement (**Basel II**) or any other law or regulation which implements Basel II (whether such implementation, application or compliance is by a government, regulator, Finance Party or any of its Affiliates).

### **12.3 Claims**

A Finance Party intending to make a claim for an Increased Cost must notify the Facility Agent of the circumstances giving rise to and the amount of the claim, following which the Facility Agent will promptly notify Telenet.

Each Finance Party must, as soon as practicable after a demand by the Facility Agent, provide a certificate confirming the amount of its Increased Cost.

### **13. MITIGATION**

#### **13.1 Mitigation**

- (a) Each Finance Party must, in consultation with Telenet, take all reasonable steps to mitigate any circumstances which arise and which result or would result in:
  - (i) any Tax Payment or Increased Cost being payable to that Finance Party;
  - (ii) that Finance Party being able to exercise any right of prepayment and/or cancellation under this Agreement by reason of any illegality; or
  - (iii) that Finance Party incurring any cost of complying with the minimum reserve requirements of the European Central Bank,including transferring its rights and obligations under the Finance Documents to an Affiliate or changing its Facility Office.
- (b) Paragraph (a) above does not in any way limit the obligations of any Obligor under the Finance Documents.
- (c) Telenet must indemnify each Finance Party for all costs and expenses reasonably incurred by that Finance Party as a result of any step taken by it under this Subclause.
- (d) A Finance Party is not obliged to take any step under this Subclause if, in the opinion of that Finance Party (acting reasonably), to do so may reasonably be expected to be prejudicial to it.

#### **13.2 Conduct of business by a Finance Party**

No term of this Agreement will:

- (a) interfere with the right of any Finance Party to arrange its affairs (Tax or otherwise) in whatever manner it thinks fit;
- (b) oblige any Finance Party to investigate or claim any credit, relief, remission or repayment available to it in respect of Tax or the extent, order and manner of any claim; or
- (c) oblige any Finance Party to disclose any information relating to its affairs (Tax or otherwise) or any computation in respect of Tax.

### **14. PAYMENTS**

#### **14.1 Place**

Unless a Finance Document specifies that payments under it are to be made in another manner, all payments by a Party (other than the Facility Agent) under the Finance Documents must be made to the Facility Agent to its account at such office or bank in the principal financial centre of a Participating Member State or London, as it may notify to that Party for this purpose by not less than five Business Days' prior notice.

#### **14.2 Funds**

Payments under the Finance Documents to the Facility Agent must be made for value on the due date at such times and in such funds as the Facility Agent may specify to the Party concerned as being customary at the time for the settlement of transactions in that currency in the place for payment.

#### **14.3 Distribution**

- (a) Each payment received by the Facility Agent under the Finance Documents for another Party must, except as provided below, be made available by the Facility Agent to that Party by payment (as soon as practicable after receipt) to its account with such office or bank in the principal financial centre of a Participating Member State or London, as it may notify to the Facility Agent for this purpose by not less than five Business Days' prior notice.
- (b) The Facility Agent may (with the consent and at the expense of Telenet) apply any amount received by it for an Obligor in or towards payment (as soon as practicable after receipt) of any amount due

from that Obligor under the Finance Documents or in or towards the purchase of any amount of any currency to be so applied.

- (c) Where a sum is paid to the Facility Agent under this Agreement for another Party, the Facility Agent is not obliged to pay that sum to that Party until it has established that it has actually received it. However, the Facility Agent may assume that the sum has been paid to it, and, in reliance on that assumption, make available to that Party a corresponding amount. If it transpires that the sum has not been received by the Facility Agent, that Party must immediately on demand by the Facility Agent refund any corresponding amount made available to it together with interest on that amount from the date of payment to the date of receipt by the Facility Agent at a rate calculated by the Facility Agent to reflect its cost of funds.

#### **14.4 Currency**

- (a) Unless a Finance Document specifies that payments under it are to be made in a different manner, the currency of each amount payable under the Finance Documents is determined under this Clause.
- (b) Amounts payable in respect of Taxes, fees, costs and expenses are payable in the currency in which they are incurred.
- (c) Each other amount payable under the Finance Documents is payable in euro or U.S. Dollars (as applicable).

#### **14.5 No set-off or counterclaim**

All payments made by an Obligor under the Finance Documents must be calculated and made without (and free and clear of any deduction for) set-off or counterclaim.

#### **14.6 Business Days**

- (a) If a payment under the Finance Documents is due on a day which is not a Business Day, the due date for that payment will instead be the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not) or whatever day the Facility Agent determines is market practice.
- (b) During any extension of the due date for payment of any principal under this Agreement interest is payable on that principal at the rate payable on the original due date.

#### **14.7 Partial payments**

- (a) If any Administrative Party receives a payment insufficient to discharge all the amounts then due and payable by the Obligors under the Finance Documents, the Administrative Party must apply that payment towards the obligations of the Obligors under the Finance Documents in the following order:
  - (i) **first**, in or towards payment pro rata of any unpaid fees, costs and expenses of the Administrative Parties under the Finance Documents;
  - (ii) **secondly**, in or towards payment pro rata of any accrued interest or fee due but unpaid under this Agreement;
  - (iii) **thirdly**, in or towards payment pro rata of any principal amount due but unpaid under this Agreement; and
  - (iv) **fourthly**, in or towards payment pro rata of any other sum due but unpaid under the Finance Documents.
- (b) The Facility Agent must, if so directed by all the Lenders, vary the order set out in sub-paragraphs (a)(ii) to (iv) above.
- (c) This Subclause will override any appropriation made by an Obligor.

#### **14.8 Timing of payments**

If a Finance Document does not provide for when a particular payment is due, that payment will be due within three Business Days of demand by the relevant Finance Party.

### **15. GUARANTEE AND INDEMNITY**

#### **15.1 Guarantee and indemnity**

- (a) Subject to Subclause 15.9 (Limitations) each Guarantor jointly and severally and irrevocably and unconditionally:
  - (i) guarantees to each Finance Party punctual performance by each Obligor of all its obligations under the Finance Documents;
  - (ii) undertakes with each Finance Party that, whenever an Obligor does not pay any amount when due under or in connection with any Finance Document, it must immediately on demand by the Facility Agent pay that amount as if it were the principal obligor in respect of that amount; and
  - (iii) indemnifies each Finance Party immediately on demand against any loss or liability suffered by that Finance Party if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal; the amount of the loss or liability under this indemnity will be equal to the amount the Finance Party would otherwise have been entitled to recover.
- (b) This guarantee is an independent guarantee and not a surety (borg/cautionment).

#### **15.2 Continuing guarantee**

This guarantee is a continuing guarantee and will extend to the ultimate balance of all sums payable by any Obligor under the Finance Documents, regardless of any intermediate payment or discharge in whole or in part.

#### **15.3 Reinstatement**

- (a) If any discharge (whether in respect of the obligations of any Obligor or any security for those obligations or otherwise) or arrangement is made in whole or in part on the faith of any payment, security or other disposition which is avoided or must be restored on insolvency, liquidation, administration or otherwise without limitation, the liability of each Guarantor under this Clause will continue or be reinstated as if the discharge or arrangement had not occurred.
- (b) Each Finance Party may concede or compromise any claim that any payment, security or other disposition is liable to avoidance or restoration.

#### **15.4 Waiver of defences**

The obligations of each Guarantor under this Clause will not be affected by any act, omission or thing which, but for this provision, would reduce, release or prejudice any of its obligations under this Clause (whether or not known to it or any Finance Party). This includes:

- (a) any time or waiver granted to, or composition with, any person;
- (b) any release of any person under the terms of any composition or arrangement;
- (c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any person;
- (d) any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;
- (e) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of any person;
- (f) any amendment (however fundamental) of a Finance Document or any other document or security;
- (g) any unenforceability, illegality, invalidity or non-provability of any obligation of any person under any Finance Document or any other document or security; or
- (h) any insolvency or similar proceedings.

### **15.5 Immediate recourse**

- (a) Each Guarantor waives any right it may have of first requiring any Finance Party (or any trustee or agent on its behalf) to proceed against or enforce any other right or security or claim payment from any person before claiming from that Guarantor under this Clause.
- (b) This waiver applies irrespective of any law or any provision of a Finance Document to the contrary.

### **15.6 Appropriations**

Until all amounts which may be or become payable by the Obligors under or in connection with the Finance Documents have been irrevocably paid in full, each Finance Party (or any trustee or agent on its behalf) may without affecting the liability of any Guarantor under this Clause:

- (a) refrain from applying or enforcing any other moneys, security or rights held or received by that Finance Party (or any trustee or agent on its behalf) against those amounts; or
- (b) apply and enforce them in such manner and order as it sees fit (whether against those amounts or otherwise); and
- (c) hold in an interest-bearing suspense account any moneys received from any Guarantor or on account of that Guarantor's liability under this Clause.

### **15.7 Non-competition**

Unless:

- (a) all amounts which may be or become payable by the Obligors under or in connection with the Finance Documents have been irrevocably paid in full; or
- (b) the Facility Agent otherwise directs,

no Guarantor will, after a claim has been made or by virtue of any payment or performance by it under this Clause:

- (i) be subrogated to any rights, security or moneys held, received or receivable by any Finance Party (or any trustee or agent on its behalf);
- (ii) be entitled to any right of contribution or indemnity in respect of any payment made or moneys received on account of that Guarantor's liability under this Clause;
- (iii) claim, rank, prove or vote as a creditor of any Obligor or its estate in competition with any Finance Party (or any trustee or agent on its behalf); or
- (iv) receive, claim or have the benefit of any payment, distribution or security from or on account of any Obligor, or exercise any right of set-off as against any Obligor.

Each Guarantor must hold in trust for and immediately pay or transfer to the Facility Agent for the Finance Parties any payment or distribution or benefit of security received by it contrary to this Clause or in accordance with any directions given by the Facility Agent under this Clause.

### **15.8 Additional security**

This guarantee is in addition to and is not in any way prejudiced by any other guarantee or security now or subsequently held by any Beneficiary.

### **15.9 Limitations**

- (a) This guarantee does not apply to any liability to the extent that it would result in the guarantee constituting unlawful financial assistance under any laws applicable to a Guarantor.
- (b) Notwithstanding any other provision of this Clause 15, the obligations of each U.S. Guarantor under this Clause 15, shall be limited to a maximum aggregate amount equal to the largest amount that would not render its obligations hereunder subject to avoidance as a fraudulent transfer or conveyance under Section 548 of Title 11 of the United States Bankruptcy Code, any applicable provisions of comparable state law or any applicable case law (collectively, the **Fraudulent Transfer Laws**), in each case after giving effect to all other liabilities of such U.S. Guarantor, contingent or otherwise, that are relevant under the Fraudulent Transfer Laws and after giving effect as assets to

the value (as determined under the applicable provisions of the Fraudulent Transfer Laws) of any rights to subrogation, contribution, reimbursement, indemnity or similar rights of such U.S. Guarantor pursuant to (i) applicable law or (ii) any agreement providing for an equitable allocation among such U.S. Guarantors and other Affiliates of the Group of the obligations arising under guarantees by such parties.

For the purposes of this Clause 15, **U.S. Guarantor** means each Guarantor incorporated (or in the case of a non-corporate Guarantor, formed and subsisting) in the United States of America (or any of its states or territories or any political or legal subdivision thereof).

- (c) Notwithstanding any other provision of this Clause 15, the liability of UPC Belgium NV pursuant to this Clause 15 shall be limited, at any time, to an amount equal to the net assets of UPC Belgium NV (determined in accordance with Article 617 of the Belgian Company Code (*Wetboek van vennootschappen*) and accounting principles generally accepted in Belgium) at the time each relevant demand is made under the guarantee.

#### **15.10 Third Parties**

Any counterparty to any Hedging Document may rely on this Clause 15 and enforce its terms under the Contracts (Rights of Third Parties) Act 1999.

### **16. REPRESENTATIONS AND WARRANTIES**

#### **16.1 Representations and warranties**

The representations set out in this Clause are made by each Obligor or (if it so states) Telenet to each Finance Party. Each Obligor makes the representations set out in this Clause in respect of itself and (where applicable) in respect of its Subsidiaries.

#### **16.2 Status**

- (a) It is a limited liability company, duly incorporated and validly existing under the laws of its jurisdiction of incorporation.
- (b) It and each of its Subsidiaries has the power to own its assets and carry on its business as it is being conducted.
- (c) In respect of the Original Borrower, it is resident for all purposes in the Kingdom of Belgium.

#### **16.3 Powers and authority**

It has the power:

- (a) to enter into and comply with all obligations expressed on its part under the Finance Documents; and
- (b) (in the case of a Borrower) to borrow under this Agreement; and
- (c) (in the case of a Guarantor) to give the guarantee in Clause 15 (Guarantee and Indemnity),

and has taken all necessary actions to authorise the execution, delivery and performance of the Finance Documents to which it is or will be a party and the transactions contemplated by those Finance Documents.

#### **16.4 Legal validity**

- (a) Each Finance Document to which it is or will be a party constitutes, or when executed in accordance with its terms will constitute, its legal, valid and binding obligations enforceable, subject to any relevant reservations or qualifications as to matters of law contained in any legal opinion referred to in Part 1 of Schedule 2 (Conditions Precedent Documents) or (as applicable) Part 2 of Schedule 2 (Conditions Precedent Documents), in accordance with its terms.
- (b) The choice of English law as the governing law of the Finance Documents and its irrevocable submission to the jurisdiction of the courts of England in respect of any proceedings relating to the Finance Documents (in each case other than any Finance Document which is expressed to be governed by a law other than English law) will be recognised and enforced in its jurisdiction of



incorporation, subject to any relevant reservation or qualification as to matters of law contained in any legal opinion referred to in paragraph (a) above.

- (c) Any judgment obtained in England in relation to the Finance Documents will be recognised and enforced in its jurisdiction of incorporation, subject to any relevant reservation or qualification as to matters of law contained in any legal opinion referred to in paragraph (a) above.

#### **16.5 Non-conflict**

The execution and delivery by it of, the Finance Documents to which it is a party, and its performance of the transactions contemplated thereby will not violate:

- (a) in any material respect, any law or regulation or official judgment or decree applicable to it;
- (b) in any material respect, its constitutional documents; or
- (c) any agreement or instrument to which it is a party or binding on any of its assets or binding upon any other member of the Group or any other member of the Group's assets, where such violation would or is reasonably likely to have a Material Adverse Effect.

#### **16.6 No Event of Default**

- (a) No Event of Default has occurred and is outstanding or will result from the entry into of, or the performance of any transaction contemplated by, any Finance Document.
- (b) Neither it nor any other member of the Group is in default under any law, regulation or agreement to which it is subject, except for a default which will not have or be reasonably likely to have a Material Adverse Effect.

#### **16.7 Authorisations**

- (a) Subject to any relevant reservations or qualifications contained in any legal opinion referred to in Clause 16.4 (Legal validity), all material and necessary authorisations, registrations, consents, approvals, licences, and filings required by it in connection with the execution, validity or enforceability of the Finance Documents to which it is a party and performance of the transactions contemplated by the Finance Documents have been obtained (or, if applicable, will be obtained within the required time period) and are validly existing.
- (b) The Licences are in full force and effect and each member of the Group is in compliance in all material respects with all provisions thereof such that the Licences are not the subject of any pending or, to the best of its knowledge, threatened attack, suspension or revocation by a competent authority except, in each case, to the extent that any lack of effect, non-compliance or attack, suspension or revocation of a Licence would not have or be reasonably likely to have a Material Adverse Effect.
- (c) All the Necessary Authorisations are in full force and effect, each member of the Group is in compliance in all material respects with all provisions thereof and the Necessary Authorisations are not the subject of any pending or, to the best of its knowledge, threatened attack or revocation by any competent authority except, in each case, to the extent that any lack of effect, non-compliance or attack or revocation of a Necessary Authorisation would not have or be reasonably likely to have a Material Adverse Effect.

#### **16.8 Financial statements**

Its financial statements most recently delivered to the Facility Agent (which, in the case of Telenet at the date of this Agreement, are the Original Financial Statements):

- (a) have been prepared in all material respects in accordance with the Accounting Principles, consistently applied; and
- (b) give a true and fair view of (if audited) or fairly represent (if unaudited) its financial condition (consolidated, if applicable) as the date to which they were drawn up, except, in each case, as disclosed to the contrary in those financial statements.

#### **16.9 No material adverse change**

There has been no material adverse change in the business, assets or consolidated financial position of the Group (taken as a whole) since the date to which the Original Financial Statements were drawn up.

#### **16.10 Litigation and insolvency proceedings**

- (a) No litigation, arbitration or administrative proceedings of or before any court, arbitral body or agency have been started against any member of the Group and, to its knowledge, no such proceedings are threatened, where in any such case, there is a reasonable likelihood of an adverse outcome to any member of the Group where that outcome is of a nature which would or is reasonably likely to have a Material Adverse Effect.
- (b) None of the circumstances referred to in Clause 20.7 (Insolvency proceedings) are pending or, to its knowledge, threatened against it or any member of the Group.

#### **16.11 Business Plan**

To the best of its knowledge after due inquiry, as of the date of the Business Plan:

- (a) the factual information relating to the Group contained in the Business Plan is accurate in all material respects;
- (b) the financial projections and forecasts contained in the Business Plan were based on and arrived at after due and careful consideration and have been prepared on the basis of assumptions believed by Telenet to be reasonable as of the date of the projections;
- (c) there are no material facts or circumstances which have not been disclosed to the Lenders in writing prior to the date of the Business Plan and which would make any material factual information referred to in (a) above untrue, inaccurate or misleading in any material respect as at the date of the Business Plan, or any such opinions, projections, or assumptions referred to in (b) below misleading in any material respect as at the date of the Business Plan.

#### **16.12 No misleading information**

To the best of its knowledge after due enquiry:

- (a) any factual information contained in the Information Memorandum or the Information Package was true and accurate in all material respects as at the date of the relevant report or document containing the information or (as the case may be) as at the date the information is expressed to be given;
- (b) any financial projection or forecast contained in the Information Memorandum or the Information Package has been prepared on the basis of recent historical information and on the basis of reasonable assumption and was fair (as at the date of the relevant report or document containing the projection or forecast) and arrived at after careful consideration;
- (c) the expressions of opinion or intention provided by or on behalf of an Obligor for the purposes of the Information Memorandum or the Information Package were made after careful consideration and (as at the date of the relevant report or document containing the expression of opinion or intention) were fair and based on reasonable grounds; and
- (d) no event or circumstance has occurred or arisen and no information has been omitted from the Information Memorandum or the Information Package and no information has been given or withheld that results in the information, opinions, intentions, forecasts or projections contained in the Information Memorandum or the Information Package being untrue or misleading in any material respect as at the date of that Information Memorandum or Information Package.

#### **16.13 Tax liabilities**

- (a) No claims are being asserted against it or any member of the Group with respect to Taxes which are reasonably likely to be determined adversely to it or to such member of the Group and which, if adversely determined, would or is reasonably likely to have a Material Adverse Effect.
- (b) It is not materially overdue in the filing of any Tax returns required to be filed by it (where such late filing might result in any material fine or penalty on it) and it has paid within any period required by law all Taxes shown to be due on any Tax returns required to be filed by it or on any assessments made against it (other than Tax liabilities being contested by it in good faith and where it has made adequate reserves for such liabilities or where such overdue filing, or non-payment, or a claim for payment, of which in each such case would not have or be reasonably likely to have a Material Adverse Effect).

#### **16.14 Security Interests**

Its execution and delivery of this Agreement does not necessitate and will not result in the creation or imposition of any Security Interest over any of its material assets or those of any member of the Group (except for any Security Interest created pursuant to the Security Documents).

#### **16.15 Intellectual Property Rights**

- (a) It (and each member of the Group) owns or has the legal right to use all the Intellectual Property Rights which are required for the conduct of the business of the Group as a whole from time to time or are required by it (or such member) in order for it to carry on such business as it is then being conducted, except where the failure to do so would not have or be reasonably likely to have a Material Adverse Effect.
- (b) As far as it is aware it does not (nor does any member of the Group), in carrying on its business, infringe any Intellectual Property Rights of any third party in any way which would or is reasonably likely to have a Material Adverse Effect.
- (c) None of the Intellectual Property Rights owned by any member of the Group is, to its knowledge, being infringed nor, to its knowledge, is there any threatened infringement of those Intellectual Property Rights, by any third party which, in either case, would or is reasonably likely to have a Material Adverse Effect.
- (d) All registered Intellectual Property Rights owned by it (or any member of the Group) are subsisting and all actions (including payment of all fees) required to maintain the same in full force and effect have been taken except where the absence of such rights or the failure to take any such action would not have or be reasonably likely to have a Material Adverse Effect.

#### **16.16 Environmental laws**

- (a) It and each other member of the Group:
  - (i) have obtained all requisite Environmental Approvals required for the carrying on of its business as currently conducted;
  - (ii) have at all times complied with the terms and conditions of such Environmental Approvals; and
  - (iii) have at all times complied with all other applicable Environmental Law,which in each such case, if not obtained or complied with, would or is reasonably likely to have a Material Adverse Effect.
- (b) There is no Environmental Claim in existence, pending or, to the best of its knowledge, threatened, against it which is reasonably likely to be decided against it and which, if so decided, would or is reasonably likely to have a Material Adverse Effect.
- (c) So far as it is aware, no Dangerous Substance has been used, disposed of, generated, stored, transported, dumped, released, deposited, buried or emitted at, on, from or under any premises (whether or not owned, leased, occupied or controlled by it or any member of the Group and including any offsite waste management or disposal location utilised by it or any member of the Group) in circumstances where this would be reasonably likely to result in a liability on it which would or is reasonably likely to have a Material Adverse Effect.

#### **16.17 Ownership of assets**

It and each member of the Group has good title to or valid leases or licences of or is otherwise entitled to use all assets necessary to conduct its business except where the failure to do so would not have or be reasonably likely to have a Material Adverse Effect.

#### **16.18 Material Contracts**

- (a) Each Material Contract to which any member of the Group is a party constitutes, or will when executed constitute, the legal, valid and binding obligation of such member, subject to the application of any relevant insolvency, bankruptcy or similar laws or other laws affecting the interests of creditors generally, enforceable against it in accordance with its terms, save where failure so to constitute would not have a Material Adverse Effect.
- (b) No member of the Group is in breach of any of its material obligations under any Material Contract to which such member is a party, nor (to the best of its knowledge and belief), is any other party thereto, in each case in such a manner or to such an extent as would or is reasonably likely to have a Material Adverse Effect. To the best of its knowledge and belief there is no material dispute between any member of the Group and any other party to a Material Contract and there have been no amendments to any Material Contract in the form provided to the Facility Agent prior to the date of this Agreement which would or is reasonably likely to have a Material Adverse Effect.

#### **16.19 ERISA**

Neither it nor any member of the Group or ERISA Affiliate maintains, contributes to or has any obligation to contribute to or any liability under, any Plan, or in the past five years has maintained or contributed to or had any obligation to, or liability under, any Plan.

#### **16.20 United States Regulations**

Neither it nor any member of the Group is:

- (a) a public utility as defined in the United States Federal Power Act of 1920; or subject to regulation thereunder;
- (b) required to be registered as an investment company as defined in the United States Investment Company Act of 1940 or subject to regulation thereunder; or
- (c) subject to regulation under any United States Federal or State law or regulation that limits its ability to incur or guarantee indebtedness.

#### **16.21 Anti-Terrorism Laws**

To the best of its knowledge, neither it nor any member of the Group:

- (a) is, or is controlled by, a Designated Party;
- (b) has received funds or other property from a Designated Party; or
- (c) is in material breach of or is the subject of any action or investigation under any Anti-Terrorism Law.

It and each of its Affiliates have taken commercially reasonable measures to ensure compliance with the Anti-Terrorism Laws.

#### **16.22 Margin stock**

- (a) (In the case of the Borrowers only) the proceeds of the Facilities have been and will be used only for the purposes described in Clause 3 (Purpose).
- (b) Neither it nor any member of the Group is engaged principally in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulations U and X of the Board of Governors of the United States Federal Reserve System), and no portion of any Loan has been or will be used, directly or indirectly, to purchase or carry margin stock or to extend credit to others for the purpose of purchasing or carrying margin stock.

### **16.23 Times for making representations and warranties**

- (a) The representations and warranties set out in this Clause 16 (Representations and Warranties) are made by each Original Obligor on the date of this Agreement and (except for Clauses 16.7 (Authorisations), 16.9 (No material adverse change), 16.10 (Litigation and insolvency proceedings), 16.11 (Business Plan), 16.12 (No misleading information), 16.13 (Tax Liabilities), 16.14 (Security Interests), 16.17 (Ownership of assets), and 16.19 (ERISA) are deemed to be made again by each relevant Obligor on the date of each Request, the first day of each Term and on each Utilisation Date with reference to the facts and circumstances then existing.
- (b) The representations and warranties set out in this Clause 16 (Representations and Warranties) (except Clauses 16.8 (Financial statements), 16.9 (No material adverse change), 16.11 (Business Plan) and 16.12 (No misleading information) are repeated by each Additional Obligor with respect to itself on the date of the Accession Agreement relating to that Additional Obligor, with reference to the facts and circumstances then subsisting.
- (c) The representation and warranty in Clause 16.11 (Business Plan) will be deemed to be repeated on the date any updated Business Plan is delivered to the Facility Agent by Telenet, but only in respect of that updated Business Plan, by reference to the facts and circumstances existing on the relevant date.
- (d) The representation and warranty in 16.12 (No misleading information) will be made on the date of this Agreement and deemed to be made on the earlier of: (i) the date on which Telenet confirms to the Facility Agent that it has approved the Information Package; and (ii) 12 October 2007.
- (e) When a representation and warranty is repeated, it is applied to the circumstances existing at the time of repetition.

## **17. INFORMATION COVENANTS**

### **17.1 Financial statements**

- (a) The Obligors must supply to the Facility Agent in sufficient copies for all the Lenders:
  - (i) the audited consolidated financial statements for the Reporting Entity for each of its financial years commencing with 2007; and
  - (ii) the unaudited quarterly consolidated management accounts of the Reporting Entity for each of its financial quarters in each of its financial years commencing with the quarter ended 30 September 2007.
- (b) All financial statements must be supplied as soon as they are available and:
  - (i) in the case of the Reporting Entity's audited financial statements, within 150 days; and
  - (ii) in the case of the quarterly financial statements of the Reporting Entity, within 60 days (or, in the case of the quarterly financial statements of the Reporting Entity for its fourth financial quarter, within 150 days),of the end of the relevant financial period.

### **17.2 Form of financial statements**

- (a) Telenet must ensure that each set of financial statements of the Reporting Entity supplied under this Agreement gives (if audited) a true and fair view of, or (if unaudited) fairly represents, the financial condition (consolidated or otherwise) of the relevant person as at the date to which those financial statements were drawn up.
- (b) Telenet must notify the Facility Agent of any change to the basis of which any consolidated financial statements are prepared, such changes only to be made to reflect a change in Accounting Principles.
- (c) If requested by the Facility Agent, Telenet must supply to the Facility Agent a statement (providing reasonable detail) with such financial statements either:
  - (i) confirming that the change(s) would have no effect on the operation of the ratios set out in Clause 18 (Financial Covenants); or

- (ii) unless otherwise agreed in writing by the Facility Agent (acting upon the instructions of the Majority Lenders), if the change(s) would have such an effect, containing a reconciliation demonstrating the effect of the change(s) (and, for the purpose of calculating the ratios set out in Clause 18 (Financial Covenants), such financial statements will be treated as though adjusted by that reconciliation so as to exclude the effect of the changes).

### **17.3 Compliance Certificate**

- (a) Telenet must supply to the Facility Agent a Compliance Certificate with each set of its financial statements sent to the Facility Agent under this Agreement.
- (b) A Compliance Certificate must be signed by a director of Telenet.

### **17.4 Budgets**

Telenet must supply to the Facility Agent not later than 90 days after the last day of each of its financial years, an annual budget for the immediately following financial year.

### **17.5 Information—miscellaneous**

The Obligors must supply to the Facility Agent, in sufficient copies for all the Lenders if the Facility Agent so requests:

- (a) copies of all documents despatched by any of the Obligors to its creditors generally at the same time as they are despatched;
- (b) promptly upon becoming aware of them, details of any litigation, arbitration or administrative proceedings which are current, threatened or pending and which might, if adversely determined, have a Material Adverse Effect;
- (c) a copy of any material report or other notice, statement or circular, sent or delivered by any member of the Group whose shares are pledged to the Security Agent pursuant to any Security Document to any person in its capacity as shareholder of such member of the Group, which materially adversely effects the interest of the Finance Parties under such Security Document; and
- (d) promptly on request, such further information regarding the financial condition and operations of the Group as any Finance Party through the Facility Agent may reasonably request.

### **17.6 Notification of Default**

- (a) Unless the Facility Agent has already been so notified by another Obligor, each Obligor must notify the Facility Agent of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence.
- (b) Promptly on request by the Facility Agent, Telenet must supply to the Facility Agent a certificate, signed by two of its authorised signatories on its behalf, certifying that no Default is outstanding or, if a Default is outstanding, specifying the Default and the steps, if any, being taken to remedy it.
- (c) Any Obligor must promptly upon becoming aware of it notify the Facility Agent of:
  - (i) any Reportable Event;
  - (ii) the termination of or withdrawal from, or any circumstances reasonably likely to result in the termination of or withdrawal from, any Plan subject to Title IV of ERISA; and
  - (iii) material non-compliance with any law or regulation relating to any Plan which would or is reasonably likely to have a Material Adverse Effect.

### **17.7 Inspection rights**

Each Obligor shall, if required by the Facility Agent (acting on the instructions of the Majority Lenders), at any time whilst an Event of Default is continuing or the Facility Agent has reasonable grounds to believe that an Event of Default may exist and at other times if the Facility Agent has



reasonable grounds for such request, permit representatives of the Facility Agent upon reasonable prior written notice to Telenet to:

- (a) visit and inspect the properties of any member of the Group during normal business hours;
- (b) inspect its books and records other than records which the relevant member of the Group is prohibited by law, regulation or contract from disclosing to the Facility Agent; and
- (c) discuss with its principal officers and Auditors its business, assets, liabilities, financial position, results of operations and business prospects provided that (i) any such discussion with the Auditors shall only be on the basis of the audited financial statements of the Group and any compliance certificates issued by the Auditors and (ii) representatives of Telenet shall be entitled to be present at any such discussion with the Auditors.

#### **17.8 Know your customer requirements**

- (a) Each Obligor must promptly on the request of any Finance Party supply to that Finance Party any documentation or other evidence which is reasonably requested by that Finance Party (whether for itself, on behalf of any Finance Party or any prospective new Lender) to enable a Finance Party or prospective new Lender to carry out and be satisfied with the results of all applicable know your customer requirements.
- (b) Each Lender must promptly on the request of the Facility Agent supply to the Facility Agent any documentation or other evidence which is reasonably required by the Facility Agent to carry out and be satisfied with the results of all know your customer requirements.

#### **17.9 Use of websites**

- (a) Except as provided below, Telenet may deliver any information under this Agreement to a Lender by posting it on to an electronic website if:
  - (i) the Facility Agent, in consultation with the Lenders, agrees;
  - (ii) Telenet and the Facility Agent designate an electronic website for this purpose;
  - (iii) Telenet notifies the Facility Agent of the address of and password for the website; and
  - (iv) the information posted is in a format agreed between Telenet and the Facility Agent.

The Facility Agent must supply each relevant Lender with the address of and password for the website.

- (b) Notwithstanding the above, Telenet must supply to the Facility Agent in paper form a copy of any information posted on the website together with sufficient copies for:
  - (i) any Lender not agreeing to receive information via the website; and
  - (ii) any other Lender, if that Lender so requests.
- (c) Telenet must promptly upon becoming aware of its occurrence, notify the Facility Agent if:
  - (i) the website cannot be accessed;
  - (ii) the website or any information on the website is infected by any electronic virus or similar software;
  - (iii) the password for the website is changed; or
  - (iv) any information to be supplied under this Agreement is posted on the website or amended after being posted.

If the circumstances in paragraph (i) or (ii) above occur, Telenet must supply any information required under this Agreement in paper form.

## **18. FINANCIAL COVENANTS**

### **18.1 Interpretation**

- (a) Except as provided to the contrary in this Agreement, an accounting term used in this Clause is to be construed in accordance with Accounting Principles on which the preparation of the Original Financial Statement was based.
- (b) No item must be credited or deducted more than once in any calculation under this Clause.

### **18.2 Net Total Debt to Consolidated Annualised EBITDA**

Telenet must ensure that the ratio of Net Total Debt to Consolidated Annualised EBITDA for each Measurement Period:

- (a) up to and including the Measurement Period ending on 31 December 2009 is not greater than 6.25:1; and
- (b) ending after 31 December 2009 is not greater than 6.00:1.

### **18.3 Consolidated EBITDA to Total Cash Interest**

Telenet must ensure that the ratio of Consolidated EBITDA to Total Cash Interest for each Measurement Period is not less than 2.10:1.

### **18.4 Calculations**

For the purposes of Clause 18.2 (Net Total Debt to Consolidated Annualised EBITDA), Net Total Debt for any Measurement Period will be calculated on the basis of Net Total Debt outstanding on the last day of that Measurement Period.

### **18.5 Cure provisions**

- (a) Telenet may cure a breach of the financial ratios set out in Clause 18.2 (Net Total Debt to Consolidated Annualised EBITDA) and Clause 18.3 (Consolidated EBITDA to Total Cash Interest) by procuring that additional equity is injected into the Group by one or more Restricted Persons and/or additional Subordinated Shareholder Loans are provided to the Group in an aggregate amount equal to:
  - (i) in the case of a breach of Clause 18.2 (Net Total Debt to Consolidated Annualised EBITDA), the amount which, if it had been deducted from Net Total Debt for the Measurement Period in respect of which the breach arose, would have avoided the breach;
  - (ii) in the case of a breach of Clause 18.3 (Consolidated EBITDA to Total Cash Interest), the amount which, if it had been applied to prepay Loans in accordance with paragraph b(ii) below immediately prior to the start of the Measurement Period in respect of which the breach arose (recalculating Total Cash Interest accordingly), would have avoided the breach; or
  - (iii) in the case of a breach of both Clauses 18.2 (Net Total Debt to Consolidated Annualised EBITDA) and 18.3 (Consolidated EBITDA to Total Cash Interest), the higher of the relevant amount referred to in (i) or (ii) above.
- (b) A cure under paragraph (a) above will not be effective unless:
  - (i) the required amount of additional equity or the proceeds of Subordinated Shareholder Loans is received by the Group before delivery of the financial statements delivered under Clause 17.1(a) (Financial statements) which show that Clause 18.2 (Net Total Debt to Consolidated Annualised EBITDA) or Clause 18.3 (Consolidated EBITDA to Total Cash Interest) has been breached; and
  - (ii) the proceeds of the relevant additional equity or Subordinated Shareholder Loans are applied in full in or towards repayment or prepayment of:
    - (A) in the case of a cure in respect of a breach of the financial ratio set out in Clause 18.2 (Net Total Debt to Consolidated Annualised EBITDA), Revolving Loans; or

- (B) in the case of a cure in respect of a breach of the financial ratio set out in Clause 18.3 (Consolidated EBITDA to Total Cash Interest), Loans,

in each case in accordance with Clause 7 (Prepayment and Cancellation) and, to the extent of any surplus after such repayment or prepayment for the purposes of the Permitted Business.

- (c) No cure may be made under this Clause 18.5:
- (i) in respect of more than five Measurement Periods during the life of the Facilities; or
  - (ii) in respect of consecutive Measurement Periods.

#### **18.6 Determinations**

- (a) Financial Indebtedness of the Group originally denominated in any currency other than euro that has been swapped, directly or indirectly through one or more foreign exchange hedging transactions, into euro, will be taken into account at its euro equivalent using the effective exchange rate in the relevant foreign exchange hedging transactions.
- (b) Notwithstanding paragraph (a) and Clause 18.1(a) (Interpretation), Hedged Debt (as defined below) will be taken into account at its euro equivalent calculated using the same weighted average exchange rates for the relevant Measurement Period used in the profit and loss statements of the relevant accounts of the Group for calculating the euro equivalent of EBITDA denominated in the same currency as the currency in which that Hedged Debt is denominated or into which it has been swapped, as described below.

**Hedged Debt** means:

- (i) Financial Indebtedness of the Group originally denominated in any currency other than euro in which any member of the Group earns EBITDA (a **functional currency**) and that has not been swapped, directly or indirectly through one or more foreign exchange hedging transactions, into euro; and
- (ii) Financial Indebtedness of the Group that has been swapped, directly or indirectly through one or more foreign exchange hedging transactions, into a functional currency.
- (iii) If there is a dispute as to any interpretation of or computation for Clause 18 (Financial Covenants), the interpretation or computation of Telenet shall prevail.

#### **18.7 Material Subsidiaries**

- (a) Subject to paragraph (d) below, Telenet shall procure that, at all times, the aggregate gross assets, earnings before interest, tax, depreciation and amortisation or turnover, of the Obligors (on an unconsolidated basis and excluding intra group items) equal or exceed, respectively 85 per cent. of the Consolidated EBITDA, consolidated gross assets or consolidated turnover (as appropriate) of Telenet (excluding intra group items).
- (b) For this purpose:
- (i) the gross assets, earnings before interest, tax, depreciation and amortisation or turnover of a Subsidiary of Telenet will be determined from its financial statements (unconsolidated if it has Subsidiaries) upon which the latest consolidated financial statements of Telenet that have been delivered to the Facility Agent are based;
  - (ii) if a Subsidiary of Telenet becomes such a Subsidiary of Telenet after the date on which the latest financial statements of Telenet have been prepared that have been delivered to the Facility Agent, the gross assets, earnings before interest, tax, depreciation and amortisation or turnover of that Subsidiary will be determined from its latest financial statements;
  - (iii) the consolidated gross assets, Consolidated EBITDA or consolidated turnover of Telenet will be determined from its latest financial statements that have been delivered to the Facility Agent, adjusted (where appropriate) to reflect the gross assets, earnings before income tax, depreciation and amortisation or turnover of any company or business subsequently acquired or disposed of; and

- (iv) if a Material Subsidiary disposes of all or substantially all of its assets to another member of the Group, it will immediately cease to be a Material Subsidiary and the other Subsidiary (if it is not already) will immediately become a Material Subsidiary; the subsequent financial statements of those Subsidiaries and Telenet will be used to determine whether those Subsidiaries are Material Subsidiaries or not.
- (c) Subject to paragraph (d) below, Telenet must ensure that each Material Subsidiary becomes a Guarantor within 30 days of the delivery to the Facility Agent of the first financial statements and the accompanying Compliance Certificate pursuant to Clause 17 (Information Covenants) which confirm that such Material Subsidiary has become a Material Subsidiary.
- (d) Guarantors will not be required to give guarantees or enter into Security Documents if that would contravene any legal prohibition or result in a risk of personal or criminal liability on the part of any officer provided that the Guarantor shall use all reasonable endeavours to overcome any such obstacle.

## **19. GENERAL COVENANTS**

### **19.1 General**

Each Obligor agrees to be bound by the covenants set out in this Clause relating to it and, where the covenant is expressed to apply to each member of the Group, each Obligor must ensure that each of its Subsidiaries performs that covenant.

### **19.2 Authorisations**

Each Obligor must:

- (a) obtain or cause to be obtained, maintain and comply with the terms of:
  - (i) every material consent, authorisation, licence or approval of, or filing or registration with or declaration to, governmental or public bodies or authorities or courts; and
  - (ii) every material notarisation, filing, recording, registration or enrolment in any court or public office,

in each case required under any law or regulation to enable it to perform its obligations under, or for the validity, enforceability or admissibility in evidence of any Finance Document to which it is a party; and
- (b) obtain or cause to be obtained every Necessary Authorisation and ensure that:
  - (i) none of the Necessary Authorisations is revoked, cancelled, suspended, withdrawn, terminated, expires and is not renewed or otherwise ceases to be in full force and effect; and
  - (ii) no Necessary Authorisation is modified and no member of the Group commits any breach of the terms or conditions of any Necessary Authorisation,

which, in each case, would or is reasonably likely to have a Material Adverse Effect.

### **19.3 Compliance with laws**

Each Obligor will, and will procure that each member of the Group will, comply in all material respects with all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction over it or any of its assets except where failure to do so would not be reasonably likely to have a Material Adverse Effect.

### **19.4 Pari passu ranking**

Each Obligor must ensure that its payment obligations under the Finance Documents rank at least pari passu with all the claims of its other present and future unsecured and unsubordinated creditors (save for those obligations mandatorily preferred by law applying to companies generally).

### **19.5 Negative pledge**

Each Obligor will not permit any Security Interest (other than the Permitted Security Interests) by any member of the Group to subsist, arise or be created or extended over all or any part of their respective present or future undertakings, assets, rights or revenues to secure or prefer any present or future indebtedness of any member of the Group or any other person.

### **19.6 Disposals**

- (a) Except as provided below, no Obligor or member of the Group may, either in a single transaction or in a series of transactions and whether related or not and whether voluntary or involuntary, dispose of any asset.
- (b) Paragraph (a) above does not apply to any Permitted Disposal.

### **19.7 Financial Indebtedness**

- (a) Except as provided below, each Obligor shall ensure that no member of the Group may incur or otherwise permit to remain outstanding any Financial Indebtedness.
- (b) Paragraph (a) above does not apply to Permitted Financial Indebtedness.

### **19.8 Permitted Business**

Each Obligor will ensure that it and its Subsidiaries which are members of the Group engage:

- (a) in no material activity outside the Permitted Business; and/or
- (b) in the business of acting as the holder of shares and/or interests in other members of the Group (which shall include the raising of Permitted Financial Indebtedness and the on-lending of such Financial Indebtedness to its Subsidiaries in accordance with the provisions of this Agreement and the entry into of hedging arrangements on behalf of its Subsidiaries).

### **19.9 Change of business**

Each Obligor must ensure that no member of the Group makes any substantial change to the general nature of the business of the Group from that carried on at the date of this Agreement.

### **19.10 Acquisitions and mergers**

- (a) No Obligor will, and each Obligor will procure that none of its Subsidiaries will, make any Restricted Acquisition other than any Permitted Acquisition, Permitted Joint Venture and any Permitted Transaction.
- (b) Each Obligor will not merge or consolidate with any other company or person and will procure that no member of the Group will merge or consolidate with any other company or person save for:
  - (i) Restricted Acquisitions permitted by paragraph (a) above and disposals permitted by Clause 19.6 (Disposals); or
  - (ii) with the prior written consent of the Facility Agent (acting on the instructions of the Majority Lenders); or
  - (iii) mergers between any member of the Group with any or all of the other members of the Group (**Original Entities**), into one or more entities (each a **Merged Entity**) provided that:
    - (A) reasonable details of the proposed merger in order to demonstrate satisfaction with subparagraphs (B) to (E) below are provided to the Facility Agent within 30 days after the date on which the merger is entered into;
    - (B) such Merged Entity will be a member of the Group and will be liable for the obligations of the relevant Original Entities (including the obligations under this Agreement and the Security Documents), which obligations remain unaffected by the merger, and entitled to the benefit of all rights of such Original Entities;

- (C) (if all or any part of the share capital of any of the relevant Original Entities was charged pursuant to a Security Document) the equivalent part of the issued share capital of such Merged Entity is charged pursuant to a Security Document on terms of at least an equivalent nature and equivalent ranking as any Security Document relating to the shares in each relevant Original Entity within 60 days of the merger;
- (D) any possibility of the Security Documents referred to in subparagraph (C) above being challenged or set aside is not materially greater than any such possibility in relation to the Security Documents entered into by, or in respect of the share capital of, any relevant Original Entity; and
- (E) all the property and other assets of the relevant Original Entities are vested in the Merged Entity and the Merged Entity has assumed all the rights and obligations of the relevant Original Entities under any relevant Material Contracts, material Necessary Authorisations and other licences or registrations (to the extent reasonably necessary for the business of the relevant Original Entities) granted in favour of the Original Entities and/or all such rights and obligations have been transferred to the Merged Entity and/or the relevant Material Contracts, Necessary Authorisations and other licences or registrations (to the extent reasonably necessary for the business of the relevant Original Entities) granted in favour of the Original Entities have been reissued to the Merged Entity,

except that the requirements of paragraphs (B) to (E) above will not apply in respect of any merger between Original Entities:

- I. both of which are not Obligors; and
- II. neither one of which is party to a Security Document, neither one of whose share capital is charged pursuant to a Security Document and neither one of whom owes any receivables to another member of the Group which are pledged pursuant to a Security Document.

#### **19.11 Environmental matters**

- (a) Each Obligor will and will procure that each of its Subsidiaries will:
  - (i) obtain all requisite Environmental Approvals;
  - (ii) comply with the terms and conditions of all Environmental Approvals applicable to it; and
  - (iii) comply with all other applicable Environmental Law,
 in each case where failure to do so would or is reasonably likely to have a Material Adverse Effect;
- (b) Each Obligor will and will procure that each of its Subsidiaries will, promptly upon receipt of the same, notify the Facility Agent of any claim, notice or other communication served on it in respect of any alleged breach of, or corrective or remedial obligation or liability under, any Environmental Law which, if substantiated, would or is reasonably likely to either have a Material Adverse Effect or result in any liability for a Finance Party.

#### **19.12 Treasury transactions**

Each Obligor will not, and will procure that no member of the Group will, enter into any interest rate or currency swaps, other interest rate or currency derivative transactions or other hedging arrangements other than:

- (a) transactions and arrangements entered into by any Obligor with a Hedging Bank directly relating to the management of interest rate and/or currency exchange rate risk arising out of any Financial Indebtedness of any member of the Group permitted to subsist by the terms of this Agreement (or transactions and arrangements relating to interest rate or currency swaps, other interest rate or currency derivative transactions or other hedging arrangements that themselves relate to the management of interest rate and/or currency exchange rate risk arising out of any Financial Indebtedness of any member of the Group permitted to subsist by the terms of this Agreement), in each case excluding any such transactions or arrangements that directly or indirectly relate to Subordinated Shareholder Loans; and



- (b) transactions and arrangements entered into by any Obligor with a Hedging Bank directly relating to the management of currency exchange risk arising out of income denominated in a currency other than euro.

#### **19.13 Restricted payments**

Each Obligor will not, and will procure that no member of the Group will, make any Restricted Payments other than Permitted Payments or enter into any transaction with a Restricted Person other than on bona fide arm's length commercial terms or on terms which are fair and reasonable and in the best interests of the Group.

#### **19.14 Insurance**

Each Obligor will, and will procure that each member of the Group will, insure its assets and business to such an extent and against such risks as a prudent company engaged in a similar business would insure.

#### **19.15 Loans and guarantees**

Each Obligor will not, and will procure that no member of the Group will make any loans, grant any credit or give any guarantee, to or for the benefit of, or enter into any transaction having the effect of lending money to, any person, other than:

- (a) loans from a member of the Group to another member of the Group provided that no Obligor shall make a loan to any other member of the Group unless such Obligor has already entered into a pledge of receivables which creates an effective pledge in favour of the Security Agent in relation to such loan or, within 60 days of making the loan:
  - (i) such Obligor has entered into an Obligor Pledge of Receivables which creates an effective pledge in favour of the Security Agent in relation to such loan and provided the Security Agent with such evidence as it may reasonably request as to the power and authority of such Obligor to enter into such Obligor Pledge of Receivables and that such Obligor Pledge of Receivables constitutes valid and legally binding obligations of such Obligor enforceable in accordance with its terms subject (to the extent possible) to substantially similar qualifications to those made in the legal opinions referred to in Schedule 2 (Conditions Precedent Documents); and
  - (ii) the relevant member of the Group to whom the loan has been made has given a notification of pledge to the Security Agent in respect of such loan;
- (b) as permitted by Clause 19.7 (Financial Indebtedness);
- (c) normal trade credit in the ordinary course of business;
- (d) guarantees given:
  - (i) by any Obligor in respect of the liabilities of another Obligor;
  - (ii) by a member of the Group in respect of the liabilities of an Obligor;
  - (iii) by a member of the Group (which is not an Obligor) in respect of the liabilities of another member of the Group (which is not an Obligor);
  - (iv) by an Obligor in respect of the liabilities of any other member of the Group to the extent that such liabilities could have been incurred by such Obligor directly without breaching this Agreement;
- (e) to the extent that the same constitute Permitted Payments or a Permitted Disposal (not being a Permitted Disposal of cash or cash equivalents);
- (f) loans, the granting of credit, guarantees and other transactions having the effect of lending money (each a **Lending Transaction**) from a member of the Group, in connection with an acquisition by that member which is permitted by Clause 19.10 (Acquisitions and mergers), to the relevant person being acquired or one or more of its Subsidiaries, provided that the aggregate outstanding principal amount of all Lending Transactions (which principal amount shall be deemed to be no longer outstanding for this purpose at the time the beneficiary of

the relevant Lending Transaction becomes a member of the Group upon completion of the relevant acquisition, provided such Lending Transaction was made to or in favour of the person acquired or its Subsidiaries) shall not exceed €100,000,000 at any time; and

- (g) Lending Transactions from a member of the Group to any person of the proceeds of equity subscribed by any Restricted Person in, or Subordinated Shareholder Loans provided to, such member (other than any such proceeds which are otherwise applied in mandatory prepayment of any or all Facilities under this Agreement).

#### **19.16 Holding Companies**

Telenet shall procure that Telenet Group Holding NV and Holdco shall not trade, carry on any business, own any asset or incur any liabilities except for:

- (a) the provision of administrative services (excluding treasury services) to other members of the Group of a type customarily provided by a holding company to its Subsidiaries; and
- (b) ownership of shares in its Subsidiaries, intra-Group debit balances, intra-Group credit balances and other credit balances in bank accounts, cash and cash equivalent investments.

#### **19.17 Shareholder Loans**

- (a) Each Obligor will procure that at any time a Restricted Person makes any Financial Indebtedness (other than Permitted Payments) available to any member of the Group, such Restricted Person shall enter into a Pledge of Subordinated Shareholder Loans on terms and conditions satisfactory to the Facility Agent and a Security Provider's Deed of Accession (each within 30 days of the date on which any such Financial Indebtedness is made available to that member of the Group) and provides (i) the Facility Agent with such documents and evidence as it may reasonably require as to the power and authority of the Restricted Person to enter into such Pledge of Subordinated Shareholder Loans and Security Provider's Deed of Accession and that the same constitute valid and legally binding obligations of such Restricted Person enforceable in accordance with their terms subject (to the extent applicable) to substantially similar qualifications to those made in the legal opinions referred to in Schedule 2 (Conditions Precedent Documents); and (ii) notification of such pledge to the relevant member of the Group.
- (b) Each Obligor shall ensure that each Subordinated Shareholder Loan and each shareholder loan entered into between an Obligor which is a party to an Existing Security Document that creates a pledge over intercompany loan receivables or an Obligor Pledge of Receivables as a creditor and a member of the Group is documented as a loan between that borrower and lender and governed by the law of the Kingdom of Belgium.

#### **19.18 Intellectual Property Rights**

Except as otherwise permitted by this Agreement, each Obligor will, and will procure that each of its Subsidiaries will:

- (a) make such registrations and pay such fees and similar amounts as are necessary to keep those registered Intellectual Property Rights owned by any member of the Group and which are material to the conduct of the business of the Group as a whole from time to time;
- (b) take such steps as are necessary and commercially reasonable (including, without limitation, the institution of legal proceedings) to prevent third parties infringing those Intellectual Property Rights referred to in paragraph (a) above and (without prejudice to paragraph (a) above) take such other steps as are reasonably practicable to maintain and preserve its interests in those rights, except where failure to do so will not have or be reasonably likely to have a Material Adverse Effect;
- (c) ensure that any licence arrangements in respect of the Intellectual Property Rights referred to in paragraph (a) above entered into with any third party are entered into on arm's length terms and in the ordinary course of business (which shall include, for the avoidance of doubt, any such licensing arrangements entered into in connection with outsourcing on normal commercial terms) and will not have or be reasonably likely to have a Material Adverse Effect;

- (d) not permit any registration of any of the Intellectual Property Rights referred to in paragraph (a) above to be abandoned, cancelled or lapsed or to be liable to any claim of abandonment for non-use or otherwise to the extent the same would or is reasonably likely to have a Material Adverse Effect; and
- (e) pay all fees, and comply with each of its material obligations under, any licence of Intellectual Property Rights which are material to the conduct of the business of the Group as a whole from time to time.

#### **19.19 Share capital**

Each Obligor will not, and will procure that no member of the Group (other than in respect of such other members of the Group in order to permit a solvent reorganisation permitted under Clause 19.10(b)(iii) (Acquisitions and mergers)) will, reduce its capital or purchase or redeem any class of its shares or any other ownership interest in it, except to the extent the same: (a) constitutes a Permitted Payment; (b) is a payment to an Obligor (or, if not paid directly, results in the creation of a receivable from such Obligor towards the Obligor effecting the capital decrease or share redemption); (c) is a payment by a non-Obligor to another non-Obligor; (d) is carried out through an incorporation of losses; or (e) in the case of members of the Group other than the Obligors, is otherwise permitted by Clause 19.13 (Restricted payments).

#### **19.20 Share security**

Each Obligor will not, and will procure that no member of the Group will, issue any shares of any class provided that:

- (a) any member of the Group may issue shares to or otherwise acquire additional rights from any other member of the Group so long as (if any of the existing shares in the relevant member of the Group are charged or pledged in favour of any Beneficiary) such shares are charged or pledged in favour of the Beneficiaries pursuant to the terms of a Security Document and there are delivered at the same time to the Security Agent the relevant share certificates and blank stock transfer forms (or equivalent documents, if any) in respect thereof together with such other documents and evidence and legal opinions as the Security Agent may reasonably require;
- (b) Telenet may issue shares to Holdco provided that such shares are charged or pledged in favour of the Beneficiaries pursuant to the terms of a Security Document and there are delivered at the same time to the Security Agent the relevant share certificates and blank stock transfer forms (or equivalent documents, if any) in respect thereof together with such other documents and evidence and legal opinions as the Security Agent may reasonably require;
- (c) any member of the Group may issue shares pursuant to the exercise of Approved Stock Options;
- (d) a member of the Group may issue shares as part of a Majority Acquisition or merger or consolidation or JV Minority Acquisition permitted by Clause 19.10 (Acquisitions and mergers), provided that the issue of such shares does not cause Telenet to cease, directly or indirectly, to own 75 per cent or more. of the issued share capital of that member of the Group.

#### **19.21 Financial year end**

Each Obligor will, and will procure that its Subsidiaries which are members of the Group will, maintain a financial year end of 31 December save with the prior written consent of the Facility Agent (acting on the instructions of the Majority Lenders in each case not to be unreasonably withheld).

#### **19.22 Capital expenditure**

Each Obligor will not, and will procure that no member of the Group will, incur any material Capital Expenditure other than in relation to the Permitted Business.

### **19.23 Constitutive documents**

Each Obligor will not, and will procure that no member of the Group will, amend its constitutive documents in any way which would or is reasonably likely to materially adversely affect (in terms of value, enforceability or otherwise) any charge or pledge over the shares or partnership interest of any member of the Group granted to the Beneficiaries pursuant to the Security Documents.

### **19.24 ERISA**

Each Obligor will, and will procure that its Subsidiaries which are members of the Group will, give the Facility Agent prompt notice of the adoption of, participation in or contribution to any Plan by it or any ERISA Affiliate, or any action by any of these to adopt, participate in or contribute to any Plan, or the incurrence by any of them of any liability or obligation to any Plan.

### **19.25 U.S. Borrowers**

- (a) Each Borrower will ensure that the proceeds of any loan made to a U.S. Borrower and the proceeds of any drawing made by a U.S. Borrower shall be invested by way of intercompany loan or equity subscription in one or more other members of the Group within five Business Days of receipt of such proceeds or, as the case may be, the relevant Utilisation Date.
- (b) Each Obligor will ensure that any intercompany loan made by a U.S. Borrower to any Obligor or any Subsidiary of an Obligor which is a member of the Group is made on bona fide arm's length commercial terms or on terms which are fair and reasonable and in the best interests of that U.S. Borrower and entered into in good faith.
- (c) Each Obligor will procure that no U.S. Borrower carries on any business or activities other than acting as a U.S. Finance Vehicle.

## **20. DEFAULT**

### **20.1 Events of Default**

Each of the events or circumstances set out in this Clause is an Event of Default.

### **20.2 Non-payment**

An Obligor does not pay on the due date any amount payable by it under the Finance Documents in the manner required under the Finance Documents, unless the non-payment:

- (a) is caused by technical or administrative error; and
- (b) is remedied within three Business Days of the due date.

### **20.3 Breach of other obligations**

- (a) An Obligor does not comply with any of Clause 18 (Financial Covenants) or any of Clauses 19.4 (Pari passu ranking), 19.5 (Negative pledge), 19.6 (Disposals), 19.10 (Acquisitions and mergers), 19.13 (Restricted payments), 19.15 (Loans and guarantees) or 19.20 (Share security); or
- (b) an Obligor does not comply with any other term of the Finance Documents (other than any term referred to in Clause 20.2 (Non-payment) or in paragraph (a) above), unless the non-compliance:
  - (i) is capable of remedy; and
  - (ii) is remedied within 30 days of the earlier of the Facility Agent giving notice of the breach to Telenet and any Obligor becoming aware of the non-compliance.

### **20.4 Misrepresentation**

A representation or warranty made or repeated by an Obligor in or in connection with any Finance Document or in any document delivered by or on behalf of any Obligor under or in connection with any Finance Document is incorrect or misleading in any material respect when made or deemed to be repeated, unless the circumstances giving rise to the misrepresentation or breach of warranty:

- (a) are capable of remedy; and

- (b) are remedied within 30 days of the earlier of the Facility Agent giving notice and the Obligor becoming aware of the misrepresentation or breach of warranty.

## 20.5 Cross-default and cross acceleration

Any of the following occurs in respect of a member of the Group, SuperHoldco or Holdco:

- (a) any of its Financial Indebtedness is not paid when due and payable (after the expiry of any originally applicable grace period); or
- (b) any of its Financial Indebtedness:
  - (i) becomes prematurely due and payable;
  - (ii) is placed on demand; or
  - (iii) is capable of being declared by or on behalf of a creditor to be prematurely due and payable or of being placed on demand,in each case, as a result of an event of default or any provision having a similar effect (howsoever described); or
- (c) any commitment for its Financial Indebtedness is cancelled or suspended as a result of an event of default or any provision having a similar effect (howsoever described),

unless the aggregate amount of Financial Indebtedness falling within all or any of paragraphs (a) to (c) above is less than €50,000,000 or its equivalent.

## 20.6 Insolvency

- (a) Any of the following occurs in respect of a Material Group Member:
  - (i) it is, or is deemed for the purposes of any law to be, unable to pay its debts as they fall due or to be insolvent (*is in staat van staking van betalingen/est en état de cessation de paiements*);
  - (ii) it admits its inability to pay its debts as they fall due;
  - (iii) it suspends making payments on any of its debts generally or announces an intention so to do;
  - (iv) by reason of actual or anticipated financial difficulties, it begins negotiations with any creditors generally for the rescheduling of any of its indebtedness; or
  - (v) a moratorium is declared in respect of any of its indebtedness exceeding €10,000,000 (or its equivalent) in aggregate.
- (b) **United States of America:** any Material Group Member which is formed, organised or incorporated under the laws of the United States or any State of the United States or the District of Columbia, or that resides or has a domicile, a place of business or property in the United States (each a **U.S. Obligor**):
  - (i) admits in writing its inability to, or be generally unable to, pay its debts as such debts become due;
  - (ii) makes a general assignment for the benefit of creditors;
  - (iii) shall have had appointed a receiver, a custodian, trustee or similar official for, or a receiver, custodian, trustee or similar official shall have taken possession of, all or substantially all of its assets, in proceedings brought by or against such Obligor or Material Subsidiary, and such appointment shall not have been discharged or such possession shall not have been terminated within 60 days after the effective date thereof or such Obligor or Material Subsidiary shall have consented to or acquiesced in such appointment or possession;
  - (iv) shall have filed a petition for relief under the insolvency, bankruptcy or similar laws of the United States of America or any state thereof, or an involuntary petition for such relief shall have been filed against any such Obligor or Material Subsidiary under such laws and shall not have been dismissed or terminated within 60 days after such involuntary petition is filed; or

- (v) shall have failed to have discharged or obtained a stay of any proceeding to enforce, within a period of 45 days after the commencement thereof, any attachment, sequestration or similar proceeding asserted against all or substantially all of the assets of such Obligor or Material Subsidiary.

## **20.7 Insolvency proceedings**

- (a) Except as provided below, any of the following occurs in respect of a Material Group Member:
  - (i) any step is taken with a view to a moratorium or a composition, assignment or similar arrangement with any of its creditors;
  - (ii) a meeting of it is convened for the purpose of considering any resolution for (or to petition for) its winding-up, administration, examination or dissolution or any such resolution is passed;
  - (iii) any person presents a petition or files documents with the appropriate legal authorities for its winding-up, administration, examination, dissolution, bankruptcy (*faillite/faillissement*) or judicial composition (*concordat judiciaire/gerechtelijk akkoord*);
  - (iv) an order for its winding-up, administration, examination, dissolution, bankruptcy (*faillite/faillissement*) or judicial composition (*concordat judiciaire/gerechtelijk akkoord*) is made;
  - (v) any liquidator, trustee in bankruptcy, examination, judicial custodian, compulsory manager, receiver, administrative receiver, administrator, *voorlopig bewindvoerder/administrateur judiciaire* or similar officer is appointed in respect of it;
  - (vi) its directors or other officers request the appointment of a liquidator, trustee in bankruptcy, examination, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or similar officer; or
  - (vii) any other analogous step or procedure is taken in any jurisdiction.
- (b) Paragraph (a) above does not apply to:
  - (i) any step or procedure which is part of a Permitted Transaction; or
  - (ii) a petition for winding-up presented by a creditor which is being contested in good faith and with due diligence or where steps are diligently being taken to remedy the grounds for the petition and (in each case) the relevant petition is discharged or struck out within 90 days (or within 30 days of the end of any longer period applicable under an order of court staying proceedings) or such longer period as the Majority Lenders may agree (acting reasonably).

## **20.8 Creditors' process**

Any attachment, sequestration, execution, executory or conservatory seizure (*uitvoerend of bewarend beslag/saisie exécution ou conservatoire*) or analogous event affects any asset(s) of a Material Group Member, having an aggregate value of €25,000,000, or more (in the case of a conservatory seizure or sequestration) and (in the case of a conservatory seizure or sequestration) is not discharged within 90 days.

## **20.9 Similar proceedings**

Anything which has an equivalent effect to any of the events specified in Clauses 20.6 (Insolvency) to 20.8 (Creditors' process) (inclusive) shall occur under the laws of any applicable jurisdiction in relation to any member of the Borrower Group.

## **20.10 Cessation of business**

An Obligor or a member of the Group ceases, or threatens to cease, to carry on business in circumstances which would have a Material Adverse Effect except:

- (a) as part of a Permitted Transaction; or
- (b) as a result of any disposal allowed under this Agreement.



#### **20.11 Effectiveness of Finance Documents**

- (a) It is or becomes unlawful for any Material Group Member or any Subordinated Creditor to perform any of its obligations under the Finance Documents.
- (b) The guarantee of any Guarantor or any Security Interest created by any Security Documents is not effective or is alleged by an Obligor to be ineffective for any reason.
- (c) Any Finance Document is not effective in accordance with its terms or is alleged by an Obligor to be ineffective in accordance with its terms for any reason.
- (d) An Obligor or Subordinated Creditor repudiates a Finance Document or evidences an intention to repudiate a Finance Document.

#### **20.12 Ownership of the Obligors**

An Obligor (other than Telenet) is not or ceases to be a Subsidiary of Telenet other than as a result of a Permitted Disposal or a Permitted Transaction.

#### **20.13 Expropriation**

The authority or ability of any Obligor to conduct its business is wholly or substantially curtailed by any seizure, expropriation, nationalisation, intervention or other action by or on behalf of any governmental, regulatory or other authority or other person.

#### **20.14 Intercreditor Agreement**

- (a) Any Obligor, member of the Group, SuperHoldco or Holdco does not perform its obligations under, or breaches the terms of, the Intercreditor Agreement unless the non-compliance:
  - (i) is capable of remedy; and
  - (ii) is remedied within 30 days of the earlier of the Facility Agent giving notice of the breach to Telenet and any Obligor becoming aware of the non-compliance.
- (b) A representation or warranty given by an Obligor in the Intercreditor Agreement is incorrect in any material respect unless the circumstances giving rise to the misrepresentation or breach of warranty:
  - (i) are capable of remedy; and
  - (ii) are remedied within 30 days of the earlier of the Facility Agent giving notice and the Obligor becoming aware of the misrepresentation or breach of warranty.

#### **20.15 Material Contracts**

- (a) Except as is required by any term of this Agreement, any Material Contract to which a member of the Group is a party is terminated, suspended, revoked or cancelled or otherwise ceases to be in full force and effect, unless:
  - (i) in the case of the Belgacom Interconnect Agreement only, services of a similar nature to those provided pursuant to such Material Contract are at all times provided to the Group on terms which are not materially more onerous on the relevant member of the Group or on the terms imposed by the mandatory requirements of any regulatory body; or
  - (ii) such termination, suspension, revocation, cancellation or cessation (in the reasonable opinion of the Facility Agent) would not or is not reasonably likely to have a Material Adverse Effect.
- (b) Any alteration or variation is made to any term of any Material Contract to which a member of the Group is a party which individually or cumulatively (in the reasonable opinion of the Facility Agent) would or is reasonably likely to have a Material Adverse Effect.
- (c) Any party breaches any term of or repudiates any of its obligations under any Material Contract to which a member of the Group is a party where such breach or repudiation (in the opinion of the Facility Agent exercised reasonably) would or is reasonably likely to have a Material Adverse Effect unless, in the case of a breach of a Material Contract by any person other than any member of the

Group, the relevant services are at all relevant times provided to the appropriate members of the Group on the basis set out in (a) above.

#### **20.16 Loss of Licences**

Any Licence is in whole or part:

- (a) terminated, suspended or revoked or does not remain in full force and effect or otherwise expires and is not renewed prior to its expiry (in each case, without replacement by Licence(s) have substantially equivalent effect) in any case in a manner which would or is reasonably likely to have a Material Adverse Effect; or
- (b) is modified or is reached in a manner which would or is reasonably likely to have a Material Adverse Effect.

#### **20.17 Material Adverse Change**

Any event or series of events occurs which would or is reasonably likely to have a Material Adverse Effect.

#### **20.18 ERISA**

The occurrence of:

- (a) any event or condition that presents a material risk that any member of the Group or any ERISA Affiliate may incur a material liability to a Plan or to the United States Internal Revenue Service or to the United States Pension Benefit Guaranty Corporation; or
- (b) an “accumulated funding deficiency” (as that term is defined in section 412 of the United States Internal Revenue Code of 1986, as amended, or section 302 of ERISA), whether or not waived, by reason of the failure of any member of the Group or any ERISA Affiliate to make a contribution to a Plan.

#### **20.19 Acceleration**

If an Event of Default is outstanding, the Facility Agent may, and must if so instructed by the Majority Lenders, by notice to Telenet:

- (a) cancel all or any part of the Total Commitments if not already cancelled under Clause 20.20 (Automatic Acceleration); and/or
- (b) declare that all or part of any amounts outstanding under the Finance Documents are:
  - (i) immediately due and payable; and/or
  - (ii) payable on demand by the Facility Agent acting on the instructions of the Majority Lenders.

Any notice given under this Subclause will take effect in accordance with its terms.

#### **20.20 Automatic Acceleration**

If an Event of Default described in Clause 20.6(b)(ii), (iii) or (iv) (United States of America) occurs, or upon the entry of an order for relief in a voluntary or involuntary bankruptcy of a U.S. Obligor, all outstanding Loans drawn by a U.S. Borrower under this Agreement will be immediately and automatically due and payable and the Total Commitments (to the extent they relate to such Loans) will, if not already cancelled under this Agreement, be immediately and automatically cancelled.

### **21. THE ADMINISTRATIVE PARTIES**

#### **21.1 Appointment and duties of the Agents**

- (a) Each Finance Party (other than the Facility Agent and the Security Agent (as the case may be)) irrevocably appoints each Agent to act as its agent under and in connection with the Finance Documents.

- (b) Each Finance Party irrevocably authorises each Agent to:
  - (i) perform the duties and to exercise the rights, powers and discretions that are specifically given to it under the Finance Documents, together with any other incidental rights, powers and discretions; and
  - (ii) execute each Finance Document expressed to be executed by such Agent.
- (c) Each Agent has only those duties which are expressly specified in the Finance Documents. Subject to the terms of Clause 2.9 (Security Agent as joint creditor), those duties are solely of a mechanical and administrative nature.

#### **21.2 Role of the Mandated Lead Arrangers**

Except as specifically provided in the Finance Documents, no Mandated Lead Arranger has any obligations of any kind to any other Party in connection with any Finance Document.

#### **21.3 No fiduciary duties**

Nothing in the Finance Documents makes an Administrative Party a trustee or fiduciary for any other Party or any other person. No Administrative Party need hold in trust any moneys paid to it or recovered by it for a Party in connection with the Finance Documents or be liable to account for interest on those moneys.

#### **21.4 Individual position of an Administrative Party**

- (a) If it is also a Lender, each Administrative Party has the same rights and powers under the Finance Documents as any other Lender and may exercise those rights and powers as though it were not an Administrative Party.
- (b) Each Administrative Party may:
  - (i) carry on any business with an Obligor or its related entities (including acting as an agent or a trustee for any other financing); and
  - (ii) retain any profits or remuneration it receives under the Finance Documents or in relation to any other business it carries on with an Obligor or its related entities.

#### **21.5 Reliance**

Each Agent may:

- (a) rely on any notice or document believed by it to be genuine and correct and to have been signed by, or with the authority of, the proper person;
- (b) rely on any statement made by any person regarding any matters which may reasonably be assumed to be within his knowledge or within his power to verify;
- (c) assume, unless the context otherwise requires, that any communication made by an Obligor is made on behalf of and with the consent and knowledge of each Obligor;
- (d) engage, pay for and rely on professional advisers selected by it (including those representing a Party other than the relevant Agent); and
- (e) act under the Finance Documents through its personnel and agents.

#### **21.6 Majority Lenders' instructions**

- (a) Each Agent is fully protected if it acts on the instructions of the Majority Lenders in the exercise of any right, power or discretion or any matter not expressly provided for in the Finance Documents. Any such instructions given by the Majority Lenders will be binding on all the Lenders. In the absence of instructions, each Agent may act as it considers to be in the best interests of all the Lenders.
- (b) Each Agent may assume that unless it has received notice to the contrary, any right, power, authority or discretion vested in any Party or the Majority Lenders has not been exercised.

- (c) No Agent is authorised to act on behalf of a Lender (without first obtaining that Lender's consent) in any legal or arbitration proceedings in connection with any Finance Document.
- (d) Each Agent may require the receipt of security satisfactory to it, whether by way of payment in advance or otherwise, against any liability or loss which it may incur in complying with the instructions of the Majority Lenders.

#### **21.7 Responsibility**

- (a) No Administrative Party is responsible to any other Finance Party for the adequacy, accuracy or completeness of any statement or information (whether written or oral) made in or supplied in connection with any Finance Document including the Information Memorandum.
- (b) No Administrative Party is responsible to any other Finance Party for the legality, validity, effectiveness, adequacy, completeness or enforceability of any Finance Document or any other document.
- (c) Without affecting the responsibility of any Obligor for information supplied by it or on its behalf in connection with any Finance Document, each Lender confirms that it:
  - (i) has made, and will continue to make, its own independent appraisal of all risks arising under or in connection with the Finance Documents (including the financial condition and affairs of each Obligor and its related entities and the nature and extent of any recourse against any Party or its assets); and
  - (ii) has not relied exclusively on any information provided to it by any Administrative Party in connection with any Finance Document or agreement entered into in anticipation of or in connection with any Finance Document.

#### **21.8 Exclusion of liability**

- (a) No Agent is liable or responsible to any other Finance Party for any action taken or not taken by it in connection with any Finance Document, unless directly caused by its gross negligence or wilful misconduct.
- (b) No Party (other than the relevant Agent) may take any proceedings against any officers, employees or agents of another Administrative Party in respect of any claim it might have against that Agent or in respect of any act or omission of any kind by that officer, employee or agent in connection with any Finance Document. Any officer, employee or agent of an Administrative Party may rely on this Subclause and enforce its terms under the Contracts (Rights of Third Parties) Act 1999.
- (c) An Agent is not liable for any delay (or any related consequences) in crediting an account with an amount required under the Finance Documents to be paid by that Agent if that Agent has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by that Agent for that purpose.
- (d) Nothing in this Agreement will oblige any Administrative Party to satisfy any know your customer requirement in relation to the identity of any person on behalf of any Finance Party.
- (e) Each Finance Party confirms to each Administrative Party that it is solely responsible for any know your customer requirements it is required to carry out and that it may not rely on any statement in relation to those requirements made by any other person.

#### **21.9 Default**

- (a) Neither Agent is obliged to monitor or enquire whether a Default has occurred. No Agent is deemed to have knowledge of the occurrence of a Default.
- (b) If an Agent:
  - (i) receives notice from a Party referring to this Agreement, describing a Default and stating that the event is a Default; or
  - (ii) is aware of the non-payment of any principal, interest or fee payable to a Lender under this Agreement,
 it must promptly notify the other Lenders.

#### **21.10 Information**

- (a) Each Agent must promptly forward to the person concerned the original or a copy of any document which is delivered to that Agent by a Party for that person.
- (b) Except where a Finance Document specifically provides otherwise, no Agent is obliged to review or check the adequacy, accuracy or completeness of any document it forwards to another Party.
- (c) Except as provided above, no Agent has a duty:
  - (i) either initially or on a continuing basis to provide any Lender with any credit or other information concerning the risks arising under or in connection with the Finance Documents (including any information relating to the financial condition or affairs of any Obligor or its related entities or the nature or extent of recourse against any Party or its assets) whether coming into its possession before, on or after the date of this Agreement; or
  - (ii) unless specifically requested to do so by a Lender in accordance with a Finance Document, to request any certificate or other document from any Obligor.
- (d) In acting as an Agent, the agency division of that Agent is treated as a separate entity from its other divisions and departments. Any information acquired by an Agent which, in its opinion, is acquired by it otherwise than in its capacity as that Agent may be treated as confidential by that Agent and will not be treated as information possessed by that Agent in its capacity as such.
- (e) The Facility Agent is not obliged to disclose to any person any confidential information supplied to it by or on behalf of a member of the Group solely for the purpose of evaluating whether any waiver or amendment is required in respect of any term of the Finance Documents.
- (f) Each Obligor irrevocably authorises each Agent to disclose to the other Finance Parties any information which, in its opinion, is received by it in its capacity as that Agent.

#### **21.11 Indemnities**

- (a) Without limiting the liability of any Obligor under the Finance Documents, each Lender must indemnify each Agent for that Lender's Pro Rata Share of any cost, claim, loss, expense (including legal fees) or liability incurred by such Agent in acting as the Facility Agent or the Security Agent, except to the extent that the loss or liability is caused by such Agent's gross negligence or wilful misconduct.
- (b) If a Party owes an amount to an Agent under the Finance Documents, that Agent may, after giving notice to that Party:
  - (i) deduct from any amount received by it for that Party any amount due to that Agent from that Party under a Finance Document but unpaid; and
  - (ii) apply that amount in or towards satisfaction of the owed amount,that Party will be regarded as having received the amount so deducted.

#### **21.12 Compliance**

Each Agent may refrain from doing anything (including disclosing any information) which might, in its opinion, constitute a breach of any law or regulation or be otherwise actionable at the suit of any person, and may do anything which, in its opinion, is necessary or desirable to comply with any law or regulation.

#### **21.13 Resignation of an Agent**

- (a) Each Agent may resign and appoint any of its Affiliates as successor Agent by giving notice to the other Finance Parties and Telenet.
- (b) Alternatively, an Agent may resign by giving notice to the Finance Parties and Telenet, in which case the Majority Lenders may appoint a successor Agent.
- (c) If no successor Agent has been appointed under paragraph (b) above within 30 days after notice of resignation was given, the resigning Agent may appoint a successor for such Agent.

- (d) The person(s) appointing a successor Agent must, if practicable, consult with Telenet prior to the appointment.
- (e) The resignation of an Agent and the appointment of any successor Agent will both become effective only when the successor Agent notifies all the Parties that it accepts its appointment. On giving the notification, the successor Agent will succeed to the position of the Facility Agent or Security Agent as appropriate and the term Facility Agent will mean the successor Facility Agent and the term Security Agent will mean the successor Security Agent.
- (f) The retiring Agent must, at its own cost, make available to the successor Agent such documents and provide such assistance as the successor Agent may reasonably request for the purposes of performing its functions as the Agent under the Finance Documents.
- (g) Upon its resignation becoming effective, this Clause will continue to benefit the retiring Agent in respect of any action taken or not taken by it in connection with the Finance Documents while it was the Agent, and, subject to paragraph (f) above, it will have no further obligations under any Finance Document.
- (h) The Majority Lenders may, by notice to an Agent, require it to resign under paragraph (b) above.
- (i) Telenet may, if it is unsatisfied (acting reasonably) with the performance by an Agent of its role as Agent, following a period of consultation with the relevant Agent of not less than 14 days, by notice to that Agent require it to resign. Such notice must specify the reasons for which Telenet is seeking the Agent's resignation, which must be based on reasonable grounds. In this event, the relevant Agent shall resign in accordance with paragraph (b) above.

#### **21.14 Relationship with Lenders**

- (a) Each Agent may treat each Lender as a Lender, entitled to payments under this Agreement and as acting through its Facility Office(s) until it has received not less than five Business Days' prior notice from that Lender to the contrary.
- (b) Each Agent may at any time, and must if requested to do so by the Majority Lenders, convene a meeting of the Lenders.
- (c) The Facility Agent must keep a register with respect to the Parties and the Commitments and must supply any other Party with a copy of the information contained in that register on request. The register must include:
  - (i) the name, address and other contact details of each Party;
  - (ii) the Facility Office of each Lender;
  - (iii) the Commitments of each Lender;
  - (iv) the principal amounts, the applicable interest rates and, if applicable, the Terms of each Lender's Loans; and
  - (v) information concerning any other amounts owing to a Finance Party.

Entries in the register shall be conclusive and binding, absent manifest error.

#### **21.15 Agent's management time**

If an Agent requires, any amount payable to that Agent by any Party under any indemnity or in respect of any costs or expenses incurred by that Agent under the Finance Documents after the date of this Agreement may include the cost of using its management time or other resources and will be calculated on the basis of such reasonable daily or hourly rates as that Agent may notify to the relevant Party. This is in addition to any amount in respect of fees or expenses paid or payable to that Agent under any other term of the Finance Documents.

#### **21.16 Notice period**

Where this Agreement specifies a minimum period of notice to be given to an Agent, that Agent may, at its discretion, accept a shorter notice period.



### **21.17 Release of Security**

The Security Agent shall manage the Security Documents on its own behalf and as agent on behalf of the other Finance Parties. The Security Agent shall and is hereby authorised by each of the Finance Parties (and to the extent it may have any interest therein, every other party hereto) to execute on behalf of itself and each of the Finance Parties (other than the Security Agent) and every other party hereto where relevant without the need for any further referral to, or authority from, any Finance Party or other person hereto all such releases of security and guarantees given by Obligors under any Finance Document. The Security Agent may effect such a release as soon as it has received confirmation from the Facility Agent that all Finance Party Claims and Security Agent Claims have been repaid in full and there is no possibility of any Finance Party Claims and Security Agent Claims coming or re-entering into existence.

## **22. EVIDENCE AND CALCULATIONS**

### **22.1 Accounts**

Accounts maintained by a Finance Party in connection with this Agreement are prima facie evidence of the matters to which they relate for the purpose of any litigation or arbitration proceedings.

### **22.2 Certificates and determinations**

Any certification or determination by a Finance Party of a rate or amount under the Finance Documents will be, in the absence of manifest error, conclusive evidence of the matters to which it relates.

### **22.3 Calculations**

Any interest or fee accruing under this Agreement accrues from day to day and is calculated on the basis of the actual number of days elapsed and a year of 360 days or otherwise, depending on what the Facility Agent determines (acting reasonably) is market practice.

## **23. FEES**

### **23.1 Agent's fee**

Telenet must pay to the relevant Agent for its own account an agency fee in the manner agreed in the Telenet Fee Letter between the Agent and Telenet.

### **23.2 Arrangement fee**

Telenet must pay to each Mandated Lead Arranger for its own account an arrangement fee in the manner agreed in the Telenet Fee Letter between the Mandated Lead Arrangers and Telenet.

### **23.3 Term Loan A Facility commitment fee**

- (a) Telenet must pay to the Facility Agent for each Lender a commitment fee in respect of the Term Loan A Facility computed at the rate of 40 per cent. of the Term Loan A Facility Margin per annum on that Lender's undrawn Term Loan A Facility Commitment, subject to a maximum of 0.75 per cent. per annum.
- (b) Accrued commitment fee is payable quarterly in arrear. Accrued commitment fee is also payable to the Facility Agent for a Lender on the date its Term Loan A Facility Commitment is cancelled in full.

### **23.4 Term Loan B1 Facility commitment fee**

- (a) Telenet must pay to the Facility Agent for each Lender a commitment fee in respect of the Term Loan B1 Facility computed at the rate of 40 per cent. of the Term Loan B1 Facility Margin per annum on that Lender's undrawn Term Loan B1 Facility Commitment, subject to a maximum of 1 per cent. per annum.

- (b) Accrued commitment fee is payable quarterly in arrear. Accrued commitment fee is also payable to the Facility Agent for a Lender on the date its Term Loan B1 Facility Commitment is cancelled in full.

#### **23.5 Term Loan B2A Facility commitment fee**

- (a) Telenet must pay to the Facility Agent for each Lender a commitment fee in respect of the Term Loan B2A Facility computed at the rate of 40 per cent. of the Term Loan B2A Facility Margin per annum on that Lender's undrawn Term Loan B2A Facility Commitment, subject to a maximum of 1 per cent. per annum.
- (b) Accrued commitment fee is payable quarterly in arrear. Accrued commitment fee is also payable to the Facility Agent for a Lender on the date its Term Loan B2A Facility Commitment is cancelled in full.

#### **23.6 Term Loan B2B Facility commitment fee**

- (a) Telenet must pay to the Facility Agent for each Lender a commitment fee in respect of the Term Loan B2B Facility computed at the rate of 40 per cent. of the Term Loan B2B Facility Margin per annum on that Lender's undrawn Term Loan B2B Facility Commitment, subject to a maximum of 1 per cent. per annum.
- (b) Accrued commitment fee is payable quarterly in arrear. Accrued commitment fee is also payable to the Facility Agent for a Lender on the date its Term Loan B2B Facility Commitment is cancelled in full.

#### **23.7 Term Loan C Facility commitment fee**

- (a) Telenet must pay to the Facility Agent for each Lender a commitment fee in respect of the Term Loan C Facility computed at the rate of 40 per cent. of the Term Loan C Facility Margin per annum on that Lender's undrawn Term Loan C Facility Commitment, subject to a maximum of 1 per cent. per annum.
- (b) Accrued commitment fee is payable quarterly in arrear. Accrued commitment fee is also payable to the Facility Agent for a Lender on the date its Term Loan C Facility Commitment is cancelled in full.

#### **23.8 Revolving Facility commitment fee**

- (a) Telenet must pay to the Facility Agent for each Lender a commitment fee in respect of the Revolving Facility computed at the rate of 40 per cent. of the Revolving Facility Margin per annum on that Lender's undrawn Revolving Facility Commitment, subject to a maximum of 0.75 per cent. per annum.
- (b) Accrued commitment fee is payable quarterly in arrear. Accrued commitment fee is also payable to the Facility Agent for a Lender on the date its Revolving Facility Commitment is cancelled in full.

### **24. INDEMNITIES AND BREAK COSTS**

#### **24.1 Currency indemnity**

- (a) Each Obligor must, as an independent obligation, indemnify each Finance Party against any loss or liability which that Finance Party incurs as a consequence of:
  - (i) that Finance Party receiving an amount in respect of an Obligor's liability under the Finance Documents; or
  - (ii) that liability being converted into a claim, proof, judgment or order,in a currency other than the currency in which the amount is expressed to be payable under the relevant Finance Document.
- (b) Unless otherwise required by law, each Obligor waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency other than that in which it is expressed to be payable.

## **24.2 Other indemnities**

- (a) Each Obligor must indemnify each Finance Party against any loss or liability which that Finance Party incurs as a consequence of:
  - (i) the occurrence of any Default;
  - (ii) any failure by an Obligor to pay any amount due under a Finance Document on its due date, including resulting from any distribution or redistribution of any amount among the Lenders under this Agreement;
  - (iii) (other than by reason of negligence or default by that Finance Party) a Loan not being made after a Request has been delivered for that Loan; or
  - (iv) a Loan (or part of a Loan) not being prepaid in accordance with this Agreement.

Each Obligor's liability in each case includes any loss or expense on account of funds borrowed, contracted for or utilised to fund any amount payable under any Finance Document or any Loan.

- (b) Each Obligor must indemnify the Facility Agent against any loss or liability incurred by the Facility Agent as a result of:
  - (i) investigating any event which the Facility Agent reasonably believes to be an Event of Default; or
  - (ii) acting or relying on any notice which it reasonably believes to be genuine, correct and appropriately authorised.

## **24.3 Break Costs**

- (a) Each Borrower must pay to each Lender its Break Costs.
- (b) Break Costs are the amount (if any) determined by the relevant Lender by which:
  - (i) the interest (excluding Margin and Mandatory Costs) which that Lender would have received for the period from the date of receipt of any part of its share in a Loan or an overdue amount to the last day of the applicable Term for that Loan or overdue amount if the principal or overdue amount received had been paid on the last day of that Term;  
exceeds
  - (ii) the amount which that Lender would be able to obtain by placing an amount equal to the amount received by it on deposit with a leading bank in the appropriate interbank market for a period starting on the Business Day following receipt and ending on the last day of the applicable Term.
- (c) Each Lender must supply to the Facility Agent for the relevant Borrower details of the amount of any Break Costs claimed by it under this Subclause.

## **25. EXPENSES**

### **25.1 Initial costs**

Each Obligor must pay to each Administrative Party the amount of all reasonable duly evidenced costs and expenses (including legal fees any value added tax or similar tax and any costs associated with perfecting any security under the Security Documents) incurred by it in connection with the negotiation, preparation, printing, entry into and syndication of the Finance Documents.

### **25.2 Subsequent costs**

Each Obligor must pay to an Agent the amount of all reasonable duly evidenced costs and expenses (including legal fees any value added tax or similar tax and any costs associated with perfecting any security under the Security Documents) incurred by it in connection with:

- (a) the negotiation, preparation, printing and entry into of any Finance Document (other than a Transfer Certificate) executed after the date of this Agreement; and
- (b) any amendment, waiver or consent requested by or on behalf of an Obligor or specifically allowed by this Agreement.

### **25.3 Enforcement costs**

Each Obligor must pay to each Finance Party the amount of all costs and expenses (including legal fees) incurred by it in connection with:

- (a) the enforcement of, or the preservation of any rights under, any Finance Documents; or
- (b) any proceedings instituted by or against an Agent as a consequence of it entering into a Security Document.

## **26. AMENDMENTS AND WAIVERS**

### **26.1 Procedure**

- (a) Except as provided in this Clause, any term of the Finance Documents may be amended or waived with the agreement of Telenet and the Majority Lenders. The Facility Agent may effect, on behalf of any Finance Party, an amendment or waiver allowed under this Clause.
- (b) The Facility Agent must promptly notify the other Parties of any amendment or waiver effected by it under paragraph (a) above. Any such amendment or waiver is binding on all the Parties.
- (c) Each Obligor agrees to any amendment or waiver allowed by this Clause or expressly permitted elsewhere in this Agreement which is agreed to by Telenet. This includes any amendment or waiver which would, but for this paragraph, require the consent of each Guarantor if the guarantee under the Finance Documents is to remain in full force and effect.

### **26.2 Exceptions**

- (a) An amendment or waiver which:
  - (i) changes the definition of Majority Lenders in Clause 1.1 (Definitions);
  - (ii) changes any term of Clause 2.9 (Nature of a Finance Party's rights and obligations);
  - (iii) extends the date of payment of any amount to a Lender under the Finance Documents;
  - (iv) reduces the Margin or the amount of any payment of principal, interest, fee or other amount payable to a Lender under the Finance Documents;
  - (v) without prejudice to the provisions of Clause 2.7 (Telenet Additional Facility) and the ability of a Borrower to enter into a Telenet Additional Facility Accession Agreement, increases or extends the availability of a Commitment or the Total Commitments (other than pursuant to a Structural Adjustment or a Retrenching Adjustment);
  - (vi) releases an Obligor (other than in order to effect a Permitted Transaction or a disposal of all, but not part, of the share capital of that Obligor in accordance with the terms of this Agreement);
  - (vii) relates to the release of an asset from a Security Document (except as otherwise expressly permitted herein or in any such Security Document and except in furtherance of a disposal or any other transaction which is permitted by any Finance Document);
  - (viii) changes a term of a Finance Document which expressly requires the consent of each Lender;
  - (ix) changes the right of a Lender to assign or transfer its rights or obligations under the Finance Documents; or
  - (x) changes any term of Clause 30 (Pro Rata Sharing); or
  - (xi) changes this Clause,may only be made with the consent of all the Lenders.
- (b) An amendment or waiver which relates to the rights or obligations of an Administrative Party may only be made with the consent of that Administrative Party.
- (c) A Telenet Fee Letter may be amended or waived with the agreement of the Administrative Party that is a party to that Telenet Fee Letter and Telenet.

### 26.3 Non Consenting Lenders

- (a) In this Clause:

**Non Consenting Lender** means a Lender who does not agree to a consent or amendment to, or a waiver of, a provision of a Finance Document where:

- (i) Telenet or the Facility Agent has requested the Lenders to consent to a departure from or waiver of any provision of any Finance Document or to agree to an amendment to any Finance Document;
  - (ii) the consent, waiver or amendment in question requires the consent of all of the Lenders;
  - (iii) a period of not less than 21 days has elapsed from the date the consent, waiver or amendment was requested;
  - (iv) the Majority Lenders have agreed to such consent, waiver or amendment; and
  - (v) Telenet has notified the Facility Agent that it will treat the Lender as a Non Consenting Lender.
- (b) If at any time any Lender becomes a Non Consenting Lender, then Telenet may within 90 days of the date that Lender became a Non Consenting Lender:
- (i) request that the Lenders take a transfer in accordance with Clause 27 (Changes to the Parties) of all of the rights and obligations under the Finance Documents of the Non Consenting Lender for an aggregate purchase price equal to the outstanding principal amount of such Non Consenting Lender's participation in the outstanding Loans and all accrued interest, fees and other amounts due and unpaid on the transfer date to that Non Consenting Lender under the Finance Documents; no Lender shall be obliged to accept such a transfer and any such transfer may be made in such proportions and to such Lenders as the Lenders agree. The Non Consenting Lender shall be required to transfer its rights and obligations under the Finance Documents to Lenders who agree to accept such transfer as contemplated in this sub-paragraph;
  - (ii) require the Non Consenting Lender to transfer, and the Non Consenting Lender must transfer, in accordance with Clause 27 (Changes to the Parties) all of its rights and obligations under the Finance Documents to another bank or financial institution (including any other Lender) which has agreed to acquire the Non Consenting Lenders rights and obligations under the Finance Documents (as notified by Telenet to the Non Consenting Lender and in the proportions notified by Telenet to the Non Consenting Lender) for an aggregate purchase price equal to the outstanding principal amount of such Non Consenting Lender's participation in the outstanding Loans and all accrued interest, fees and other amounts due and unpaid on the transfer date to that Non Consenting Lender under the Finance Documents; or
  - (iii) notwithstanding any other provision of this Agreement, if the Majority Lenders agree, Telenet may prepay the Non Consenting Lender's participation in each Loan in full together with all accrued interest, fees and other amounts due and unpaid on the transfer date under the Finance Documents (including any Break Costs).
- (c) The replacement of a Lender pursuant to this Clause 26.3 shall be subject to the following conditions:
- (i) Telenet shall have no right to replace the Facility Agent or Security Agent in its capacity as an Agent;
  - (ii) no Finance Party shall have any obligation to any Obligor to find a Lender or replace the Non Consenting Lender; and
  - (iii) in no event shall the Lender replaced under this Clause 26.3 be required to pay or surrender to any replacement Lender any of the fees received by such Lender pursuant to the Finance Documents.
- (d) For the avoidance of doubt, no Finance Party shall have any obligation to any Obligor to find a Lender to replace the Non Consenting Lender.

#### 26.4 Change of currency

If a change in any currency of a country occurs (including where there is more than one currency or currency unit recognised at the same time as the lawful currency of a country), the Finance Documents will be amended to the extent the Facility Agent (acting reasonably and after consultation with Telenet) determines is necessary to reflect the change.

#### 26.5 Waivers and remedies cumulative

The rights of each Finance Party under the Finance Documents:

- (a) may be exercised as often as necessary;
- (b) are cumulative and not exclusive of its rights under the general law; and
- (c) may be waived only in writing and specifically.

Delay in exercising or non-exercise of any right is not a waiver of that right.

#### 26.6 Structural Adjustments

- (a) In this Clause, a **Structural Adjustment** means:

- (i) the introduction of any additional tranche or facility into the Finance Documents (other than a Telenet Additional Facility Commitment);
- (ii) any increase in or addition of any Commitment (other than a Telenet Additional Facility Commitment), any extension of a Commitment's availability (other than as contemplated in paragraphs (b) and (c) of the definition of **Availability Period**) or the redenomination of a Commitment into another currency; and
- (iii) any material changes to the Finance Documents which the Facility Agent agrees acting reasonably are consequential on any of the foregoing,

but, for the avoidance of doubt, does not include a Retranching Adjustment.

- (b) Structural Adjustments may be approved with the consent of each of the following, subject to the provisions of the Intercreditor Agreement:

- (i) the Majority Lenders; and
- (ii) each Lender that is assuming a new Commitment (other than a Telenet Additional Facility Commitment) or an increased Commitment or whose Commitment's availability is being extended or redenominated, or to whom any amount (including interest), which is being redenominated is due.

#### 26.7 Retranching Adjustments

- (a) In this Clause, a **Retranching Adjustment** means:

- (i) the retranching of all or any of the Term Loan A Facility, Term Loan B1 Facility, Term Loan B2A Facility, Term Loan B2B Facility or Term Loan C Facility (including any increase or reduction in the Total Commitments under any of those Facilities and/or an increase, addition or reduction of the Commitments of individual Lenders under any of those Facilities); and
- (ii) any material changes to the Finance Documents which the Facility Agent agrees acting reasonably are consequential on any of the foregoing,

provided that the aggregate amount of the Commitments of Lenders under the Term Loan A Facility, Term Loan B1 Facility, Term Loan B2A Facility, Term Loan B2B Facility and Term Loan C Facility immediately after a proposed Retranching Adjustment must not exceed the aggregate amount of the Commitments of Lenders under those Facilities (on a combined basis) immediately prior to that Retranching Adjustment.

- (b) Notwithstanding any other provision of this Agreement, Retranching Adjustments may be approved with the consent of each of the following:

- (i) Telenet;



- (ii) each Lender that will have an increased or reduced Commitment pursuant to the Retranching Adjustment; and
- (iii) any two of the Mandated Lead Arrangers.

## **27. CHANGES TO THE PARTIES**

### **27.1 General**

In this Clause:

**Transfer Certificate** means a transfer certificate in the form of Schedule 5 (Form of Transfer Certificate) with such amendments as the Facility Agent may approve or reasonably require or, any other form agreed between the Facility Agent and Telenet; and

**Transfer Date** means, for a Transfer Certificate the later of:

- (a) the proposed Transfer Date specified in that Transfer Certificate; and
- (b) the date on which the Facility Agent executes that Transfer Certificate.

### **27.2 Assignments and transfers by Obligors**

No Obligor may assign or transfer any of its rights and obligations under the Finance Documents without the prior consent of all the Lenders.

### **27.3 Transfers by Lenders**

- (a) A Lender (the **Existing Lender**) may, subject to the following provisions of this Subclause, at any time transfer (by way of novation) any of its rights and obligations under this Agreement to any person (the **New Lender**).
- (b) Any transfer under paragraph (a) above shall be for an amount of not less than €2,000,000 (or if less, the aggregate of the Commitments of that Existing Lender and any other Existing Lender that is managed or controlled by the same investment manager subject to a threshold of €1,000,000).
- (c) The consent of Telenet is required for any assignment or transfer (other than pursuant to Syndication) unless the New Lender is another Lender or an Affiliate of a Lender or an Event of Default is outstanding. The consent of Telenet must not be unreasonably withheld or delayed. Telenet will be deemed to have given its consent ten Business Days after it is given notice of the request unless it is expressly refused by Telenet within that time;
- (d) Telenet may not withhold its consent solely because the assignment or transfer might increase the Mandatory Cost.
- (e) A transfer of obligations will be effective only if the obligations are novated in accordance with the following provisions of this Clause.
- (f) Unless the Facility Agent otherwise agrees, the New Lender must pay to the Facility Agent for its own account, on or before the date any assignment or transfer occurs, a fee of €2,500.
- (g) Any reference in this Agreement to a Lender includes a New Lender but excludes a Lender if no amount is or may be owed to or by it under this Agreement.

### **27.4 Procedure for transfer by way of novations**

- (a) A novation is effected if:
  - (i) the Existing Lender and the New Lender deliver to the Facility Agent a duly completed Transfer Certificate;
  - (ii) the Facility Agent executes it; and
  - (iii) the Facility Agent enters the name of the New Lender and the particulars concerning the transferred interests in the register referred to in Clause 21.14(c) (Relationship with Lenders).

- (b) The Facility Agent must, as soon as reasonably practicable:
  - (i) execute and deliver a Transfer Certificate delivered to it and which appears on its face to be in order; and
  - (ii) enter the name of the New Lender and the details of the transferred interests in the register referred to in Clause 21.14(c) (Relationship with Lenders).
- (c) Each Party (other than the Existing Lender and the New Lender) irrevocably authorises the Facility Agent to execute any duly completed Transfer Certificate on its behalf.
- (d) On the Transfer Date:
  - (i) the New Lender will assume the rights and obligations of the Existing Lender expressed to be the subject of the novation in the Transfer Certificate in substitution for the Existing Lender; and
  - (ii) the Existing Lender will be released from those obligations and cease to have those rights.
- (e) For the purposes of Article 1278 of the Belgian Civil Code, each Obligor, the Lenders and the New Lenders agree that, upon any transfer in whole or in part of any of its rights and obligations under this Agreement by way of novation or upon the implementation of any amendment or granting of any waiver which takes effect as a novation, the Security Interests created by the Security Documents will be preserved for the benefit of the New Lender, the Existing Lenders and the Security Agent.

#### **27.5 Limitation of responsibility of Existing Lender**

- (a) Unless expressly agreed to the contrary, an Existing Lender is not responsible to a New Lender for the legality, validity, adequacy, accuracy, completeness or performance of:
  - (i) any Finance Document or any other document; or
  - (ii) any statement or information (whether written or oral) made in or supplied in connection with any Finance Document,
 and any representations or warranties implied by law are excluded.
- (b) Each New Lender confirms to the Existing Lender and the other Finance Parties that it:
  - (i) has made, and will continue to make, its own independent appraisal of the financial condition and affairs of each Obligor and its related entities in connection with its participation in this Agreement; and
  - (ii) has not relied exclusively on any information supplied to it by the Existing Lender in connection with any Finance Document.
- (c) Nothing in any Finance Document requires an Existing Lender to:
  - (i) accept a re-transfer from a New Lender of any of the rights and obligations transferred under this Clause; or
  - (ii) support any losses incurred by the New Lender by reason of the non-performance by any Obligor of its obligations under any Finance Document or otherwise.

#### **27.6 Costs resulting from change of Lender or Facility Office**

If:

- (a) a Lender transfers any of its rights and obligations under the Finance Documents or changes its Facility Office; and
- (b) as a result of circumstances existing at the date the transfer or change occurs, an Obligor would be obliged to pay a Tax Payment or an Increased Cost,

then, unless the assignment, transfer or change is made by a Lender to mitigate any circumstances giving rise to the Tax Payment, Increased Cost or a right to be prepaid and/or cancelled by reason of illegality, the Obligor need only pay that Tax Payment or Increased Cost to the same extent that it would have been obliged to if no assignment, transfer or change had occurred.

### **27.7 Additional Borrowers**

- (a) If Telenet wishes one of its wholly-owned Subsidiaries to become an Additional Borrower, then it may (following consultation with the Facility Agent) deliver to the Facility Agent the relevant documents and evidence listed in Part 2 of Schedule 2 (Conditions Precedent Documents).
- (b) The prior consent of all the Lenders is required if the Additional Borrower is incorporated in a jurisdiction outside the Kingdom of Belgium, the Netherlands or Luxembourg, unless that Additional Borrower is a U.S. Finance Vehicle.
- (c) A wholly-owned Subsidiary may only become an Additional Borrower if it is already a Guarantor.
- (d) The relevant Subsidiary will become an Additional Borrower when the Facility Agent notifies the other Finance Parties and Telenet that it has received all of the documents and evidence referred to in paragraphs (a), (b) and (c) above (as applicable) in form and substance satisfactory to it. The Facility Agent must give this notification as soon as reasonably practicable.
- (e) Delivery of an Accession Agreement executed by the relevant Subsidiary and Telenet to the Facility Agent constitutes confirmation by that Subsidiary and Telenet that the Repeating Representations are then correct.

### **27.8 Additional Guarantors**

- (a) Upon delivery of a duly completed Accession Agreement specifying that the relevant person is to be an Additional Guarantor, executed by the relevant Subsidiary, the relevant person will become an Additional Guarantor.
- (b) Telenet shall procure that, at the same time as an Accession Agreement is delivered to the Facility Agent, there is also delivered to the Facility Agent all those other documents listed in Part 2 of Schedule 2 (Conditions Precedent Documents), in each case in form and substance satisfactory to the Facility Agent.
- (c) The execution of an Accession Agreement constitutes confirmation by the Additional Guarantor concerned that the representations and warranties set out in Clause 16 (Representations and Warranties) to be made by it on the date of the Accession Agreement are correct, as if made with reference to the facts and circumstances then existing.

### **27.9 Resignation of an Obligor (other than Telenet)**

- (a) Telenet may request that an Obligor (other than Telenet) ceases to be an Obligor by giving to the Facility Agent a duly completed Resignation Request.
- (b) The Facility Agent must accept a Resignation Request and notify Telenet and the Lenders of its acceptance if:
  - (i) all of the shares in that Obligor are being disposed of and such disposal is permitted under the terms of this Agreement;
  - (ii) it is not aware that a Default is outstanding or would result from the acceptance of the Resignation Request; and
  - (iii) no amount owed by that Obligor under this Agreement is still outstanding.
- (c) The Obligor will cease to be a Borrower and/or a Guarantor, as appropriate, when the Facility Agent gives the notification referred to in paragraph (b) above.

### **27.10 Changes to the Reference Banks**

If a Reference Bank (or, if a Reference Bank is not a Lender, the Lender of which it is an Affiliate) ceases to be a Lender, the Facility Agent must (in consultation with Telenet) appoint another Lender or an Affiliate of a Lender to replace that Reference Bank.

## 28. DISCLOSURE OF INFORMATION

- (a) Each Finance Party must keep confidential any information supplied to it by or on behalf of any Obligor in connection with the Finance Documents. However, a Finance Party is entitled to disclose information:
- (i) which is publicly available, other than as a result of a breach by that Finance Party of this Clause;
  - (ii) in connection with any legal or arbitration proceedings;
  - (iii) if required to do so under any law or regulation;
  - (iv) to a governmental, banking, taxation or other regulatory authority;
  - (v) to its professional advisers;
  - (vi) to the extent allowed under paragraph (b) below; or
  - (vii) with the agreement of the relevant Obligor.
- (b) A Finance Party may disclose to an Affiliate or any person with whom it may enter, or has entered into, any kind of transfer, participation or other agreement in relation to this Agreement (a participant):
- (i) a copy of any Finance Document; and
  - (ii) any information which that Finance Party has acquired under or in connection with any Finance Document.

However, before a participant may receive any confidential information, it must agree with the relevant Finance Party to keep that information confidential on the terms of paragraph (a) above.

- (c) Notwithstanding any other provision of this Agreement, any Party to this Agreement (and any of its affiliates, officers, directors, employees, representatives, professional advisers, or other agents) may disclose to any and all persons, without limitation of any kind:
- (i) the **U.S. tax treatment** and **U.S. tax structure** (each as defined below) of the Facilities; and
  - (ii) all material of any kind (including opinions and other tax analyses) that are provided to such party relating to such U.S. tax treatment or U.S. tax structure,

except to the extent reasonably necessary to comply with applicable federal or state securities laws.

For the purposes of this subsection, the **U.S. tax treatment** of the Facilities is the purported or claimed U.S. federal, state and local income tax treatment of the Facilities, and the **U.S. tax structure** of the Facilities is any fact that may be relevant to understanding the purported or claimed U.S. federal, state and local income tax treatment of the Facilities. This authorisation is not intended to permit disclosure of any information (other than information relating to the U.S. tax treatment or U.S. tax structure of the Facilities) including (without limitation) (i) any portion of any materials to the extent not related to the U.S. tax treatment or U.S. tax structure of the Facilities, (ii) the identities of participants or potential participants in the Facilities (except to the extent such identities are related to the U.S. tax treatment or the U.S. tax structure of the Facility), (iii) the existence or status of any negotiations, (iv) any pricing or financial information (except to the extent such pricing or financial information is related to the U.S. tax treatment or the U.S. tax structure of the Facilities), or (v) any other term or detail not relevant to the U.S. tax treatment or the U.S. tax structure of the Facilities.

- (d) This Clause supersedes any previous confidentiality given by a Finance Party in connection with this Agreement prior to it becoming a Party.

## 29. SET-OFF

- (a) A Finance Party may, at any time when an Event of Default is outstanding, set off any matured obligation owed to it by an Obligor under the Finance Documents (to the extent beneficially owned by that Finance Party) against any obligation (whether or not matured) owed by that Finance Party to that Obligor, regardless of the place of payment, booking branch or currency of either obligation.

If the obligations are in different currencies, the Finance Party may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off.

- (b) This Clause is a netting arrangement for the purposes of the Belgian Financial Collateral Law.

### **30. PRO RATA SHARING**

#### **30.1 Redistribution**

If any amount owing by an Obligor under this Agreement to a Finance Party (the recovering Finance Party) is discharged by payment, set-off or any other manner other than in accordance with this Agreement (a recovery), then:

- (a) the recovering Finance Party must, within three Business Days, supply details of the recovery to the Facility Agent;
- (b) the Facility Agent must calculate whether the recovery is in excess of the amount which the recovering Finance Party would have received if the recovery had been received and distributed by the Facility Agent under this Agreement; and
- (c) the recovering Finance Party must pay to the Facility Agent an amount equal to the excess (the redistribution).

#### **30.2 Effect of redistribution**

- (a) The Facility Agent must treat a redistribution as if it were a payment by the relevant Obligor under this Agreement and distribute it among the Finance Parties, other than the recovering Finance Party, accordingly.
- (b) When the Facility Agent makes a distribution under paragraph (a) above, the recovering Finance Party will be subrogated to the rights of the Finance Parties which have shared in that redistribution.
- (c) If and to the extent that the recovering Finance Party is not able to rely on any rights of subrogation under paragraph (b) above, the relevant Obligor will owe the recovering Finance Party a debt which is equal to the redistribution, immediately payable and of the type originally discharged.
- (d) If:
  - (i) a recovering Finance Party must subsequently return a recovery, or an amount measured by reference to a recovery, to an Obligor; and
  - (ii) the recovering Finance Party has paid a redistribution in relation to that recovery,

each Finance Party must reimburse the recovering Finance Party all or the appropriate portion of the redistribution paid to that Finance Party, together with interest for the period while it held the redistribution. In this event, the subrogation in paragraph (b) above will operate in reverse to the extent of the reimbursement.

#### **30.3 Exceptions**

Notwithstanding any other term of this Clause, a recovering Finance Party need not pay a redistribution to the extent that:

- (a) it would not, after the payment, have a valid claim against the relevant Obligor in the amount of the redistribution; or
- (b) it would be sharing with another Finance Party any amount which the recovering Finance Party has received or recovered as a result of legal or arbitration proceedings, where:
  - (i) the recovering Finance Party notified the Facility Agent of those proceedings; and
  - (ii) the other Finance Party had an opportunity to participate in those proceedings but did not do so or did not take separate legal or arbitration proceedings as soon as reasonably practicable after receiving notice of them.

### **30.4 Litigation**

- (a) No Lender shall commence any action or proceeding in any court to enforce its rights under any Finance Document without prior consultation with the other Lenders and without the consent of Majority Lenders;
- (b) If in accordance with paragraph (a) above any Lender does take action to enforce its rights under any Finance Document and, as a result thereof or in connection therewith, shall receive a recovery then such Lender shall not be required to share any portion of such recovery with any Lender which has the legal right to, but does not, join in such action or proceeding or commence and diligently prosecute a separate action or proceeding to enforce its rights in another court.

### **31. SEVERABILITY**

If a term of a Finance Document is or becomes illegal, invalid or unenforceable in any respect under any jurisdiction, that will not affect:

- (a) the legality, validity or enforceability in that jurisdiction of any other term of the Finance Documents; or
- (b) the legality, validity or enforceability in other jurisdictions of that or any other term of the Finance Documents.

### **32. COUNTERPARTS**

Each Finance Document may be executed in any number of counterparts. This has the same effect as if the signatures on the counterparts were on a single copy of the Finance Document.

### **33. NOTICES**

#### **33.1 In writing**

- (a) Any formal communication in connection with a Finance Document must be in writing and, unless otherwise stated, may be given:
  - (i) in person, by post or fax; or
  - (ii) to the extent agreed by the Parties making and receiving communication, by e-mail or other electronic communication.
- (b) For the purpose of the Finance Documents, an electronic communication will be treated as being in writing.
- (c) Unless it is agreed to the contrary, any consent or agreement required under a Finance Document must be given in writing.

#### **33.2 Contact details**

- (a) Except as provided below, the contact details of each Party for all communications in connection with the Finance Documents are those notified by that Party for this purpose to the Facility Agent on or before the date it becomes a Party.
- (b) The contact details of each Obligor for this purpose are:

Address:	Liersesteenweg 4 2800 Mechelen
Fax number:	+32 (15) 33 3716
Attention:	Group Treasurer/Chief Financial Officer
Telephone:	+32 (15) 33 3564/+32 (15) 33 3557
Email:	didier.zeghers@staff.telenet.be/renaat.berckmoes@staff.telenet.be



- (c) The contact details of the Facility Agent for this purpose are:
- Address: 77 King Street West  
18<sup>th</sup> Floor,  
Toronto  
Ontario, M5K 1A2  
Canada
- Fax number: +416 307 3826/+416 982 5535
- Attention: Agency Administration
- (d) Any Party may change its contact details by giving five Business Days' notice to the Facility Agent or (in the case of the Facility Agent) to the other Parties.
- (e) Where a Party nominates a particular department or officer to receive a communication, a communication will not be effective if it fails to specify that department or officer.

### **33.3 Effectiveness**

- (a) Except as provided below, any communication in connection with a Finance Document will be deemed to be given as follows:
- (i) if delivered in person, at the time of delivery;
  - (ii) if posted, five days after being deposited in the post, postage prepaid, in a correctly addressed envelope;
  - (iii) if by fax, when received in legible form; and
  - (iv) if by e-mail or any other electronic communication, when received in legible form.
- (b) A communication given under paragraph (a) below but received on a non-working day or after business hours in the place of receipt will only be deemed to be given on the next working day in that place.
- (c) A communication to the Facility Agent will only be effective on actual receipt by it.

### **33.4 Obligors**

- (a) All formal communications under the Finance Documents to or from an Obligor must be sent through the Facility Agent.
- (b) All formal communications under the Finance Documents to or from an Obligor (other than Telenet) must be sent through Telenet.
- (c) Each Obligor (other than Telenet) irrevocably appoints Telenet to act as its agent:
- (i) to give and receive all communications under the Finance Documents;
  - (ii) to supply all information concerning itself to any Finance Party; and
  - (iii) to sign all documents under or in connection with the Finance Documents.
- (d) Any communication given to Telenet in connection with a Finance Document will be deemed to have been given also to the other Obligors.
- (e) Each Finance Party may assume that any communication made by Telenet is made with the consent of each other Obligor.

### **34. LANGUAGE**

- (a) Any notice given in connection with a Finance Document must be in English.
- (b) Any other document provided in connection with a Finance Document must be:
- (i) in English; or
  - (ii) (unless the Facility Agent otherwise agrees) accompanied by a certified English translation. In this case, the English translation prevails unless the document is a statutory or other official document.

### **35. GOVERNING LAW**

This Agreement is governed by English law.

### **36. ENFORCEMENT**

#### **36.1 Jurisdiction**

- (a) Unless a Finance Document specifically provides otherwise, the English courts have non-exclusive jurisdiction to settle any dispute in connection with any Finance Document.
- (b) The English courts are the most appropriate and convenient courts to settle any such dispute. Each Obligor agrees not to argue to the contrary and waives objection to those courts on the grounds of inconvenient forum or otherwise in relation to proceedings in connection with any Finance Document.
- (c) This Clause is for the benefit of the Finance Parties only. To the extent allowed by law, a Finance Party may take:
  - (i) proceedings in any other court; and
  - (ii) concurrent proceedings in any number of jurisdictions.
- (d) References in this Clause to a dispute in connection with a Finance Document includes any dispute as to the existence, validity or termination of that Finance Document.

#### **36.2 Service of process**

- (a) Each Obligor irrevocably appoints Law Debenture Trustee Company as its agent under the Finance Documents and the mandate letter dated 16 July 2007 (as amended) between, among others, the Original Borrower and the Mandated Lead Arrangers (the **Mandate Letter**) for service of process in any proceedings before the English courts in connection with any Finance Document and the Mandate Letter.
- (b) If any person appointed as process agent is unable under this Clause for any reason to so act, Telenet (on behalf of all the Obligors) must immediately appoint another agent on terms acceptable to the Facility Agent. Failing this, the Facility Agent may appoint another process agent for this purpose.
- (c) Each Obligor agrees that failure by a process agent to notify it of any process will not invalidate the relevant proceedings.
- (d) This Clause does not affect any other method of service allowed by law.

#### **36.3 Waiver of immunity**

Each Obligor irrevocably and unconditionally:

- (a) agrees not to claim any immunity from proceedings brought by a Finance Party against it in relation to a Finance Document and to ensure that no such claim is made on its behalf;
- (b) consents generally to the giving of any relief or the issue of any process in connection with those proceedings; and
- (c) waives all rights of immunity in respect of it or its assets.

This Agreement has been entered into on the date stated at the beginning of this Agreement.

### **37. WAIVER OF TRIAL BY JURY**

EACH PARTY WAIVES ANY RIGHT IT MAY HAVE TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION IN CONNECTION WITH ANY FINANCE DOCUMENT OR ANY TRANSACTION CONTEMPLATED BY ANY FINANCE DOCUMENT. THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO TRIAL BY THE COURT.

**SCHEDULE 1**  
**ORIGINAL PARTIES**  
**PART 1**  
**GUARANTORS**

<u>Name of Original Guarantors</u>	<u>Registration number (or equivalent, if any)</u>
Telenet BidCo NV	HR Mechelen 89835, Enterprise No. 0473.416.418
Telenet NV	HR Mechelen 82218, Enterprise No. 0439.840.857
UPC Belgium NV	HR Brussel 69463, Enterprise No. 0455.620.381

**PART 2**  
**COMMITMENTS**

<u>Name of Initial Original Lenders</u>	<u>Term Loan A Facility Commitments</u>	<u>Term Loan B1 Facility Commitments</u>	<u>Term Loan B2A Facility Commitments</u>	<u>Term Loan B2B Facility Commitments</u>	<u>Term Loan C Facility Commitments</u>	<u>Revolving Facility Commitments</u>
ABN AMRO BANK N.V. . . . . .	€106,000,000	€61,500,000	€45,000,000	—	€212,500,000	€35,000,000
BNP PARIBAS S.A. . . .	€212,000,000	€123,000,000	€90,000,000	—	€425,000,000	€70,000,000
JPMORGAN CHASE BANK, N.A. . . . . .	€212,000,000	€123,000,000	—	€90,000,000	€425,000,000	€70,000,000
<b>Total . . . . .</b>	<b>€530,000,000</b>	<b>€307,500,000</b>	<b>€135,000,000</b>	<b>€90,000,000</b>	<b>€1,062,500,000</b>	<b>€175,000,000</b>

**SCHEDULE 2**  
**CONDITIONS PRECEDENT DOCUMENTS**

**PART 1**

**TO BE DELIVERED BEFORE THE FIRST LOAN**

**Original Obligors/Existing Security Providers**

1. A copy of the articles of association of each Existing Security Provider.
2. A copy of a resolution of the board of directors of each Existing Security Provider approving the terms of, and the transactions contemplated by, the Finance Documents<sup>(1)</sup>.
3. A specimen of the signature of each person authorised on behalf of an Existing Security Provider to execute or witness the execution of any Finance Document or to sign or send any document or notice in connection with any Finance Document.
4. A copy of the minutes of the shareholders' meeting of each Obligor:
  - (a) approving for the purposes of article 556 of the Belgian Companies Act, the terms of and transactions contemplated by the Finance Documents, and in particular, the provisions having the effect that an event of default will be triggered and/or that may require an early repayment if there is a change of control; and
  - (b) authorising named persons to fulfil the formalities with the Registry of the Commercial Court of the registered office of such Obligor following the decision taken in accordance with the above.
5. A certificate of an authorised signatory of the Original Borrower:
  - (a) confirming that utilising the Total Commitments in full would not breach any limit binding on any Original Obligor; and
  - (b) certifying that each copy document specified in Part 1 of this Schedule is correct, complete and in full force and effect as at a date no earlier than the date of the Supplemental Agreement.
6. Evidence required by the Finance Parties for the purpose of any applicable money laundering regulations.
7. Evidence that the agent of the Existing Security Providers under the Finance Documents for service of process in England has accepted its appointment.

**Security Document(s)**

1. Each Telenet Fee Letter.
2. The Intercreditor Agreement.
3. Telenet Share Pledge.
4. The Telenet Share Pledge.
5. The UPC Belgium Share Pledge.
6. Pledges of Subordinated Shareholder Loans in respect of all relevant loans in place at the first Utilisation Date.
7. Each duly executed Existing Security Document.

**Miscellaneous**

1. The Syndication Letter.
2. The most recent audited financial statements of each Obligor.

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(1) Resolutions to include detailed analyses of corporate benefit in respect of upstream guarantees, and approvals of supplemental agreements and continuation of security under Existing Security Documents.

3. A copy of the Funds Flow Statement detailing the proposed movement of funds on or before the Closing Date.
4. Written confirmation signed by a director of Telenet confirming that all fees and expenses then due and payable including all legal fees from Telenet under the Finance Documents have been or will be paid within 5 Business Days of the first Utilisation Date.
5. Evidence that the Existing Senior Facility will be prepaid and cancelled in full on or by the first Utilisation Date.
6. An effective discharge of all Existing Share Pledges and all Existing Notes Security, in each case on or before the first Utilisation Date. The Obligors undertake, and shall procure the Restricted Persons to undertake, reasonable endeavours to de-register any registered Existing Notes Security as soon as practical following the first Utilisation Date, at their own or at Telenet's cost.
7. Evidence that the Senior Discount Notes and the Senior Notes have been called and will be redeemed and cancelled in full on or before the first Utilisation Date.
8. An initialled copy of the budget for 2007.
9. A letter from Telenet in a form to be mutually agreed describing hedging arrangements to be entered into in respect of hedging interest rate liabilities (the **Hedging Letter**).

**Legal opinions**

1. A legal opinion of legal advisers to the Mandated Lead Arrangers and each Agent, addressed to the Finance Parties as to English law.
2. A legal opinion of legal advisers to the Mandated Lead Arrangers and each Agent, addressed to the Finance Parties as to Belgian law.

**PART 2**  
**FOR AN ADDITIONAL OBLIGOR**

**Additional Obligors**

1. An Accession Agreement duly executed by (amongst others) Telenet and the Additional Obligor.
2. A copy of the constitutional documents of the Additional Obligor.
3. A copy of a resolution of the board of directors of the Additional Obligor approving the terms of, and the transactions contemplated by, the relevant Finance Documents.
4. A specimen of the signature of each person authorised on behalf of the Additional Obligor to execute or witness the execution of any Finance Document or to sign or send any document or notice in connection with any Finance Document.
5. A copy of a resolution, signed by all (or any lower percentage agreed by the Facility Agent) of the holders of its issued or allotted shares, approving the terms of, and the transactions contemplated by, the relevant Accession Agreement.
6. If applicable, a copy of a resolution of the board of directors of each corporate shareholder in the Additional Guarantor approving any resolution referred to in paragraph 5 above.
7. A certificate of an authorised signatory of the Additional Obligor:
  - (a) confirming that utilising the Total Commitments in full would not breach any limit binding on it; and
  - (b) certifying that each copy document specified in Part 2 of this Schedule is correct, complete and in full force and effect as at a date no earlier than the date of the Accession Agreement.
8. If available, a copy of the latest audited accounts of the Additional Obligor.
9. Evidence that the agent of the Additional Obligor under the Finance Documents for service of process in England has accepted its appointment.
10. Evidence required by the Finance Parties for the purpose of any applicable money laundering regulations.

**Legal Opinions**

1. A legal opinion of Allen & Overy, London, legal advisers to the Facility Agent, addressed to the Finance Parties in scope and substance similar to the legal opinion of Allen & Overy, London, delivered under Part 1 of this Schedule 2.
2. If the Additional Obligor is incorporated in a jurisdiction other than England, a legal opinion from legal advisers in that jurisdiction acceptable to the Facility Agent, addressed to the Finance Parties.

**Other documents and evidence**

1. Evidence that all expenses due and payable from an Obligor under this Agreement in respect of the Accession Agreement have been paid.
2. Such duly executed Security Documents that the Facility Agent (acting on the instructions of the Majority Lenders) may require which (in the case of any U.S. Borrower only) shall include a share pledge over the shares of any Additional Obligor and Security Documents which are consistent with the Security Documents delivered under Part 1 of this Schedule 2.
3. A copy of any other authorisation or other document, opinion or assurance which the Facility Agent has notified Telenet is necessary or desirable in connection with the entry into and performance of, and the transactions contemplated by, the Accession Agreement or for the validity and enforceability of any Finance Document.



**SCHEDULE 3**  
**FORM OF REQUEST**

To: [FACILITY AGENT] as Facility Agent

From: [ ]

Date: [ ]

**Telenet BidCo NV (and others) €2,300,000,000 Senior Credit Agreement**  
**dated 1 August 2007 (the Agreement)**

1. We refer to the Agreement. This is a Request.
2. We wish to borrow a [Term Loan A Facility]/[Term Loan B1 Facility]/[Term Loan B2A Facility]/[Term Loan B2B Facility]/[Term Loan C Facility]/[Revolving] Loan on the following terms:
  - (a) Utilisation Date: [ ]
  - (b) Amount/currency: [ ]
  - (c) Term: [ ]
  - (d) Purpose: [ ]
3. Our payment instructions are: [ ].
4. We confirm that each condition precedent under the Agreement which must be satisfied on the date of this Request is so satisfied.
5. We confirm that the Repeating Representations are correct in all material respects and no Event of Default is outstanding or will result from the Loan.
6. This Request is irrevocable.

By:

[ ]

**SCHEDULE 4**  
**CALCULATION OF THE MANDATORY COST**

**1. General**

- 1.1 The Mandatory Cost is to compensate a Lender for the cost of compliance with:
- (a) the requirements of the Bank of England and/or the Financial Services Authority (or, in either case, any other authority which replaces any of its functions); or
  - (b) the requirements of the European Central Bank.
- 1.2 The Mandatory Cost is expressed as a percentage rate per annum.
- 1.3 The Mandatory Cost is the weighted average (weighted in proportion to the percentage share of each Lender in the relevant Loan) of the rates for the Lenders calculated by the Facility Agent in accordance with this Schedule on the first day of a Term (or as soon as possible after then).
- 1.4 The Facility Agent must distribute each amount of Mandatory Cost among the Lenders on the basis of the rate for each Lender.
- 1.5 Any determination by the Facility Agent pursuant to this Schedule will be, in the absence of manifest error, conclusive and binding on all the Parties.

**2. For a Lender lending from a Facility Office in the U.K.**

- 2.1 The relevant rate for a Lender lending from a Facility Office in the U.K. is calculated in accordance with the following formula:

$$\frac{E \times 0.01}{300} \text{ per cent. per annum}$$

where on the day of application of the formula, E is calculated by the Facility Agent as being the average of the rates of charge under the fees rules supplied by the Reference Banks to the Facility Agent under paragraph 2.4 below (and expressed in pounds per £1 million).

- 2.2 For the purposes of this paragraph 2:
- (a) fees rules means the then current rules on periodic fees in the Supervision Manual of the FSA Handbook or any other law or regulation as may then be in force for the payment of fees for the acceptance of deposits;
  - (b) fee tariffs means the fee tariffs specified in the fees rules under fee-block Category A1 (Deposit acceptors) (ignoring any minimum fee or zero rated fee required pursuant to the fees rules but applying any applicable discount rate); and
  - (c) tariff base has the meaning given to it in, and will be calculated in accordance with, the fees rules.
- 2.3 Each rate calculated in accordance with the formula is, if necessary, rounded upward to four decimal places.
- 2.4 If requested by the Facility Agent, each Reference Bank must, as soon as practicable after publication by the Financial Services Authority, supply to the Facility Agent the rate of charge payable by that Reference Bank to the Financial Services Authority under the fees rules for that financial year of the Financial Services Authority (calculated by that Reference Bank as being the average of the fee tariffs applicable to that Reference Bank for that financial year) and expressed in pounds per £1 million of the tariff base of that Reference Bank.
- 2.5 Each Lender must supply to the Facility Agent the information required by it to make a calculation of the rate for that Lender. In particular, each Lender must supply the following information on or prior to the date on which it becomes a Lender:
- (a) the jurisdiction of its Facility Office; and
  - (b) any other information that the Facility Agent reasonably requires for that purpose.

- (c) Each Lender must promptly notify the Facility Agent of any change to the information supplied to it under this paragraph.
- 2.6 The rates of charge of each Reference Bank for the purpose of E above are determined by the Facility Agent based upon the information supplied to it under paragraphs 2.4 and 2.5 above. Unless a Lender notifies the Facility Agent to the contrary, the Facility Agent may assume that the Lender's obligations in respect of cash ratio deposits and special deposits are the same as those of a typical bank from its jurisdiction of incorporation with a Facility Office in the U.K.
- 2.7 The Facility Agent has no liability to any Party if its calculation over or under compensates any Lender. The Facility Agent is entitled to assume that the information provided by any Lender or Reference Bank under this Schedule is true and correct in all respects.
- 3. For a Lender lending from a Facility Office in a Participating Member State**
- 3.1 The relevant rate for a Lender lending from a Facility Office in a Participating Member State is the percentage rate per annum notified by that Lender to the Facility Agent. This percentage rate per annum must be certified by that Lender in its notice to the Facility Agent as its reasonable determination of the cost (expressed as a percentage of that Lender's share in all Loans made from that Facility Office) of complying with the minimum reserve requirements of the European Central Bank in respect of Loans made from that Facility Office.
- 3.2 If a Lender fails to specify a rate under paragraph 3.1 above, the Facility Agent will assume that the Lender has not incurred any such cost.
- 4. Changes**
- 4.1 The Facility Agent may, after consultation with Telenet and the Lenders, determine and notify all the Parties of any amendment to this Schedule which is required to reflect:
  - (a) any change in law or regulation; or
  - (b) any requirement imposed by the Bank of England, the Financial Services Authority or the European Central Bank (or, in any case, any successor authority).
- 4.2 If the Facility Agent, after consultation with Telenet, determines that the Mandatory Cost for a Lender lending from a Facility Office in the U.K. can be calculated by reference to a screen, the Facility Agent may notify all the Parties of any amendment to this Agreement which is required to reflect this.



## **THE SCHEDULE**

Rights and obligations to be transferred by novation

[insert relevant details, including applicable Commitment (or part)]

Administrative details of the New Lender

[insert details of Facility Office, address for notices and payment details etc.]

[EXISTING LENDER]

[NEW LENDER]

By:

By:

The Transfer Date is confirmed by the Facility Agent as [ ].

[FACILITY AGENT]

By:

**SCHEDULE 6**  
**EXISTING SECURITY**

<u>Member of the Group creating security</u>	<u>Details of security</u>	<u>Maximum principal amount secured</u>
Telenet Group Holding NV	Pledge with respect to the shares of Telenet Vlaanderen NV (16,100 shares), pursuant to accession agreement dated February 24, 2006	Secured Liabilities
	First rank pledge over receivables, pursuant to receivables and securities pledge agreement dated August 9, 2002	Secured Liabilities
Telenet Communications NV	First rank pledge over receivables, pursuant to receivables and securities pledge agreement dated August 9, 2002	Secured Liabilities
Telenet BidCo NV	Mortgage mandate, dated August 9, 2002	€650,000,000
	Floating charge, pursuant to partial exercise of floating charge mandate dated August 9, 2002	€250,000,000
	Pledge with respect to the shares of Telenet Vlaanderen NV (4,605,979 shares), pursuant to share pledge agreement dated December 22, 2003 and supplemental agreement dated February 24, 2006	Secured Liabilities
	First rank pledge over receivables, pursuant to a receivables and securities pledge agreement dated August 9, 2002	Secured Liabilities
Telenet NV	Mortgage (former Telenet Operaties NV), pursuant to a mortgage deed dated March 27, 2002, a mortgage deed dated August 9, 2002 and a mortgage deed dated September 30, 2002	€800,000,000
	Mortgage (former MixtICS NV), pursuant to a mortgage deed dated September 30, 2002 and a mortgage deed dated August 9, 2002	€625,000,000
	Mortgage (former Telenet Solutions NV), pursuant to a mortgage deed dated May 14, 2004	€50,000,000
	Mortgage mandate (former Telenet Operaties NV), dated August 9, 2002 (minus exercise of €200,000,000)	€450,000,000
	Mortgage mandate (former MixtICS NV), dated August 9, 2002 (minus exercise of €200,000,000)	€450,000,000
	Floating charge, dated June 9, 2006, effective May 12, 2006	€135,000,000
	Floating charge mandate, dated May 12, 2006	€865,000,000
	Floating charge (former Telenet Operaties NV), pursuant to a floating charge agreement dated March 29, 2001, two floating charge agreements dated August 9, 2002 and a partial exercise of a floating charge mandated dated March 29, 2001	€1,250,000,000



<u>Member of the Group creating security</u>	<u>Details of security</u>	<u>Maximum principal amount secured</u>
	Floating charge (former MixtICS NV), pursuant to two floating charge agreements dated August 9, 2002	€865,000,000
	Floating charge (former PayTVCo NV), pursuant to a floating charge agreement dated February 27, 2004	€75,000,000
	Floating charge (former Telenet Solutions NV), pursuant to a floating charge agreement dated February 27, 2004	€75,000,000
	First rank pledge over receivables, pursuant to a receivables and securities pledge agreement dated August 9, 2002	Secured Liabilities
Telenet Vlaanderen NV	Mortgage, pursuant to a mortgage deed dated August 9, 2002 and a mortgage deed dated September 30, 2002	€625,000,000
	Mortgage mandate, dated August 9, 2002 (minus exercise of €200,000,000)	€450,000,000
	Floating charge, pursuant to a floating charge agreement dated August 9, 2002 and exercise of the floating charge mandate dated August 9, 2002	€865,000,000
	Pledge over receivables, pursuant to a receivables and securities pledge agreement dated August 9, 2002	Secured Liabilities
UPC Belgium NV	Pledge over receivables and securities, dated April 17, 2007	Secured Liabilities

**SCHEDULE 7**  
**EXISTING SHARE PLEDGES**

<u>Member of the Group creating security</u>	<u>Details of security</u>	<u>Maximum principal amount secured</u>
Telenet Group Holding NV	First rank pledge with respect to the shares of Telenet BidCo NV (one share), pursuant to share pledge agreement dated December 22, 2003	Secured Liabilities
	Pledge with respect to the shares of Telenet NV (4,250 shares), pursuant to accession agreement dated February 24, 2006	Secured Liabilities
Telenet Communications NV	First rank pledge with respect to the shares of Telenet BidCo NV (28,379,617 shares), pursuant to share pledge agreement dated August 9, 2002	Secured Liabilities
Telenet BidCo NV	First rank pledge with respect to the shares of Telenet NV (2,534,814 shares), pursuant to a share pledge agreement dated May 13, 2003, a supplemental agreement dated December 22, 2003, a supplemental agreement dated August 12, 2005 and two supplemental agreements dated February 24, 2006	Secured Liabilities
	Pledge with respect to the shares of UPC Belgium NV (807,017 shares), dated April 17, 2007	Secured Liabilities

**SCHEDULE 8**  
**EXISTING NOTES SECURITY**

<u>Member of the Group creating security</u>	<u>Details of security</u>	<u>Maximum principal amount secured</u>
Telenet Group Holding NV	Second rank pledge with respect to the shares of Telenet BidCo NV (one share), pursuant to a second rank share pledge agreement dated December 22, 2003	Secured Liabilities
	Second rank pledge over receivables, pursuant to a second rank receivables pledge agreement dated December 22, 2003	Secured Liabilities
Telenet Communications NV	Second rank pledge with respect to the shares of Telenet BidCo NV (28,379,617 shares), pursuant to a second rank share pledge agreement dated December 22, 2003	Secured Liabilities
	Second rank pledge over receivables, pursuant to a second rank receivables pledge agreement dated December 22, 2003	Secured Liabilities
Telenet BidCo NV	Second rank pledge with respect to the shares of Telenet NV (1,315,448 shares), pursuant to a second rank share pledge agreement dated December 22, 2003	Secured Liabilities
	Second rank pledge over receivables, pursuant to a second rank receivables pledge agreement dated December 22, 2003	Secured Liabilities
Telenet NV	Second rank pledge over receivables, pursuant to a second rank receivables pledge agreement dated December 22, 2003	Secured Liabilities

## SCHEDULE 9

## FORM OF COMPLIANCE CERTIFICATE

To: [FACILITY AGENT] as Facility Agent

From: TELENET BIDCO NV

Date: [ ]

**TELENET BIDCO NV—€2,300,000,000 Senior Credit Agreement  
dated 1 August 2007 (the Agreement)**

1. We refer to the Agreement. This is a Compliance Certificate.
2. We confirm that as at [relevant testing date]:
  - (a) Net Total Debt is [ ● ] and Consolidated Annualised EBITDA is [ ● ]; therefore, the ratio of Net Total Debt to Consolidated Annualised EBITDA is [ ● ] to 1; and
  - (b) Consolidated EBITDA is [ ● ] and Total Cash Interest is [ ● ]; therefore the ratio of Consolidated EBITDA to Total Cash Interest is [ ● ] to 1.
3. We set out below calculations establishing the figures in paragraph 2:  
[ ].
4. [We confirm that no Default is outstanding as at [relevant testing date]].<sup>(2)</sup>
5. We confirm that as at [relevant testing date], the Material Subsidiaries are:

TELENET BIDCO NV

By:

[insert applicable certification language]

for

[auditors of Telenet]<sup>(3)</sup>

(2) If this statement cannot be made, the certificate should identify any Default that is outstanding and the steps, if any, being taken to remedy it.

(3) If tested annually, only include in certificate with annual accounts.

## SCHEDULE 10

## FORM OF ACCESSION AGREEMENT

To: [FACILITY AGENT] as Facility Agent

From: TELENET BIDCO NV and [Proposed Borrower/Proposed Guarantor]

Date: [ ]

**TELENET BIDCO NV—€2,300,000,000 Senior Credit Agreement  
dated 1 August 2007 (the Agreement)**

We refer to the Agreement. This is an Accession Agreement.

[Name of company] of [address/registered office] agrees to become an Additional Borrower/Guarantor and to be bound by the terms of the Agreement as an Additional Borrower/Guarantor.

This Accession Agreement is governed by English law.

TELENET BIDCO NV

By:

[PROPOSED BORROWER/GUARANTOR]<sup>1</sup>

By:

**SCHEDULE 11**  
**FORM OF TELENET ADDITIONAL FACILITY ACCESSION AGREEMENT**

To: [FACILITY AGENT] as Facility Agent

[SECURITY AGENT] as Security Agent

From: [Proposed Additional Facility Lender(s)]

Date: [   •   ]

**TELENET BIDCO NV—€2,300,000,000 Senior Credit Agreement**  
**dated 1 August 2007 (the Senior Credit Agreement)**

1. Terms defined in the Senior Credit Agreement shall have the same meaning in this Deed.
2. We refer to Clause 2.7 (Telenet Additional Facility) of the Senior Credit Agreement.
3. We, [Name of Lender(s)] agree to become party to and to be bound by the terms of the Senior Credit Agreement as [a] Lender(s) in accordance with Clause 2.7 (Telenet Additional Facility).
4. Our Telenet Additional Facility Commitment is EUR/US\$[                      ].
5. The final maturity date in respect of our Telenet Additional Facility Commitment is [                      ].
6. The Telenet Additional Facility Availability Period in relation to this Telenet Additional Facility is [                      ].
7. The Margin in relation to this Telenet Additional Facility is [                      ] per annum. [If applicable set out how the Margin will be adjusted].
8. Advances under this Telenet Additional Facility will be applied [                      ].
9. We confirm to each Finance Party that:
  - (a) we have made our own independent investigation and assessment of the financial condition and affairs of each Obligor and its related entities in connection with its participation in the Senior Credit Agreement and have not relied on any information provided to us by a Finance Party in connection with any Finance Document; and
  - (b) we will continue to make our own independent appraisal of the creditworthiness of each Obligor and its related entities while any amount is or may be outstanding under the Senior Credit Agreement or any Telenet Additional Facility Commitment is in force.
10. The Facility Office and address for notices of the Lender is:  
[                      ]
11. This Agreement is governed by English law.

[LENDER(S)]

By:

[FACILITY AGENT] as Facility Agent

By:

TELENET BIDCO NV

By:



## SCHEDULE 12

## FORM OF RESIGNATION REQUEST

To: [FACILITY AGENT] as Facility Agent

From: TELENET BIDCO NV

Date: [ ]

**TELENET BIDCO NV—€2,300,000,000 Senior Credit Agreement  
dated 1 August 2007 (the Agreement)**

1. We refer to the Agreement. This is a Resignation Request.
2. We request that [resigning Obligor] be released from its obligations as [a/an]<sup>(4)</sup> [Obligor/Borrower/Guarantor]<sup>(5)</sup> under the Agreement.
3. We confirm that no Default is outstanding or would result from the acceptance of this Resignation Request.
4. We confirm that as at the date of this Resignation Request no amount owed by [resigning Obligor] under the Agreement is outstanding.
5. This Resignation Request is governed by English law.

TELENET BIDCO NV

[Relevant Obligor]

By:

By:

The Facility Agent confirms that this resignation takes effect on [ ].

[FACILITY AGENT]

By:

---

(4) Delete as applicable.

(5) Delete as applicable.

## **SIGNATORIES**

[This section not restated]

**ANNEX B**  
**FORM OF THE FACILITY O ACCESSION AGREEMENT**

**TELENET ADDITIONAL FACILITY O ACCESSION AGREEMENT**  
**TERM LOAN O FACILITY**

To: The Bank of Nova Scotia as Facility Agent and KBC Bank NV as Security Agent

From: The Telenet Additional Facility O Lender

Date: February 15, 2011

**TELENET NV—Credit Agreement**  
**dated 1 August 2007, as amended from time to time (the Credit Agreement)**

1. In this Agreement:

**Borrower** in relation to the Term Loan O Facility means Telenet International Finance S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg with its registered office at 595 rue de Neudorf, L-2220 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg trade and companies register under number B.155.066.

**Indenture** means the indenture, dated February 15, 2011, among, *inter alia*, Telenet Additional Facility O Lender, as issuer, and The Bank of New York Mellon, as trustee.

**Notes** means the €300,000,000 aggregate principal amount of 6½% fixed rate notes due 2021 and issued February 15, 2011 by the Telenet Additional Facility O Lender pursuant to the Indenture.

**Telenet Additional Facility O Lender** means Telenet Finance III Luxembourg S.C.A., a corporate partnership liability by shares (*société en commandite par actions*) incorporated under the laws of the Grand Duchy of Luxembourg with its registered office at 65, Boulevard Grande-Duchesse Charlotte, L-1331 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register under number B-158666.

**Term Loan O Facility** means the €300,000,000 term loan facility made available by the Telenet Additional Facility O Lender under this Agreement.

**Term Loan O Facility Commitment** means, in relation to the Telenet Additional Facility O Lender, the amount in euros set opposite its name under the heading “Term Loan O Facility Commitment” in Schedule 1 to this Agreement, to the extent not cancelled, transferred, or reduced under the Credit Agreement.

**Term Loan O Facility Loan** means a euro denominated loan made to the Borrower by the Telenet Additional Facility O Lender under the Term Loan O Facility.

2. For the purposes of the Term Loan O Facility and any Term Loan O Facility Loan, and notwithstanding any provision of a Finance Document to the contrary:

(a) the following defined terms shall have the following meanings in the Finance Documents:

**Luxembourg** means the Grand Duchy of Luxembourg.

**Luxembourg Guarantor** means a Guarantor incorporated in Luxembourg.

**Luxembourg Obligor** means an Obligor incorporated in Luxembourg.

**Qualifying Lender** means a Lender which is not an individual or a residual entity within the meaning of the Luxembourg laws implementing the European Council Directive 2003/48/EC of 3 June 2003 (the **EU SD**) on taxation of savings income in the form of interest payments, including notably the Luxembourg laws of 21 June 2005 implementing under Luxembourg law the EU SD and the Luxembourg law of 23 December 2005 creating a final withholding tax on certain income deriving from savings, and any entity which may fall within the scope of the EU SD and the aforesaid Luxembourg laws as they may be amended from time to time.

(b) where they relate to a Luxembourg company, references in the Finance Documents to:

- (i) a winding-up, administration or dissolution includes, without limitation, bankruptcy (*faillite*), insolvency, voluntary or judicial liquidation (*liquidation volontaire ou judiciaire*), composition with creditors (*concordat préventif de faillite*), reprieve from payment (*sursis de paiement*),

controlled management (*gestion contrôlée*), fraudulent conveyance (*actio pauliana*), general settlement with creditors, reorganisation or similar laws affecting the rights of creditors generally;

- (ii) a receiver, administrative receiver, administrator or the like includes, without limitation, a *juge délégué, commissaire, juge-commissaire, liquidateur* or *curateur*;
  - (iii) a security interest includes any *hypothèque, nantissement, gage, privilege, sûreté réelle, droit de rétention* and any type of real security or agreement or arrangement having a similar effect and any transfer of title by way of security; and
  - (iv) a person being unable to pay its debts includes that person being in a state of cessation of payments (*cessation de paiements*);
- (c) any guarantee given by any Luxembourg Guarantor does not constitute a suretyship (*cautionnement*) in the sense of articles 2011 and subsequent of the Luxembourg civil code;
- (d) the maximum liability of any Luxembourg Guarantor under the Finance Documents shall be limited so that the maximum amount payable by the relevant Luxembourg Guarantor for the obligations of any Obligor, which is not a direct or indirect Subsidiary of such Luxembourg Guarantor, hereunder shall at no time exceed the Maximum Amount.

**Maximum Amount** of any Luxembourg Guarantor means the sum of:

- (i) an amount equal to the aggregate (without duplication) of:
  - (A) all moneys received by that Luxembourg Guarantor or direct or indirect Subsidiaries of that Luxembourg Guarantor (which are direct or indirect Subsidiaries of that Luxembourg Guarantor on the date hereof or which will be direct or indirect Subsidiaries of that Luxembourg Guarantor hereafter) as borrower under or pursuant to the Finance Documents; and
  - (B) the aggregate amount of the outstanding intercompany loans made to the Luxembourg Guarantor or direct or indirect Subsidiaries of that Luxembourg Guarantor (which are direct or indirect Subsidiaries of that Luxembourg Guarantor on the date hereof or which will be direct or indirect Subsidiaries of that Luxembourg Guarantor hereafter) by other members of the Group which have been funded with moneys received by the Borrowers under the Finance Documents (the **Loan Amount**); and
- (C) an amount equal to 95% of the greater of:
  - (I) the market value of the assets of the Luxembourg Guarantor at the time the guarantee is called less the Liabilities, other than the Loan Amount, at the time the guarantee is called; and
  - (II) the market value of the assets of the Luxembourg Guarantor at the date of this Agreement less the Liabilities, other than the Loan Amount, at the time the guarantee is called.

**Liabilities** means all existing liabilities (other than any liabilities owed to the direct or indirect shareholders of the Luxembourg Guarantor) incurred, from time to time, by the Luxembourg Guarantor and as reflected, from time to time, in the books of the Luxembourg Guarantor.

If the Parties fail to reach an agreement as to the market value of the assets as referred to under paragraph (C) above, such market value shall be determined, at the sole costs of the Luxembourg Guarantor, by (1) an independent investment bank appointed for this purpose by the Finance Parties or (2) a Luxembourg réviseur d'entreprises appointed upon the request of any of the Finance Parties;

- (e) Telenet International Finance S.à r.l. hereby expressly accepts and confirms, for the purposes of articles 1281 and 1278 of the Luxembourg civil code, that notwithstanding any assignment, transfer and/or novation permitted under, and made in accordance with, the provisions of this Agreement or the Finance Documents, the guarantee given by it guarantees all obligations of each Obligor (including without limitation, all obligations with respect to all rights and/or obligations so assigned, transferred or novated) and any security created under this Agreement or

the Finance Documents shall be preserved for the benefit of any New Lender and each Luxembourg Obligor hereby accepts and confirms the aforementioned.

3. Unless otherwise defined in this Agreement, terms defined in the Credit Agreement shall have the same meaning in this Agreement and a reference to a Clause is a reference to a Clause of the Credit Agreement. The principles of construction set out in Clause 1.2 (Construction) of the Credit Agreement apply to this Agreement as though they were set out in full in this Agreement.
4. We refer to Clause 2.7 (Telenet Additional Facility) of the Credit Agreement.
5. This Agreement will take effect on the date on which the Facility Agent notifies the Borrower under the Term Loan O Facility and the Telenet Additional Facility O Lender that it has received the documents and evidence set out in Schedule 2 to this Agreement, in each case in form and substance satisfactory to it or, as the case may be, the requirement to provide any of such documents or evidence has been waived by the Facility Agent (acting on the instructions of the Term Loan O Facility Lender) (the **Effective Date**).
6. The Telenet Additional Facility O Lender agrees:
  - (a) to become party to and to be bound by the terms of the Credit Agreement as a Lender in accordance with Clause 2.7 (Telenet Additional Facility) of the Credit Agreement; and
  - (b) to become party to the Intercreditor Agreement as a Lender and to observe, perform and be bound by the terms and provisions of the Intercreditor Agreement in the capacity as Lender in accordance with Clause 20.7 (Senior Creditors) of the Intercreditor Agreement.
7. The Telenet Additional Facility Commitment in relation to the Telenet Additional Facility O Lender (for the purpose of the definition of Telenet Additional Facility Commitment in Clause 1.1 (Definitions) of the Credit Agreement) is its Term Loan O Facility Commitment.
8. The Facility Agent will, for the purposes of any determination to be made under the Credit Agreement or this Agreement, apply the votes of the Telenet Additional Facility O Lender in accordance with a written direction to be provided by the Telenet Additional Facility O Lender. The Telenet Additional Facility O Lender agrees that it will give any such direction in accordance with the provisions of Section 9.01 of the Indenture. For the avoidance of doubt, the Facility Agent may rely on any such directions received and shall have no duty to enquire or monitor as to whether such direction complies with Section 9.01 of the Indenture.
9. The Term Loan O Facility may be drawn by one Loan on the Effective Date and such date will constitute the Availability Period for the Term Loan O Facility. No more than one Request may be made in respect of the Term Loan O Facility under the Credit Agreement, and such Request may only be in a principal amount of the Telenet Additional Facility Commitment in relation to the Term Loan O Facility as set out in paragraph 7 above.
10. The Final Maturity Date in respect of the Term Loan O Facility is February 15, 2021. Any outstanding Loan under the Term Loan O Facility shall be repaid in full on the Final Maturity Date.
11. The interest rate in relation to the Term Loan O Facility will be a fixed rate of 6.625% per annum. Such interest rate will be calculated in accordance with Clause 8.1 (Interest rate) of the Credit Agreement as being the sum of EURIBOR, the applicable Margin and the Mandatory Costs, where in order to achieve the fixed rate referred to above, the applicable Margin will be:
  - (a) 6.625% per annum, calculated on the basis of a 360-day year comprised of twelve 30-day months; minus
  - (b) the sum of EURIBOR plus the Mandatory Costs.

For the avoidance of doubt, for the purpose of this calculation, the applicable Margin may be a negative number. Further, the interest rate for this Term Loan O Facility will never exceed 6.625% per annum (save to the extent that Clause 8.3 (Interest on overdue amounts) of the Credit Agreement may apply).
12. The first Term to apply to the Term Loan O Facility Loan will be a period equal to the period running from the Effective Date up to and including 15 August 2011. The Borrower agrees that each subsequent Term under the Term Loan O Facility will be 6 months.



13. Upon the occurrence of a mandatory prepayment of the Term Loan O Facility following a Change of Control, as defined under Clause 7.2 (Mandatory prepayment—change of control) of the Credit Agreement, the Borrower under the Term Loan O Facility agrees to pay to the Facility Agent (for the account of the Telenet Additional Facility O Lender) an amount equal to 1 per cent. of the principal amount of the Term Loan O Facility, plus accrued and unpaid interest to the due date of mandatory prepayment. Such payment shall be due and payable by the Borrower to the Facility Agent (for the account of the Telenet Additional Facility O Lender) under the Term Loan O Facility on the actual date of such mandatory prepayment.
14. At any time prior to February 15, 2016, upon the occurrence of a voluntary prepayment of any or all of the Term Loan O Facility by the Borrower under the Term Loan O Facility under Clause 7.6 (Voluntary prepayment) of the Credit Agreement (other than a voluntary prepayment complying with Clause 16 below), the Borrower under the Term Loan O Facility agrees to pay to the Facility Agent (for the account of the Telenet Additional Facility O Lender) an amount equal to the Additional Amount (as defined below) (calculated as of a date no more than three Business Days prior to the date of the relevant prepayment notice), plus accrued and unpaid interest on the amount of the Term Loan O Facility Loan prepaid to the due date of prepayment. Such payment shall be due and payable by the Borrower under the Term Loan O Facility to the Facility Agent (for the account of the Telenet Additional Facility O Lender) on the actual date of such prepayment.

For the purposes of this Clause 14:

**Additional Amount** means, with respect to the Term Loan O Facility on any prepayment date applicable to the voluntary prepayment of any or all of the Term Loan O Facility, the excess of:

- (a) the present value at such prepayment date of (i) the amount that would be payable (as set out in clause 16 below) in respect of the Term Loan O Facility if the Term Loan O Facility were prepaid pursuant to Clause 7.6 (Voluntary prepayment) of the Credit Agreement, plus (ii) the principal amount of the Term Loan O Facility being prepaid plus (iii) all required interest payments due on the principal amount of the Term Loan O Facility being prepaid through February 15, 2016, (excluding accrued but unpaid interest to the prepayment date), computed using a discount rate equal to the Bund Rate as of such prepayment date plus 50 basis points; over
- (b) the principal amount of the Term Loan O Facility being prepaid.

**Bund Rate** means, with respect to any relevant date, the rate per annum equal to the equivalent yield to maturity as of such date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such relevant date, where:

- (i) “**Comparable German Bund Issue**” means the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such prepayment date to February 15, 2016, and that would be utilized at the time of selection and in accordance with customary financial practice, in pricing new issues of euro denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Notes and of a maturity most nearly equal to February 15, 2016; provided, however, that, if the period from such prepayment date to February 15, 2016, is not equal to the fixed maturity of the German Bundesanleihe security selected by such Reference German Bund Dealer, the Bund Rate shall be determined by linear interpolation (calculated to the nearest one-twelfth of a year) from the yields of German Bundesanleihe securities for which such yields are given, except that if the period from such prepayment date to February 15, 2016, is less than one year, a fixed maturity of one year shall be used;
- (ii) “**Comparable German Bund Price**” means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Telenet Additional Facility O Lender obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;
- (iii) “**Reference German Bund Dealer**” means any dealer of German Bundesanleihe securities appointed by the Telenet Additional Facility O Lender in consultation with the Trustee; and
- (iv) “**Reference German Bund Dealer Quotations**” means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Telenet Additional

Facility O Lender of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Telenet Additional Facility O Lender by such Reference German Bund Dealer at 3:30 p.m. Frankfurt, Germany, time on the third business day in Frankfurt preceding the relevant date.

15. On or after February 15, 2016, upon the occurrence of a voluntary prepayment of any or all of the Term Loan O Facility by the Borrower under the Term Loan O Facility under Clause 7.6 (Voluntary prepayment) of the Credit Agreement (other than a voluntary prepayment complying with Clause 16 below), the Borrower under the Term Loan O Facility agrees to pay to the Facility Agent (for the account of the Telenet Additional Facility O Lender) an amount equal to the relevant percentages of the principal amount of the Term Loan O Facility being prepaid as set forth in the table below on, plus accrued and unpaid interest then due on the amount of the Term Loan O Facility prepaid to, the due date of prepayment, if prepaid during the twelve-month period beginning on February 15, of the years indicated below:

<u>Year</u>	<u>Prepayment Price expressed as a percentage of the principal amount of the Term Loan O Facility</u>
2016 .....	3.313%
2017 .....	2.209%
2018 .....	1.104%
2019 and thereafter .....	0.000%

Such payment shall be due and payable by the Borrower under the Term Loan O Facility to the Facility Agent (for the account of the Telenet Additional Facility O Lender) on the actual date of such prepayment.

16. Following a Telenet Group Transfer:

- (a) if the holders of a majority of the aggregate principal amount of the Notes consent to the Telenet Group Transfer, the Borrower under the Term Loan O Facility may, at its option, voluntarily prepay a principal amount of the Term Loan O Facility under Clause 7.6 (Voluntary prepayment) of the Credit Agreement equal to the aggregate principal amount of the Notes whose holders did not consent to the Telenet Group Transfer (in accordance with the terms of the Indenture) and in connection therewith the Borrower under the Term Loan O Facility will pay to the Facility Agent (for the account of the Telenet Additional Facility O Lender) an amount equal to 1 per cent. of the principal amount of the Term Loan O Facility prepaid, plus accrued and unpaid interest to the due date of prepayment. Such payment shall be due and payable by the Borrower to the Facility Agent (for the account of the Telenet Additional Facility O Lender) under the Term Loan O Facility on the actual date of such prepayment; or
- (b) if the holders of a majority of the aggregate principal amount of the Notes do not consent to the Telenet Group Transfer, the Borrower under the Term Loan O Facility will voluntarily prepay a principal amount of the Term Loan O Facility under Clause 7.6 (Voluntary prepayment) of the Credit Agreement equal to the aggregate principal amount of the Notes tendered in the offer to purchase described in Section 3.08(b) of the Indenture and in connection therewith the Borrower under the Term Loan O Facility will pay to the Facility Agent (for the account of the Telenet Additional Facility O Lender) an amount equal to 1 per cent. of the principal amount of the Term Loan O Facility prepaid, plus accrued and unpaid interest to the due date of prepayment. Such payment shall be due and payable by the Borrower to the Facility Agent (for the account of the Telenet Additional Facility O Lender) under the Term Loan O Facility on the actual date of such prepayment.

For the purposes of this Clause 16:

“**Telenet Group Transfer**” means the occurrence of either of the following: (a) the consummation of any transaction (including, without limitation, any merger, consolidation, scheme of arrangement or amalgamation), the result of which is that Liberty Global Europe Financing B.V., UPC Holding B.V. and/or any of their Subsidiaries becomes the beneficial owner, directly or indirectly, of more than 50% of the voting stock of Telenet NV or (b) the direct or indirect sale, lease, transfer, conveyance or other disposition, in one or a series of related transactions, of all or substantially all of the properties or assets of Telenet NV and its Subsidiaries taken as a whole to Liberty Global Europe Financing B.V., UPC Holding B.V. and/or any of their Subsidiaries.

17. Telenet NV shall not arrange an Additional Facility (in addition to any applicable requirements set forth in Clause 2.8(e) of the Credit Agreement) if after giving effect to the utilisation (and, for the avoidance of doubt, the application of the net proceeds) of the Total Telenet Additional Facility Commitments under such Telenet Additional Facility, the ratio of Net Total Senior Debt (as defined below) to Consolidated Annualised EBITDA would be greater than 4.50:1.
- “**Net Total Senior Debt**” means, at any time, that part of Total Debt which is attributable to Financial Indebtedness outstanding under the Finance Documents *less* Cash and Cash Equivalents at that date.
18. The Borrower agrees that it will not request or require the transfer of all of the rights and obligations of the Telenet Additional Facility O Lender pursuant to Clause 26.3 (Non-Consenting Lenders) of the Credit Agreement.
19. The Borrower under the Term Loan O Facility confirms, on behalf of itself and each other Obligor, that the representations and warranties set out in Clause 16 (Representations and Warranties) of the Credit Agreement (except for Clauses 16.7 (Authorisations), 16.9 (No material adverse change), 16.10 (Litigation and insolvency proceedings), 16.11 (Business Plan), 16.12 (No misleading information), 16.13 (Tax Liabilities), 16.14 (Security Interests), 16.17 (Ownership of assets), and 16.19 (ERISA)) are true and correct as if made at the Effective Date with reference to the facts and circumstances then existing, and as if each reference to the Finance Documents includes a reference to this Agreement.
20. Each of the Guarantors confirms that its obligations under Clause 15 (Guarantee and Indemnity) of the Credit Agreement, and each of the Existing Security Providers confirms that the Security Interests created pursuant to the Security Documents and its obligations under the Finance Documents, shall continue unaffected and that such obligations extend to the Total Commitments as increased by the addition of Term Loan O Facility and that such obligations shall be owed to each Finance Party including the Telenet Additional Facility O Lender.
21. The Telenet Additional Facility O Lender confirms to each Finance Party that:
- (a) it has made its own independent investigation and assessment of the financial condition and affairs of each Obligor and its related entities in connection with its participation in the Credit Agreement and has not relied on any information provided to it by a Finance Party in connection with any Finance Document; and
  - (b) it will continue to make its own independent appraisal of the creditworthiness of each Obligor and its related entities while any amount is or may be outstanding under the Credit Agreement or any Telenet Additional Facility Commitment is in force.
22. The Telenet Additional Facility O Lender and the Facility Agent agree to waive the notice period in respect of drawdown requests under Clause 5.1 (Giving of Request) of the Credit Agreement in respect of this Term Loan O Facility.
23. The Additional Facility O Lender, the Borrower and the Facility Agent acknowledge and agree that (a) the Facility O Advance shall be made by the Additional Facility O Lender directly to the Borrower to an account notified by the Borrower to the Additional Facility O Lender, rather than through the Facility Agent, and (b) in respect of any other payments of principal, interest or other amounts due under Facility O, (i) the Borrower shall make payments payable by it to the Additional Facility O Lender directly to the Additional Facility O Lender (or to such account as the Additional Facility O Lender may specify), and (ii) the Additional Facility O Lender shall make payments payable by it to the Borrower directly to the Borrower (or to such account as the Borrower may specify). The Additional Facility O Lender agrees that it shall promptly notify the Facility Agent if the Borrower fails to make any payment under subclause (b)(i) of this Clause 23 when due, and the Borrower agrees that it shall promptly notify the Facility Agent if the Additional Facility O Lender fails to make any payment under subclause (b)(ii) of this Clause 23 when due.
24. The Facility Office and address for notices of the Telenet Additional Facility O Lender for the purposes of Clause 33.2 (Contact details) of the Credit Agreement will be that notified by the Telenet Additional Facility O Lender to the Facility Agent.
25. This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.
26. This Agreement may be executed in any number of counterparts, and by each party on separate counterparts. Each counterpart is an original, but all counterparts shall together constitute one and

the same instrument. Delivery of an executed counterpart signature page of this Agreement by e-mail (PDF) or telecopy shall be as effective as delivery of a manually executed counterpart of this Agreement. In relation to each counterpart, upon confirmation by or on behalf of the signatory that the signatory authorises the attachment of such counterpart signature page to the final text of this Agreement, such counterpart signature page shall take effect together with such final text as a complete authoritative counterpart.

27. The Borrower under the Term Loan O Facility hereby agrees that the Telenet Additional Facility O Lender may disclose confidential information supplied to it by or on behalf of any Obligor in connection with the Finance Documents to the extent such disclosure is required by the terms of the Notes.
28. For the purposes of any assignment, transfer or novation of rights and/or obligations (in whole or in part) by the Telenet Additional Facility O Lender under Clause 27.3 (Transfers by Lenders) of the Credit Agreement, the Borrower hereby consents to any assignment, transfer or novation made by the Telenet Additional Facility O Lender following an Event of Default under and as defined in the Indenture. The Telenet Additional Facility O Lender may only deliver to the Facility Agent a completed Transfer Certificate if at that time it confirms to the Facility Agent in writing that a assignment, transfer or novation of the interest Term Loan O Facility to be assigned, transferred or novated is not prohibited under the terms of any agreement that is binding on it or any of its assets.
29. The parties acknowledge that this Agreement is a Finance Document.

**SCHEDULE 1**

**TELENET ADDITIONAL FACILITY O LENDER AND TERM LOAN O FACILITY COMMITMENTS**

<u>Telenet Additional Facility O Lender</u>	<u>Term Loan O Facility Commitment</u>
	(€)
Telenet Finance III Luxembourg S.C.A. ....	300,000,000
<b>Total</b> .....	<b><u>300,000,000</u></b>

**SCHEDULE 2**  
**CONDITIONS PRECEDENT DOCUMENTS**

**1. Obligors**

- (a) A copy of the articles of association of each Obligor and each Existing Security Provider.
- (b) A copy of a resolution of the board of directors of each Obligor and each Existing Security Provider approving the terms of, and the transactions contemplated by, this Agreement and any other Finance Documents to which it is, or will become, a party.
- (c) A specimen of the signature of each person authorised on behalf of an Obligor and each Existing Security Provider to execute or witness the execution of this Agreement and any other Finance Document or to sign or send any document or notice in connection with this Agreement and any other Finance Document.
- (d) An up-to-date extract from the Luxembourg Trade and Companies Register in respect of the Borrower under the Term Loan O Facility.
- (e) An up-to-date negative certificate (*certificat de non-inscription d'une decision judiciaire*) issued by the Luxembourg Trade and Companies register in respect of the Borrower under the Term Loan O Facility.
- (f) A copy of the minutes of the shareholders' meeting of each Belgian Obligor and each Belgian Existing Security Provider (other than Telenet Group Holding NV):
  - (i) approving for the purposes of article 556 of the Belgian Companies Act, the terms of and transactions contemplated by this Agreement; and
  - (ii) authorising named persons to fulfil the formalities with the Registry of the Commercial Court of the registered office of such Obligor or Existing Security Provider following the decision taken in accordance with the above.
- (g) A certificate of an authorised signatory of the Borrower under the Term Loan O Facility:
  - (i) confirming that utilising the Total Commitments (including the Term Loan O Facility Commitment) in full would not breach any limit binding on any Obligor; and
  - (ii) certifying that each copy document specified in this Schedule 2 is correct, complete and in full force and effect as at a date no earlier than the date of this Agreement.
- (h) A copy of the most recent annual accounts of the Borrower or, in the absence thereof, a copy of the opening balance sheet of the Borrower under the Term Loan O Facility.
- (i) Evidence that the agent of the Borrower under the Finance Documents for service of process in England has accepted its appointment.
- (j) Evidence required by the Finance Parties for the purpose of any applicable money laundering regulations.

**2. Legal opinions**

- (a) A legal opinion of Allen & Overy LLP, English legal advisers to the Facility Agent, addressed to the Finance Parties and the initial purchasers under the Purchase Agreement executed in respect of the Notes.
- (b) A legal opinion of Allen & Overy LLP, Belgian legal advisers to the Facility Agent, addressed to the Telenet Finance Parties and the initial purchasers under the Purchase Agreement executed in respect of the Notes.
- (c) A legal opinion of Allen & Overy Luxembourg, Luxembourg legal advisers to the Facility Agent, addressed to the Finance Parties and the initial purchasers under the Purchase Agreement executed in respect of the Notes.

**3. Other**

- (a) Confirmation by the Telenet Additional Facility O Lender that the Notes have been issued.
- (b) Deed of Accession in respect of the Telenet Additional Facility O Lender accession to the Intercreditor Agreement as a Lender.



## **SIGNATORIES**

### **AGENTS**

THE BANK OF NOVA SCOTIA as Facility Agent

By:

KBC BANK NV as Security Agent

By:

**BORROWER**

TELENET INTERNATIONAL FINANCE S.à r.l.

By:

**GUARANTORS**

TELENET NV

By:

By:

TELENET INTERNATIONAL FINANCE S.à r.l.

By:

**EXISTING SECURITY PROVIDERS**

TELENET NV

By:

By:

TELENET GROUP HOLDING NV

By:

By:

TELENET VLAANDEREN NV

By:

By:

TELENET INTERNATIONAL FINANCE S.à r.l.

By:

By:

**TELENET ADDITIONAL FACILITY O LENDER**

TELENET FINANCE III LUXEMBOURG S.C.A.

acting by its General Partner,

TELENET FINANCE III S.à r.l.

By:

**ANNEX C**  
**COPY OF THE INTERCREDITOR AGREEMENT**

# **INTERCREDITOR DEED**

**10 OCTOBER 2007**

**between, among others,**

**THE CORPORATIONS NAMED IN PART 3 OF  
SCHEDULE 1  
as Original Obligors**

**THE ORIGINAL INTERCOMPANY CREDITORS AND  
ORIGINAL INTERCOMPANY DEBTORS NAMED IN PART 4 OF SCHEDULE 1**

**THE ORIGINAL SUBORDINATED DEBTORS NAMED IN PART 2 OF SCHEDULE 1**

**THE SECURITY PROVIDERS NAMED IN PART 5  
OF SCHEDULE 1**

**ABN AMRO BANK N.V., BNP PARIBAS S.A., and J.P. MORGAN PLC  
as Mandated Lead Arrangers**

**THE FINANCIAL INSTITUTIONS NAMED IN PART 1 OF SCHEDULE 1  
as Original Lenders**

**BNP PARIBAS  
as Facility Agent**

**and**

**KBC BANK NV  
as Security Agent**

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**relating, amongst other things, to the €2,300,000,000  
credit facilities for Telenet BidCo NV, dated 1 August, 2007  
as amended and restated from time to time**

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**ALLEN & OVERY**

**Allen & Overy LLP**

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**THIS DEED** is dated 10 October 2007.

**BETWEEN:**

- (1) **THE FINANCIAL INSTITUTIONS** named in Part 1 of Schedule 1 (the **Original Lenders**);
- (2) **ABN AMRO BANK N.V., BNP PARIBAS S.A., and J.P. MORGAN PLC** as mandated lead arrangers (the **Mandated Lead Arrangers**);
- (3) **THE CORPORATIONS** named in Part 2 of Schedule 1 (the **Original Subordinated Debtors**);
- (4) **THE CORPORATIONS** named in Part 3 of Schedule 1 as original Obligors (the **Original Obligors**).
- (5) **THE INTERCOMPANY CREDITORS** named in Part 4 of Schedule 1 (the **Original Intercompany Creditors**);
- (6) **THE INTERCOMPANY DEBTORS** named in Part 4 of Schedule 1 (the **Original Intercompany Debtors**);
- (7) **THE SECURITY PROVIDERS** named in Part 5 of Schedule 1 (the **Security Providers**);
- (8) **BNP PARIBAS** as facility agent for the Lenders (in this capacity the **Facility Agent**); and
- (9) **KBC BANK NV** (having its registered office at Havenlaan 2, B-1080 Brussels, Belgium, Enterprise No.: 0462.920.226, RPR Brussels) as security agent (in this capacity, the **Security Agent**).

**WHEREAS:**

- (A) The Lenders have agreed to provide to Telenet BidCo NV the facilities described in the Senior Facilities Agreement.
- (B) The Hedging Banks have provided, or may in the future provide, certain Hedging Facilities to the Obligors.
- (C) While the Obligors have confirmed that there is no Subordinated Debt as at the date of this Deed, the corporations named in Part 2 of Schedule 1 nonetheless wish to become party to this Deed as Subordinated Debtors.
- (D) The parties to this Deed wish to regulate in this Deed certain matters arising under the Senior Facilities Agreement, the Hedging Documents, and the Security Documents amongst other matters.
- (E) It is intended by the parties hereto that this document shall take effect as a deed notwithstanding the fact that a party may only execute this document under hand.

**IT IS AGREED** as follows:

**1. INTERPRETATION**

**1.1 Definitions**

In this Deed, unless the context requires otherwise:

**Additional Amounts** means in relation to any liabilities or debts:

- (a) any refinancing, novation, deferral or extension of any of those liabilities or debts;
- (b) any claim for damages or restitution arising out of, by reference to or in connection with those liabilities or debts;
- (c) any further advances which may be made under any agreement amending or supplemental to any Finance Document, Subordinated Debt Document or Intercompany Debt Document evidencing or constituting such liabilities or debts plus all interest, fees and costs in connection therewith;
- (d) any claim flowing from any recovery by any Obligor or a receiver or liquidator (*gerechtelijk bestuurder/ administrateur judiciaire/ voorlopig bewindvoerder/ administrateur provisoire/ Judicial Commissioner Commissaris inzake opschorting/ Commissaire au sursis /sekwester/ séquestre*) of any Obligor or any other person of a payment or discharge in respect of any of those liabilities on grounds of preference or otherwise; and

- (e) any amounts (such as post-insolvency interest) which would be included in any of the above but for any discharge, non-provability, unenforceability or non-allowability of the same in any insolvency or other proceedings.

**Aggregate Exposure** means, from time to time, the aggregate of Bank Debt and the Hedging Liabilities.

**Bank Debt** means all indebtedness incurred by the Obligors to the Lenders, the Facility Agent or the Security Agent in any manner whatsoever under or in connection with the Finance Documents.

**Bankruptcy Event** means the occurrence of any of the following in relation to an Obligor:

- (a) it is, or is deemed for the purposes of any law to be, unable to pay its debts as they fall due or to be insolvent (*is in staat van staking van betalingen/est en état de cessation de paiements*)
- (b) it admits its inability to pay its debts as they fall due;
- (c) it suspends making payments on any of its debts generally or announces an intention so to do;
- (d) by reason of actual or anticipated financial difficulties, it begins negotiations with any creditors generally for the rescheduling of any of its indebtedness;
- (e) a moratorium is declared in respect of any of its indebtedness exceeding €10,000,000 (or its equivalent) in aggregate;
- (f) any step is taken with a view to a moratorium or a composition, assignment or similar arrangement with any of its creditors;
- (g) a meeting of it is convened for the purpose of considering any resolution for (or to petition for) its winding-up, administration, examination or dissolution or any such resolution is passed;
- (h) any person presents a petition or files documents with the appropriate legal authorities for its winding-up, administration, examination, dissolution, bankruptcy (*faillite/faillissement*) or judicial composition (*concordat judiciaire/gerechtigd akkoord*);
- (i) an order for its winding-up, liquidation, administration, examination, dissolution (*vereffening/liquidation, ontbinding/dissolution, faillissement/faillite and sluiting van een onderneming/fermeture d'entreprise*), bankruptcy (*faillite/faillissement*) or judicial composition (*concordat judiciaire/gerechtigd akkoord*) is made;
- (j) any liquidator, trustee in bankruptcy, examination, judicial custodian, compulsory manager, receiver, administrative receiver, administrator, *curator/curateur, vereffenaar/liquidateur, voorlopig bewindvoerder/administrateur provisoire, commissaris inzake opschorting/commissaire au sursis and sekwester/séquestre* or similar officer is appointed in respect of it;
- (k) its directors or other officers request the appointment of a liquidator, trustee in bankruptcy, examination, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or similar officer; or
- (l) any other analogous step or procedure is taken in any jurisdiction.

**Beneficiary** means a Senior Creditor.

**Business Day** means a day (other than a Saturday or a Sunday) on which banks are open for general business in London, Paris and Brussels and which is also a TARGET Day (as defined in the Senior Facilities Agreement).

**Commitment** has the meaning given to it in the Senior Facilities Agreement.

**Company** has the meaning given to it in the Senior Facilities Agreement.

**Concursus** means, in respect of any Person, the bankruptcy or Winding-up of that Person.

**Creditor** means a Senior Creditor, a Subordinated Creditor or an Intercompany Creditor and where the context so admits or requires includes all of them.

**Debt** means the Senior Debt, the Subordinated Debt or the Intercompany Debt and where the context so admits or requires includes all of them.

**Deed of Accession** means an agreement by which a person becomes a party to this Deed, substantially in the form of Schedule 2 (Form of Deed of Accession) with such amendments as the Facility Agent may approve or reasonably require.

**Default** has the meaning given to it in the Senior Facilities Agreement.

**Deferral** has the meaning given to it in the Senior Facilities Agreement.

**Deferral Debt** has the meaning given to it in the Senior Facilities Agreement.

**Enforcement Date** means the date on which the Facility Agent gives notice under Clause 20.19 (Acceleration) of the Senior Facilities Agreement.

**Event of Default** has the meaning given to it in the Senior Facilities Agreement.

**Existing Security** has the meaning given to it in the Senior Facilities Agreement.

**Existing Security Document** has the meaning given to it in the Senior Facilities Agreement.

**Finance Document** has the meaning given to it in the Senior Facilities Agreement.

**Finance Party** has the meaning given to it in the Senior Facilities Agreement.

**Group** has the meaning given to it in the Senior Facilities Agreement.

**Hedging Bank** means any person to whom any Hedging Liabilities may be payable or owing (whether or not matured) from time to time.

**Hedging Document** means each master agreement or other document delivered by a Hedging Bank to the Facility Agent under Clause 4.1 (Hedging Banks) or 20.3 (Transfers by Finance Parties) (or otherwise), in each case providing for Hedging Facilities to be made available to an Obligor (including any contract entered into or confirmation given thereunder) as permitted and/or not expressly prohibited by the terms of the Senior Facilities Agreement and in each case provided such agreement or document complies with the requirements of this Deed (collectively, the **Hedging Documents**).

**Hedging Facilities** means any interest rate swap and/or interest rate cap, floor, collar or option transactions and/or other interest rate or currency hedging or derivative agreements, arrangements or confirmations.

**Hedging Liabilities** means all indebtedness incurred by the Obligors (or any of them) to the Hedging Banks or any of them under or in connection with the Hedging Documents.

**Holdco** has the meaning given to it in the Senior Facilities Agreement.

**Intercompany Creditor** means an Original Intercompany Creditor or any member of the Group which is or becomes party to this Deed as an Intercompany Creditor and includes Holdco in respect of the Deferral Debt.

**Intercompany Debt** means all indebtedness incurred by the Obligors or any of them to the Intercompany Creditors or any of them.

**Intercompany Debtor** means an Original Intercompany Debtor or any Obligor which is or becomes party to this Deed as an Intercompany Debtor and includes the Company in respect of the Deferral Debt.

**Intercompany Debt Documents** means any and all agreements and other instruments under or by which any Intercompany Debt is outstanding, evidenced, secured or guaranteed.

**Lender** means:

- (a) an Original Lender; or
- (b) any person which becomes a Lender after the date of this Deed in accordance with the terms of this Deed.

**Majority Lenders** has the meaning given to it in the Senior Facilities Agreement.

**Majority Senior Creditors** means the Majority Lenders PROVIDED THAT, following the acceleration of the Bank Debt in accordance with clause 20.19 (Acceleration) of the Senior Facility Agreement and commencement of enforcement of the Security in accordance with this Deed, for

the purposes only of calculating voting rights under this Deed in accordance with this definition, the Total Commitments under the Senior Facilities Agreement will be notionally increased by an aggregate amount equal to the aggregate Hedging Liabilities of those Hedging Banks that each have a Commitment of at least €10,000,000 (such Hedging Liabilities to be calculated in accordance with Schedule 3 (Calculation of Hedging Liabilities) with respect to each Hedging Bank's interest in the Hedging Documents to which it is a party) and each of those Hedging Banks will be deemed to have the aggregate amount of its Commitments increased by an amount equal to its Hedging Liabilities (calculated in accordance with Schedule 3 (Calculation of Hedging Liabilities) with respect to that Hedging Bank's interest in the Hedging Documents to which it is a party).

**Majority Subordinated Creditors** means, at any time, Subordinated Creditors whose share in the outstanding Subordinated Debt then aggregate 66<sup>2</sup>/<sub>3</sub>% or more of the aggregate of all outstanding Subordinated Debt.

**New Obligor** has the meaning given to it in Clause 20.2(b) (Obligors, Subordinated Debtors and new Intercompany Creditors and Debtors).

**Obligor** means:

- (a) an Original Obligor; or
- (b) a New Obligor.

**Parties** means each of the parties to this Deed.

a **Person** includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case, whether or not having separate legal personality).

**Receiver** means an administrative receiver, receiver and manager or other receiver appointed in respect of the assets of any Person, or a similar officer under applicable law, including but not limited to a judicial commissioner (*Commissaris inzake opschorting/Commissaire au sursis*).

**Recovery** means any sum of money received or recovered by any of the Senior Creditors on or at any time on account of the enforcement of any Bank Debt and/or Hedging Liability whether directly, as the proceeds of enforcement of security, the exercise of a right of set-off, the receipt or recovery of payment or in any other manner, after deducting therefrom (a) the reasonable costs and expenses incurred in effecting such receipt or recovery, and (b) any sums required by law or court order to be paid to third parties on account of claims preferred by law over the claims of the Senior Creditors (together, the **Recoveries**).

**Restricted Person** has the meaning given to it in the Senior Facilities Agreement.

**Security** means the security created by the Security Documents.

**Security Document** has the meaning given to it in the Senior Facilities Agreement.

**Security Interest** has the meaning given to it in the Senior Facilities Agreement.

**Senior Creditor** means each of the Finance Parties, and the Hedging Banks who have become a Party to this Deed in accordance with Clause 4.1(b) (Hedging Banks) or Clause 20.3 (Transfers by Finance Parties).

**Senior Debt** means the Bank Debt and the Hedging Liabilities.

**Senior Discharge Date** means the date on which each of the Bank Debt and the Hedging Liabilities have been fully paid and discharged and all commitments under the Finance Documents to provide any financial accommodation of all of the Lenders and the Hedging Banks have been cancelled to the satisfaction of the Facility Agent acting reasonably (in the case of the Bank Debt) and the Hedging Banks acting reasonably (in the case of the Hedging Liabilities).

**Senior Facilities Agreement** means the €2,300,000,000 credit facilities agreement dated 1 August 2007 (as amended from time to time) and made between *inter alios*, the Company, Telenet NV and UPC Belgium NV as Original Guarantors, the Mandated Lead Arrangers (each as defined therein), BNP Paribas as Facility Agent, and KBC Bank NV as Security Agent.

**Senior Finance Document** means the Finance Documents and the Hedging Documents.

**Share Pledge** has the meaning given to it in the Senior Facilities Agreement.

**Subordinated Creditor** means each Restricted Person which accedes to this Deed as a Subordinated Creditor under Clause 4.2 (Accession of Subordinated Creditors) in its capacity as a provider of Subordinated Debt to any member of the Group, and includes any person to whom any Subordinated Debt may be payable or owing (whether or not matured) from time to time.

**Subordinated Debt** means all indebtedness incurred by a member of the Group to a Subordinated Creditor.

**Subordinated Debt Documents** means any document evidencing or recording the terms of any Subordinated Debt.

**Subordinated Debtor** means an Original Subordinated Debtor or any member of the Group which is or becomes party to this Deed as a Subordinated Debtor.

**Subordinated Discharge Date** means the date on which the Subordinated Debt has been fully paid and discharged and all commitments under the Subordinated Debt Documents to provide any financial accommodation of all of the Subordinated Creditors have been cancelled to the satisfaction of the Subordinated Creditors acting reasonably.

**Subsidiary** has the meaning given to it in the Senior Facilities Agreement.

**Telenet Additional Facility Lender** has the meaning given to it in the Senior Facilities Agreement.

**Total Commitments** has the meaning given to it in the Senior Facilities Agreement.

**Transfer Certificate** has the meaning given to it in the Senior Facilities Agreement.

**Utilisation** means a Term Loan or a Revolving Facility.

**Winding-up** means, in respect of a Person, the winding-up, amalgamation, reconstruction, administration, examination, dissolution (*ontbinding*), liquidation (*vereffening*), merger or consolidation, of that Person, and any equivalent or analogous procedure under the law of any jurisdiction.

## **1.2 Construction**

- (a) References in this Deed to Clauses, Recitals and Schedules are, unless the context requires otherwise, references respectively to Clauses of, and recitals, annexes and Schedules to, this Deed.
- (b) In this Deed unless the contrary intention appears, a reference to **indebtedness** includes any obligation (in each case whether present or future, whether incurred as principal, surety or as guarantor or whether incurred alone or jointly, or jointly and severally, with any other Person, whether actual or contingent, whether or not matured or whether or not liquidated) for the payment or repayment of money together, in each case, with all Additional Amounts.

## **1.3 Headings**

Headings shall be ignored in construing this Deed.

## **1.4 Successors**

References in this Deed to the Parties include their permitted successors, assigns, transferees and replacements.

## **1.5 References to Documents**

Except as otherwise specified in this Deed (including in Clause 1.6 (Definitions by Reference to Other Documents)) or to the extent that the context requires otherwise, any reference in this Deed to this Deed or any other agreement or document is a reference to this Deed or, as the case may be, the relevant agreement or document as from time to time amended, supplemented, novated, restated or replaced.

## 1.6 Definitions by Reference to Other Documents

All definitions in this Deed made by reference to the Senior Facilities Agreement shall survive the expiry of the Senior Facilities Agreement.

## 1.7 Contracts (Rights of Third Parties) Act 1999

- (a) Unless provided to the contrary in a Finance Document, a person who is not a party to this Deed may not enforce its terms under the Contracts (Rights of Third Parties) Act 1999.
- (b) Notwithstanding any term of any Finance Document, the consent of any third party shall not be required in relation to any assignment, variation or waiver of any provision of any Finance Document.

## 2. RANKING

- (a) The principal purpose of this Deed is that (subject only as expressly provided to the contrary in this Deed) the Debt should rank in the following order:

**First:** The Bank Debt and the Hedging Liabilities *pari passu* and without any preference between themselves (except as this Deed provides otherwise);

**Second:** The Subordinated Debt; and

**Third:** The Intercompany Debt.

- (b) The ranking in paragraph (a) above applies regardless of:
  - (i) the order of registration, notice or execution of any Security or other document;
  - (ii) when any Debt is incurred;
  - (iii) whether or when a Creditor is obliged to advance any Debt;
  - (iv) any fluctuation in the outstanding amount of, or any intermediate discharge of, any Debt; or
  - (v) the creation in favour of the Senior Creditors of any additional security over the undertaking, properties or assets of the Obligors or Holdco (or any of them).

## 3. UNDERTAKINGS OF THE OBLIGORS AND SUBORDINATED DEBTORS

Each Obligor and Subordinated Debtor undertakes to each of the Finance Parties that until the Senior Discharge Date unless otherwise agreed or required in writing by the Majority Senior Creditors, or, to the extent permitted by Clause 4.3(a)(i) (Undertakings of Hedging Banks), Clause 5 (Permitted Payments), Clause 7.2 (Filing of Claims (Subordinated Debt)), Clause 7.3 (Filing of Claims (Intercompany Debt)) or Clause 10 (Enforcement Action and Security ranking), it will not, and will procure that none of its Subsidiaries will:

- (a) pay, prepay or repay, or make any payment or distribution in respect of, or on account of, or purchase or acquire, any of the Subordinated Debt or the Intercompany Debt in cash or in kind;
- (b) discharge any of the Subordinated Debt or the Intercompany Debt by set-off, any right of combination of accounts or otherwise;
- (c) create or permit to subsist any Security Interest over any of its assets for any of the Subordinated Debt or the Intercompany Debt;
- (d) give any financial support (whether by guarantee, comfort letter, indemnity or other assurance against loss, the taking of any participation or the making of any deposit or payment) to any person in respect of any of the Subordinated Debt or Intercompany Debt
- (e) take or omit to take any action whereby the ranking and/or subordination of the Subordinated Debt or the Intercompany Debt contemplated by this Deed may be impaired; or
- (f) amend, vary, supplement or waive any term or condition of any of the Hedging Documents, the Subordinated Debt Documents or Intercompany Debt Documents other than as permitted by the terms of this Deed.



## **4. UNDERTAKINGS OF PARTIES**

### **4.1 Hedging Banks**

- (a) A bank providing Hedging Facilities will only be entitled to share in any of the security constituted by the Security Documents in respect of Hedging Liabilities if it is party to this Deed as a Hedging Bank.
- (b) A person may become a Hedging Bank if:
  - (i) the Hedging Documents to which it is party comply with the terms of this Deed; and
  - (ii) that person is bound by this Deed as a Hedging Bank by executing and delivering to the Facility Agent a Deed of Accession together with copies of the proposed Hedging Documents in relation to such new Hedging Bank.
- (c) On delivery of the documents referred to in subparagraph (ii) above to the Facility Agent a Hedging Bank will acquire all the rights and assume all the obligations of a Hedging Bank under this Deed.

### **4.2 Accession of Subordinated Creditors**

- (a) If there is no Subordinated Creditor specified in Part 2 of Schedule 1, then the provisions of this Deed relating to Subordinated Creditors will not come into effect until a Restricted Person which is to provide Subordinated Debt to a Subordinated Debtor, and that Subordinated Debtor, each executes and delivers to the Facility Agent a Deed of Accession substantially in the form of Schedule 2, undertaking to be bound by all the provisions of this Deed, together with copies of the proposed Subordinated Debt Documents in relation to such Subordinated Debt.
- (b) On delivery of a Deed of Accession to the Facility Agent each of a Subordinated Creditor and Subordinated Debtor (as applicable) will acquire all its rights (if any) and assume all its obligations under this Deed.

### **4.3 Undertakings of Hedging Banks**

Until the Senior Discharge Date, except as the Majority Senior Creditors have previously consented in writing, no Hedging Bank will:

- (a) demand (other than as may be necessary in order to exercise any right to terminate or close out any hedging transaction as provided in and permitted under paragraph (b) below) or receive payment, prepayment or repayment of, or any distribution in respect of, or on account of, any of the Hedging Liabilities in cash or in kind, or apply any money or property in or towards the discharge of any Hedging Liabilities except:
  - (i) for scheduled payments arising under the original terms of the Hedging Documents (without regard to any amendments made after the date of those Hedging Documents other than those permitted by the terms of this Deed); and/or
  - (ii) for the proceeds of enforcement of the Security Documents received and applied in the order permitted by Clause 10.3 (Proceeds of Enforcement); or
- (b) exercise any right to terminate or close out any hedging transaction under the Hedging Documents prior to its stated maturity (whether by reason of any Obligor becoming a Defaulting Party or Affected Party under, and as defined in the relevant Hedging Document or otherwise) unless:
  - (i) an Obligor has defaulted on a payment due under the Hedging Documents after allowing for any required notice and any applicable days of grace and the relevant default continues for more than 60 days after notice of the default has been given to the Facility Agent; or
  - (ii) an Illegality or Tax Event (each as defined in the 2002 ISDA Master Agreement) has occurred in respect of any Hedging Facility;
  - (iii) the Facility Agent has declared all or part of the Bank Debt due and payable and/or payable on demand and/or cancelled the Total Commitments (under and as defined in the Senior Facilities Agreement) in full or part under Clause 20.19 (Acceleration) of the Senior Facilities Agreement, provided that in the case of a partial acceleration

or cancellation, the relevant Hedging Bank may only terminate or close out the relevant hedging transactions in the same proportion as the proportion of Bank Debt that has been partially accelerated or cancelled,

and further provided that (notwithstanding the parenthetical in paragraph (a) above), in the event that a hedging transaction is terminated or closed out pursuant to paragraph 4.3(b)(i) above, no Hedging Liabilities will be demanded or payable unless the Facility Agent has declared all of the Bank Debt due and payable and/or payable on demand and/or cancelled the Total Commitments (under and as defined in the Senior Facilities Agreement) in full under Clause 20.19 (Acceleration) of the Senior Facilities Agreement; or

- (c) discharge all or any part of the Hedging Liabilities by set-off, any right of combination of accounts or otherwise except if and to the extent that those Hedging Liabilities are permitted to be paid under paragraph (a) above; or
- (d) permit to subsist or receive any Security Interest or any financial support (including without limitation, the giving of any guarantee, indemnity or other assurance against loss, or the making of any deposit or payment) for, or in respect of, any of the Hedging Liabilities other than under the Security Documents.

#### **4.4 Two Way Payments**

The Obligors and each Hedging Bank agree that:

- (a) any Hedging Document to which they are party governing the terms of a hedging transaction will provide for “full two way payments” or payments under the “Second Method” in the event of a termination of that hedging transaction entered into under that Hedging Document whether upon a Termination Event or an Event of Default (each such term as defined in that Hedging Document), or any other method the substantive effect of which is that the Defaulting Party or Affected Party under (and as defined in) that Hedging Document will be entitled to receive payment under the relevant termination provisions if the net replacement value of all terminated transactions effected under that Hedging Document is in its favour;
- (b) if, on termination of any hedging transaction under a Hedging Document, a settlement amount or other amount falls due from that Hedging Bank to the Obligors then, if the security constituted by the Security Documents has become enforceable, that amount shall be paid by the relevant Hedging Bank to the Security Agent and treated as proceeds of enforcement of the security conferred by the Security Documents for application in the order prescribed in this Deed; and
- (c) unless it has already exercised such rights in accordance with Clause 4.4(b) above, each Hedging Bank will exercise any rights it may have to terminate the hedging transactions under the Hedging Documents after the Facility Agent has declared all of the Bank Debt immediately due and payable and/or payable on demand and/or has cancelled the Total Commitments in full under (and as defined in) the Senior Facilities Agreement), unless the Majority Senior Creditors otherwise agree or require.

#### **4.5 Hedging Documents**

Each Hedging Bank will provide to the Facility Agent copies of all documents constituting the Hedging Documents as soon as reasonably practicable.

#### **4.6 ISDA Form**

The provisions of this Deed relating to hedging transactions assume that all Hedging Documents will be based on 2002 ISDA Master Agreements. If this proves not to be the case, such amendments will be made to those provisions as are necessary, in the light of the actual provisions of the Hedging Documents, to ensure that this Deed has the same effect in relation to hedging transactions as it would have had if the assumption above had been correct.

#### **4.7 Undertakings of the Subordinated Creditors**

Until the Senior Discharge Date, except as the Majority Senior Creditors have previously consented in writing, no Subordinated Creditor will, with respect to any member of the Group and save as required by any mandatory provision of any applicable law or as and to the extent expressly permitted by Clause 5 (Permitted Payments), or Clause 10 (Enforcement Action and Security ranking):

- (a) demand or receive payment, prepayment or repayment of or any distribution in respect of (or on account of), any of the Subordinated Debt in cash or in kind or apply any money or property in or towards the discharge of any Subordinated Debt;
- (b) discharge or seek to discharge all or any part of the Subordinated Debt by set-off, any right of combination of accounts or otherwise (save to the extent such set-off occurs automatically by operation of law and not as a result of any action or election by such Subordinated Creditor or member of the Group);
- (c) permit to subsist or receive any Security Interest or any financial support (including, without limitation, any guarantee, indemnity, deposit or other assurance against loss) for, or in respect of, any of the Subordinated Debt save as permitted under the Finance Documents;
- (d) demand payment under any indemnity or bring, make or prosecute any claim for breach of any representation or warranty or undertaking made or given by the Obligors or any other member of the Group to the Subordinated Creditors in connection with the Subordinated Debt Documents (where the relevant demand, exercise, prosecution or pursuit would give rise to a claim (whether liquidated or otherwise) for damages, payments, costs or losses) to the extent the relevant indemnity, claim, representation or warranty or undertaking relates to the Subordinated Debt;
- (e) claim or rank as a creditor in the insolvency, Winding-up or bankruptcy of any member of the Group with respect to Subordinated Debt other than in accordance with the provisions of Clause 7.2 (Filing of Claims (Subordinated Debt));
- (f) petition for (or vote in favour of a petition for) or initiate or support or take any steps with a view to any Winding-up, reorganisation, moratorium or analogous proceedings or any voluntary arrangement or assignment for the benefit of creditors or any similar proceedings involving any member of the Group, whether by petition convening a meeting, voting for a resolution or otherwise other than in accordance with Clause 7.2 (Filing of Claims (Subordinated Debt)); or
- (g) knowingly or deliberately take or omit any action whereby the ranking and/or subordination arrangements provided for in this Deed may be impaired.

#### **4.8 Undertakings of Intercompany Creditors**

Until the Senior Discharge Date, except as the Majority Senior Creditors have previously consented in writing, and until the Subordinated Discharge Date, except as the Subordinated Creditors have previously consented in writing, no Intercompany Creditor will, save as required by any mandatory provision of any applicable law or as, and to the extent, permitted by Clause 5 (Permitted Payments):

- (a) demand or receive payment, prepayment or repayment of or any distribution in respect of (or on account of), any of the Intercompany Debt in cash or in kind or apply any money or property in or towards the discharge of any Intercompany Debt save as contemplated by Clause 7.3 (Filing of Claims (Intercompany Debt));
- (b) sell, transfer or otherwise dispose of any Intercompany Debt except pursuant to a Security Document;
- (c) discharge or seek to discharge all or any part of the Intercompany Debt by set-off, any right of combination of accounts or otherwise except as contemplated by Clause 7.3 (Filing of Claims (Intercompany Debt)) (save to the extent such set-off occurs automatically by operation of law and not as a result of any action or election by such Intercompany Creditor or Obligor);

- (d) except to the extent permitted under Clause 19.5 (Negative Pledge) of the Senior Facilities Agreement, permit to subsist or receive any Security Interest or any financial support (including, without limitation, any guarantee, indemnity, deposit or other assurance against loss) for, or in respect of, any of the Intercompany Debt;
- (e) claim or rank as a creditor in the insolvency, Winding-up or bankruptcy of any member of the Group other than with respect to Intercompany Debt in accordance with the provisions of Clause 7.3 (Filing of Claims (Intercompany Debt)); or
- (f) petition for (or vote in favour of a petition for) or initiate or support or take any steps with a view to any Winding-up, reorganisation, moratorium or analogous proceedings or any voluntary arrangement or assignment for the benefit of creditors or any similar proceedings involving any member of the Group, whether by petition convening a meeting, voting for a resolution or otherwise other than in accordance with Clause 7.3 (Filing of Claims (Intercompany Debt)); or
- (g) knowingly or deliberately take or omit any action whereby the ranking and/or subordination arrangements provided for in this Deed may be impaired.

## **5. PERMITTED PAYMENTS**

- (a) Prior to the Senior Discharge Date but subject to Clause 6 (Turnover), any member of the Group may:
  - (i) make scheduled payments arising under the original terms of the Hedging Documents (without regard to any amendments made after the date of those Hedging Documents other than those permitted by the terms of this Deed); and
  - (ii) make (and the relevant person may receive) any payment, lawful distribution, lawful dividend, return on capital or other lawful distribution (in cash or in kind), loan or payment of interest or repayment of any loan by a member of the Group, if the payment is not prohibited by Clause 19.13 (Restricted Payments) of the Senior Facilities Agreement.
- (b) After the Senior Discharge Date but prior to the Subordinated Discharge Date, any member of the Group may make any payments in respect of the Subordinated Debt in accordance with any restrictions in the Subordinated Debt Documents.

## **6. TURNOVER**

If at any time prior to the Senior Discharge Date:

- (i) any Hedging Bank receives or recovers a payment or distribution in cash or in kind of, or on account of, any of the Hedging Liabilities which is prohibited by Clause 4.3 (Undertakings of Hedging Banks); or
- (ii) any Subordinated Creditor or Intercompany Creditor receives or recovers a payment or distribution in cash or in kind of, or on account of any Subordinated Debt or Intercompany Debt (as the case may be) which is not permitted by Clause 4.7 (Undertakings of the Subordinated Creditors) or Clause 4.8 (Undertakings of Intercompany Creditors); or
- (iii) any Subordinated Debt or the Intercompany Debt is discharged by set-off, combination of accounts or otherwise (save to the extent permitted by Clause 4.7 (Undertakings of the Subordinated Creditors) or Clause 4.8 (Undertakings of Intercompany Creditors),

the relevant Hedging Bank, Subordinated Creditor or Intercompany Creditor (as the case may be) will hold the same as fiduciary agent in a segregated account of the Senior Creditors and (promptly following receipt) will pay and distribute to the Security Agent for application in the order provided in Clause 10.3 (Proceeds of Enforcement) the amount of such payment or distribution or the amount set-off or discharged.

## **7. SUBORDINATION ON INSOLVENCY**

### **7.1 Subordination Events**

- (a) If a Bankruptcy Event occurs in relation to any Obligor, then (unless otherwise required by the Facility Agent prior to the Senior Discharge Date) the claims against the relevant Obligor in respect

of the Subordinated Debt and Intercompany Debt will be subordinate in right of payment to the claims against the relevant Obligor in respect of the Senior Debt.

- (b) If a Bankruptcy Event occurs in relation to any Obligor, then (unless otherwise required by a Subordinated Creditor prior to the Subordinated Discharge Date) the claims against the relevant Obligor in respect of the Intercompany Debt will be subordinate in right of payment to the claims against the relevant Obligor in respect of the Subordinated Debt.

## **7.2 Filing of Claims (Subordinated Debt)**

Notwithstanding any other provision in this Deed, but subject to Clause 6 (Turnover) and Clause 7.4 (Distributions), on the occurrence of a Concursus in respect of any Obligor or Subordinated Debtor prior to the Senior Discharge Date, the Subordinated Creditors may (but are not required to) (a) claim and prove for the Subordinated Debt; and (b) file claims and proofs and give receipts to the extent the Subordinated Creditors consider reasonably necessary or desirable to recover the Subordinated Debt.

## **7.3 Filing of Claims (Intercompany Debt)**

If any of the circumstances mentioned in Clause 7.1 (Subordination Events) occur, until the Senior Discharge Date, the Security Agent may and is irrevocably authorised on behalf of the Intercompany Creditors to:

- (a) demand, claim, enforce and prove for the Intercompany Debt;
- (b) file claims and proofs, give receipts and take all such proceedings and do all such things as the Security Agent considers reasonably necessary or desirable to recover the Intercompany Debt; and
- (c) receive all distributions on or on account of the Intercompany Debt for application in accordance with Clause 10.3 (Proceeds of Enforcement).

For the purpose of this Clause 7.3, the Intercompany Creditors irrevocably appoint the Security Agent as their attorney (with full power of substitution) on their behalf and in their name or otherwise, at such time and in such manner as the attorney thinks fit.

If the Security Agent is not, for any reason, entitled to do any of the things referred to in paragraphs (a) to (c) (inclusive) above, each Intercompany Creditor (as the case may be) will do so promptly at the request of the Security Agent from time to time after the occurrence of any of the circumstances mentioned in Clause 7.1 (Subordination Events).

## **7.4 Distributions**

In any of the circumstances mentioned in Clause 7.1 (Subordination Events):

- (a) each Subordinated Creditor and each Intercompany Creditor will, upon demand by the Security Agent before the Senior Discharge Date, pay an amount equal to the amount of all payments and distributions in cash or in kind received from any Obligor or Subordinated Debtor or its assets or estate or any liquidator, Receiver, administrator, trustee in bankruptcy, *voorlopig bewindvoerder/administrateur provisoire, sekwestre/séquestre* or similar official by, or by any agent for, the relevant Subordinated Creditor or Intercompany Creditor in respect of the Subordinated Debt or Intercompany Debt to the Security Agent for application in accordance with Clause 10.3 (Proceeds of Enforcement) and pending such application the Security Agent will hold such distribution for its own account, as joint and several creditor in respect of all obligations owed by all Obligors to the Finance Parties under the Finance Documents;
- (b) the trustee in bankruptcy, liquidator, Receiver, assignee, *voorlopig bewindvoerder/administrateur provisoire, sekwestre/séquestre* or other person distributing the assets of any Obligor or Subordinated Debtor concerned or their proceeds shall be directed to pay distributions on the Subordinated Debt or the Intercompany Debt directly to the Security Agent until the Senior Discharge Date; and
- (c) the Subordinated Creditors and the Intercompany Creditors will give all such notices and do all such things as the Security Agent may reasonably request to give effect to this Clause 7.4.



## **8. RESTRICTED AMENDMENTS**

### **8.1 Changes to Hedging Documents**

Except as the Majority Senior Creditors have previously consented in writing, neither any Obligor nor a Hedging Bank will amend, vary, supplement or allow to be superseded any provision of the Hedging Documents (or give any waiver, release or consent having the same commercial effect) to an extent that would result in:

- (a) any provision in the Hedging Documents being amended unless the Hedging Bank concerned acting reasonably and in good faith certifies in writing that it considers the relevant amendment does not impose restrictions or obligations or conditions on the relevant Obligor(s) which are more onerous than those originally provided for in the Hedging Documents; or
- (b) any payment under the Hedging Documents being required to be made by the relevant Obligor(s) earlier than the date originally provided for in the Hedging Documents, save as results from procedural or administrative changes arising in the ordinary course of the administration of the Hedging Documents which do not materially alter the due date; or
- (c) any Obligor becoming liable to make an additional payment (or increase an existing payment) under any of the Hedging Documents save as results from procedural or administrative changes arising in the ordinary course of the administration of the relevant Hedging Document which are not material (but this paragraph (c) does not restrict or affect in any way the right of any Hedging Bank to charge or levy normal banking charges, fees (excluding refinancing or rescheduling fees), commissions, costs and expenses in relation to any further services or facilities made available to the Obligors as part of day to day banking arrangements which do not constitute Hedging Liabilities and are not made available in breach of the Finance Documents).

### **8.2 Changes to Subordinated Debt Documents**

Until the Senior Discharge Date, except as the Majority Senior Creditors have previously consented in writing (and such consent of the Majority Senior Creditors shall not be withheld or delayed if the Subordinated Creditors can demonstrate (with none of the Senior Creditors being required to disclose any information regarding its internal decision making process or any of its business or operations) that it would be unreasonable for the Senior Creditors to withhold or delay their consent), neither any Subordinated Debtor nor any Subordinated Creditor will amend, vary, supplement or allow to be superseded any provision of the Subordinated Debt Documents relating to the Subordinated Debt (or give any waiver, release or consent having the same commercial effect) to an extent that would result in:

- (a) the interests of any of the Senior Creditors under the Senior Finance Documents, or the ranking and/or subordination arrangements provided for in this Deed being reasonably likely to be adversely affected (as to which a certificate of a Senior Creditor acting reasonably and in good faith shall be conclusive);
- (b) imposing any material additional obligation on any Subordinated Debtor; or
- (c) any Subordinated Debtor becoming liable to make any additional payment (or increase an existing payment), which liability does not arise from the original terms of the Subordinated Debt Documents, or for any payment by any Subordinated Debtor to be made earlier, more frequently or in a different currency than originally provided for in the Subordinated Debt Documents.

### **8.3 Changes to Intercompany Debt Documents**

Until the Senior Discharge Date, except as the Majority Senior Creditors and, in respect of any provisions affecting the Subordinated Creditors' rights as against the Obligors, the Majority Subordinated Creditors, have previously consented in writing (such consent not to be unreasonably withheld or delayed) and after the Senior Discharge Date but prior to the Subordinated Discharge Date, except as the Majority Subordinated Creditors have previously consented in writing, neither any Obligor nor any Intercompany Creditor will amend, vary, supplement or allow to be superseded



any provision of the Intercompany Debt Documents (or give any waiver, release or consent having the same commercial effect) to an extent that would result in:

- (a) the interests of any of the Senior Creditors under the Senior Finance Documents or the interests of any of the Subordinated Creditors under the Subordinated Debt Documents in respect of the Subordinated Debt or the ranking and/or subordination arrangements provided for in this Deed being reasonably likely to be adversely affected (as to which a certificate of a Senior Creditor acting reasonably and in good faith shall be conclusive);
- (b) imposing any material additional obligation on any Obligor; or
- (c) any Obligor becoming liable to make any additional payment (or increase an existing payment), which liability does not arise from the original terms of the Intercompany Debt Documents, or for any payment by any Obligor to be made earlier, more frequently or in a different currency than originally provided for in the Intercompany Debt Documents.

#### **8.4 Whole Agreement**

- (a) The Obligors and the Intercompany Creditors each warrant to the other Parties that the Intercompany Debt Documents contain the whole agreement regarding the Intercompany Debt and that there are no other agreements or provisions (whether oral or in writing) amending or supplementing the Intercompany Debt.
- (b) The Subordinated Debtors and the Subordinated Creditors each warrant to the other Parties that the Subordinated Debt Documents contain the whole agreement regarding the Subordinated Debt and that there are no other agreements or provisions (whether oral or in writing) amending or supplementing the Subordinated Debt.

#### **9. INFORMATION**

Each of the Facility Agent and the Hedging Banks will on written request by any of the others from time to time notify the others in writing of details of the amount of the outstanding Bank Debt or Hedging Liabilities, as the case may be, so far as known to it.

#### **10. ENFORCEMENT ACTION AND SECURITY RANKING**

##### **10.1 No Action by Senior Creditors**

No Senior Creditor may, without the prior written consent of the Majority Lenders:

- (a) enforce any Security Interest created, or which may at any time be created, by or pursuant to any of the Security Documents or require the Security Agent to enforce the same;
- (b) sue for or institute any creditor's process (including a Mareva injunction, *executory seizure* (*saisie exécution/uitvoerend beslag*), *conservatory seizure* (*saisie conservatoire/bewarend beslag*)(garnishment, *sekwstration*, execution or levy, whether before or after judgment) in respect of any Bank Debt or Hedging Liabilities;
- (c) take any step (including petition, application, notice of meeting or proposal to credits) for the Winding-up or any insolvency proceeding or creditors' process in relation to any Obligor or for a voluntary arrangement or scheme of arrangement in relation to any Obligor; or
- (d) apply for any order for an injunction or specific performance in respect of any Obligor or Holdco in relation to any of the Senior Finance Documents.

##### **10.2 Ranking of Security**

- (a) All existing and future security conferred by the Security Documents on the Senior Creditors will to the extent that it secures Senior Debt, but subject to Clauses 10.3 (Proceeds of Enforcement) and 14.3 (Limits on Hedging Liabilities) secure all the Senior Debt, *pari passu* between the Senior Creditors according to the respective amounts of Senior Debt regardless of any fluctuations in the amount outstanding of Senior Debt or any intermediate discharge in whole or part or the date upon which the Senior Debt arises and regardless of whether a Senior Creditor is obliged to advance monies included in Senior Debt.
- (b) The Subordinated Debt and the Intercompany Debt is and will remain unsecured.

### 10.3 Proceeds of Enforcement

Subject to the rights of any preferential creditor(s):

- (a) the net proceeds of enforcement of any of the Security Interests constituted by the Security Documents shall be applied, by the Security Agent or by such other party as may recover those proceeds; and
- (b) any other amounts which have been turned over pursuant to Clause 6 (Turnover) to be applied pursuant to this Clause 10.3 shall be applied by the person to whom those proceeds have been turned over to,

in the following order:

- (i) **first**, in payment of all costs, charges, expenses, losses and liabilities (and all interest thereon as provided in the Security Documents) incurred by or on behalf of the Security Agent or by such other party as the case may be in enforcing the Security Documents and any Receiver, attorney or agent, in each case, in connection with carrying out, or purporting to carry out, its duties or exercising its powers and discretions under the Security Documents and the remuneration of every Receiver under the Security Documents;
- (ii) **secondly**:
  - (A) in payment to the Facility Agent for application towards the Bank Debt; and
  - (B) in payment to the Hedging Banks for application towards the Hedging Liabilities (other than Hedging Liabilities in excess of the limits set out in Clause 14.3) (Limits on Hedging Liabilities);

in each case *pro rata* in the proportion which the Bank Debt and the Hedging Liabilities respectively bear to the Aggregate Exposure;
- (iii) **thirdly**, to the extent that there is any Bank Debt or Hedging Liabilities undischarged after the pro rata application described in paragraph (ii):
  - (A) in payment to the Facility Agent for application towards the balance of the Bank Debt; and/or
  - (B) in payment to the Hedging Banks for application towards the Hedging Liabilities;

in each case on a pro rata basis; and
- (iv) **fourthly**, in payment of the surplus (if any) to the Obligors or other Persons entitled thereto.

### 10.4 Good Discharge

An acknowledgement of receipt signed by the relevant person to whom payments are to be made under Clause 10.3 (Proceeds of Enforcement) shall be a good discharge of the Security Agent.

## 11. ENFORCEMENT OF SECURITY

### 11.1 Security Agent as joint creditor

- (a) Each of the Obligors and each of the Finance Parties agree that the Security Agent shall be the joint and several creditor of each and every obligation of any Obligor towards each of the Finance Parties under each Finance Document, and that accordingly the Security Agent will have its own independent right to demand performance by the relevant Obligor of those obligations. However, any discharge of such obligation to either the Security Agent or a Finance Party shall, to the same extent, discharge the corresponding obligation owing to the other.
- (b) Without limiting or affecting the Security Agent's rights against any Obligor (whether under this paragraph or under any other provision of the Finance Documents), the Security Agent agrees with each other Finance Party (on a several and divided basis) that, subject as set out in the next sentence, it will not exercise its rights as a joint and several creditor with a Finance Party except after consultation with the relevant Finance Party. However, for the avoidance of doubt, nothing in the previous sentence shall in any way limit the Security Agent's right to act in the protection or preservation of rights under or to enforce any Security Document as contemplated by the Finance Documents (or to do any act reasonably incidental to any of the foregoing).

- (c) Each of the Finance Parties hereby appoints the Security Agent as its representative in the sense of Article 5 of the Belgian Financial Collateral Act of 15 December 2004 (*Wet van 15 december 2004 betreffende financiële zekerheden en houdende diverse fiscale bepalingen inzake zakelijkezekerheidsvereenkomsten en leningen met betrekking tot financiële instrumenten*) for the purpose of creating each Share Pledge.

## **11.2 Enforcement Instructions**

- (a) Subject to the terms of this Deed and such security having become enforceable in accordance with the terms of the Security Documents, the Majority Senior Creditors may give or refrain from giving instructions to the Security Agent to enforce or refrain from enforcing the security conferred by the Security Documents as they see fit.
- (b) If so instructed by the Majority Senior Creditors the Security Agent shall enforce the security conferred by the Security Documents (or any of them) in the name and on behalf of the Senior Creditors.

## **11.3 Competing Instructions to Security Agent**

Unless otherwise provided for in this Deed, any instructions which are given to the Security Agent by the Majority Senior Creditors will, prior to the Senior Discharge Date, override any conflicting instructions given by or on behalf of any other Creditor and the Security Agent will be fully protected in complying with such instructions of the Majority Senior Creditors.

## **11.4 Manner of Enforcement—Instructions of Majority Senior Creditors**

- (a) Subject to the terms of this Deed and paragraph (b) below, the Security Agent shall enforce or refrain from enforcing the security conferred by the Security Documents in such manner as the Majority Senior Creditors shall instruct or, in the absence of such instructions, as it sees fit and, subject as required by applicable law, solely having regard to the interests of the Lenders and the Hedging Banks.
- (b) No Senior Creditor shall be responsible to any Hedging Bank, any Subordinated Creditor, any Intercompany Creditor, any Subordinated Debtor or the Obligors for the timing or manner of enforcement or any failure to enforce or (except in the case of the Security Agent to the extent required by applicable law and the terms of this Deed) to maximise the proceeds of any enforcement.

## **11.5 Sales by Security Agent**

If:

- (i) on an enforcement of any of the Security Documents, the Security Agent (acting on the instructions or with the consent of the Majority Senior Creditors prior to the Senior Discharge Date) sells or otherwise disposes of any asset; or
- (ii) any Obligor sells or otherwise disposes of an asset either when permitted to do so under the Senior Facilities Agreement or at the request of or with the consent of the Majority Senior Creditors after an Event of Default under the Senior Facilities Agreement,

the Security Agent is authorised by each of the Senior Creditors and each Obligor, to execute in the name and on behalf of itself and each such Senior Creditor, without the need for any further referral to or authority from such Senior Creditor, as the case may be:

- (A) any release of the security created by the Security Documents over that asset; and/or
- (B) if such asset comprises all of the shares in the capital of an Obligor, a release of such Obligor from all present and future liabilities (both actual and contingent) under the Senior Finance Documents and to release any Security Interests granted by the Obligors over any of their assets pursuant to any of the Security Documents.

PROVIDED THAT in each such case the proceeds are to be applied in the manner provided for in this Deed.

## 11.6 Appointment

- (a) Each Senior Creditor appoints the Security Agent and the Facility Agent as their agent in accordance with terms of the Senior Facilities Agreement.

## 11.7 Existing Security

- (a) Each Security Provider confirms that it has been duly informed of the terms of the Senior Facilities Agreement (as amended and restated pursuant to the Supplemental Agreement (as defined in the Senior Facilities Agreement)) and the transactions contemplated therein.
- (b) Each Obligor and each Security Provider, with effect from the date of this Deed, confirm that each Existing Security created by it under any Existing Security Document will:
  - (i) continue in full force and effect;
  - (ii) secure the liabilities and obligations of the Obligors to the Security Agent under clause 2.9 (Security Agent as joint creditor) of the Senior Facilities Agreement and Clause 11.1 (Security Agent as joint creditor) of this Deed.

## 12. LOSS SHARING

### 12.1 Equalisation Payments

If any Senior Creditor (the **Recovering Creditor**) makes a Recovery other than by reason of a receipt by the Security Agent falling to be dealt with under Clause 10.3 (Proceeds of Enforcement), then:

- (a) such Recovering Creditor will notify details of such Recovery to the Security Agent within three Business Days of receipt;
- (b) the Security Agent will determine in good faith whether such Recovery is in excess (the amount of such excess being the **excess amount**) of the amount which such Recovering Creditor would have received had such Recovery been received by the Security Agent and applied as provided in Clause 10.3 (Proceeds of Enforcement), and shall notify such Recovering Creditor accordingly;
- (c) such Recovering Creditor will pay to the Security Agent an amount equal to the excess amount;
- (d) the Security Agent shall treat such amount as if it were a Recovery by it from the Obligors pursuant to the Security Documents and shall deal with it in accordance with Clause 10.3 (Proceeds of Enforcement) save that, the Recovering Creditor shall be treated as having already received its share of the Recovery; and
- (e) at the option of the Recovering Creditor (i) the liability of the Obligors to such Recovering Creditor shall be increased (or treated as not having been reduced) by the excess amount, or (ii) the Obligors shall fully indemnify such Recovering Creditor for the amount thereof.

### 12.2 Loss Sharing

If for any reason any of the Senior Debt remains undischarged and any resulting losses are not being borne by the Senior Creditors *pro rata* to the amount which their respective shares of the Aggregate Exposure bore to the Aggregate Exposure on the Enforcement Date, the Senior Creditors shall make such payments between themselves as the Facility Agent shall direct to ensure that after taking into account such payments such losses are borne by the Senior Creditors *pro rata* to the amount which their respective shares of the Aggregate Exposure bore to the Aggregate Exposure on the Enforcement Date (calculated as set out above).

### **13. VOTING**

In any of the circumstances mentioned in Clause 7.1 (Subordination Events):

- (a) the Facility Agent acting on the instructions of the Majority Senior Creditors (before the Senior Discharge Date) may (and is irrevocably authorised to) exercise all powers of convening meetings, voting and representation in respect of the Subordinated Debt and the Intercompany Debt and each of the Subordinated Creditors and the Intercompany Creditors will provide all forms of proxy and of representation requested by the Facility Agent for that purpose except, in the case of the Subordinated Creditors, to the extent that such powers of convening meetings, voting or representation arise in respect of, or in connection with Concursus; and
- (b) if the Facility Agent is not entitled to or does not wish itself to exercise a power conferred to it by the above subparagraph (a), each of the Subordinated Creditors and the Intercompany Creditors will exercise such power as the Facility Agent, acting in accordance with the instructions of the Majority Senior Creditors directs.

Nothing in this Clause 13 entitles the Facility Agent to exercise or require the Subordinated Creditors or the Intercompany Creditors to exercise such power of voting or representation to waive or amend any of the provisions of the Subordinated Debt Documents or Intercompany Debt Documents or otherwise to waive, reduce, discharge, extend the due date for payment of or reschedule any of the Subordinated Debt or the Intercompany Debt.

Subject and without prejudice to Clause 7.4 (Distributions), upon the occurrence of Concursus in respect of an Obligor prior to the Senior Discharge Date, the Subordinated Creditors, may (but are not required to) exercise all powers of voting and representation in respect of the Subordinated Debt, as applicable.

### **14. CONSENTS AND LIMITS**

#### **14.1 Waivers and instructions**

- (a) Any waiver, consent or agreement by or required under this Deed must be in writing. Unless otherwise specified in this Deed, in giving (or refraining from giving) any waiver, consent, instructions or agreement under this Deed, the Facility Agent or the Security Agent (as the case may be) will act on the instructions of the Majority Senior Creditors.
- (b) Any waiver or consent granted by the Majority Lenders or the Majority Senior Creditors under any Finance Document will be deemed to have been given by the Subordinated Creditors in respect of the Subordinated Debt or the Intercompany Creditors (on the same terms and conditions, *mutatis mutandis*) if the transaction or circumstance to which that waiver or consent relates would, in the absence of such waiver or consent by the Subordinated Creditors or the Intercompany Creditors, constitute a breach of the Subordinated Debt Documents (in respect of the Subordinated Debt) or the Intercompany Debt Documents.

#### **14.2 Non-Objection**

No Party shall have any claim or remedy against any of the Senior Creditors by reason of any agreement or transaction entered into between any of the Senior Creditors and any member of the Group which violates or is or causes an Event of Default or Default (however described) under or a default under any of the provisions of the Subordinated Debt Documents relating to the Subordinated Debt PROVIDED THAT such agreement or transaction is not in breach of the terms of this Deed.

#### **14.3 Limits on Hedging Liabilities**

Except for the transactions under the Hedging Documents which are permitted under Clause 19.12 (Treasury Transactions) of the Senior Facilities Agreement, any further commitment or contract under which any Obligor incurs any indebtedness in respect of interest rate swaps, currency swaps, caps, collars, floors or similar transactions entered into by reference to interest rates or currency exchange rates or any guarantee, indemnity or other form of assurance against loss in respect of any such indebtedness, whether owed to the Hedging Banks or any other person will not qualify as Hedging Liabilities.

## **15. SUBROGATION**

Unless otherwise agreed by the Facility Agent and (prior to the Senior Discharge Date) the Subordinated Creditors or the Intercompany Creditors will not under any circumstances be subrogated to any of the rights of the Finance Parties until after the Senior Discharge Date has occurred.

## **16. PROTECTION OF SUBORDINATION**

### **16.1 Continuing Subordination**

The subordination provisions in this Deed constitute a continuing subordination and benefit to the ultimate balance of the Bank Debt and the Hedging Liabilities respectively regardless of any intermediate payment or discharge of the Bank Debt and the Hedging Liabilities in whole or in part.

### **16.2 Waiver of Defences**

Save as otherwise agreed by the Finance Parties, the subordination in this Deed and the obligations of each of Subordinated Creditors, the Intercompany Creditors and the Obligors under this Deed will not be affected by any act, omission, matter or thing which, but for this provision, would reduce, release or prejudice the subordination or any of those obligations in whole or in part, including without limitation:

- (a) any time, indulgence or waiver granted to, or composition with, any Obligor or any other person or the release of any other Obligor or any other person under the terms of any composition or arrangement with any creditor of any member of the Group;
- (b) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights or remedies against, or security over assets of, any Obligor or other person under the Finance Documents, the Hedging Documents, (the Relevant Documents) or any non-presentment or non-observance of any formality or other requirement in respect of any instruments or any failure to realise the full value of any security;
- (c) any variation (however fundamental) or replacement of any Relevant Document or other document;
- (d) any unenforceability, illegality, invalidity or frustration of any obligation of an Obligor or security under any Relevant Document or any other document or security; or
- (e) any postponement, discharge, reduction, non-provability or other similar circumstance affecting any obligation of any Obligor under any Relevant Document resulting from any insolvency, liquidation (*vereffening*), or dissolution (*ontbinding*) proceedings or from any law, regulation or order.

### **16.3 Appropriations**

Until the Senior Discharge Date, each Senior Creditor (or any trustee or agent on their behalf) may (subject to any provision of the Finance Documents, Hedging Documents or this Deed, as appropriate):

- (i) apply any monies or property received under this Deed or from an Obligor or from any other person against the Senior Debt, in such order as it sees fit;
- (ii) (if it so decides) apply any monies or property received from an Obligor or from any other person (other than money or property received under the relevant Finance Documents or under this Deed) against any liability other than the Senior Debt owed to it; and
- (iii) (unless and until such monies or distributions in the aggregate are sufficient to bring about the Senior Discharge Date if otherwise applied in accordance with the provisions of this Deed) hold in an interest bearing suspense account any monies or distributions received from any Subordinated Creditor or Intercompany Creditor on account of the liability of any Subordinated Creditor or Intercompany Creditor (as appropriate) under this Deed.



#### **16.4 Immediate Recourse**

Each of the Subordinated Creditors and the Intercompany Creditors waives any right it may have of first requiring any Senior Creditor (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming the benefit of this Deed.

#### **17. PRESERVATION OF DEBT**

Notwithstanding any terms of this Deed postponing, subordinating or preventing payment of any Subordinated Debt or Intercompany Debt, such Subordinated Debt and Intercompany Debt shall remain owing or payable in accordance with the terms of the Subordinated Debt Documents or the Intercompany Debt Documents as applicable and interest and default interest as applicable will accrue accordingly. No delay in exercising rights and remedies under any of the Subordinated Debt Documents and Intercompany Debt Documents by reason of any term of this Deed postponing, restricting or preventing such exercise shall operate as a permanent waiver of those rights and remedies.

#### **18. EXPENSES**

Each Obligor shall promptly on demand pay to each Senior Creditor the amount of all costs and expenses (including, without limitation, legal fees and any related value added or similar tax) incurred by it in connection with the enforcement against any other Party of such Senior Creditor's rights against it under this Deed.

#### **19. PERPETUITY PERIOD**

The perpetuity period for any trust created by this Deed is 80 years.

#### **20. TRANSFERS**

##### **20.1 Benefit and Burden of this Deed**

This Deed shall benefit and bind the Parties, any new Party in respect of which a Deed of Accession becomes effective in accordance with this Clause 20, their permitted assignees and their respective successors.

##### **20.2 Obligors, Subordinated Debtors and new Intercompany Creditors and Debtors**

- (a) No Obligor or Subordinated Debtor may assign or transfer all or part of its rights or obligations under this Deed without the prior written consent of the Facility Agent acting on the instructions of the Majority Senior Creditors.
- (b) If any member of the Group (a **New Obligor**) borrows, guarantees or otherwise becomes liable for any Bank Debt the Obligors will procure that (unless such New Obligor has become party hereto by some other means to the satisfaction of the Facility Agent) such New Obligor becomes party to this Deed as an Obligor by the execution and delivery to the Facility Agent of a duly completed Deed of Accession.
- (c) If any member of the Group (a **New Subordinated Debtor**) borrows, guarantees or otherwise becomes liable for any Subordinated Debt, the Obligors will procure that (unless such New Subordinated Debtor has become party hereto by some other means to the satisfaction of the Facility Agent) such New Subordinated Debtor becomes party to this Deed as a Subordinated Debtor by the execution and delivery to the Facility Agent of a duly completed Deed of Accession.
- (d) The Obligors must ensure that each member of the Group which is not already an Intercompany Creditor or an Intercompany Debtor but which is the creditor or debtor in respect of any indebtedness owed by an Obligor to another member of the Group is bound by this Agreement as an Intercompany Creditor or an Intercompany Debtor, as appropriate, by executing and delivering to the Security Agent a Deed of Accession.

### **20.3 Transfers by Finance Parties**

Any Finance Party may (subject, where an Obligor has acquired the rights of a Finance Party, to Clause 20.2 (Obligors, Subordinated Debtors and new Intercompany Creditors and Debtors)), transfer all or any part of its rights, benefits and obligations under this Deed to any Person (a **Transferee**) by delivery to the Facility Agent of a Transfer Certificate in the manner and as otherwise provided in Clause 27 (Changes to the Parties) of the Senior Facilities Agreement (or, in the case of a Hedging Bank, by delivery of the relevant transfer document and, in the case of a new Hedging Bank, a Deed of Accession together with copies of the proposed Hedging Documents in relation to such new Hedging Bank) in which event, on and as from the transfer date specified in the Transfer Certificate or Deed of Accession, the following provisions shall apply in relation to the rights and obligations of the parties to this Deed:

- (a) to the extent that in such Transfer Certificate the Finance Party seeks to transfer its rights and obligations under the Senior Facilities Agreement such Finance Party shall be released from further obligations towards the other parties to this Deed and such Finance Party's rights against the other parties to this Deed shall be cancelled (such rights and obligations being referred to in this Clause 20 as "discharged rights and obligations"); and
- (b) the Transferee and the other parties to this Deed shall to such extent assume obligations towards one another and/or acquire rights against one another which differ from such discharged rights and obligations only in so far as they are exercisable by or against the Transferee in place of the transferor party to such Transfer Certificate or other transfer document.

### **20.4 Appointment as Agent**

Each of the other Parties appoints the Facility Agent as its agent to sign on its behalf any Transfer Certificate entered into under the Senior Facilities Agreement and in order that such Transfer Certificates may be supplemental to this Deed and be binding on and enure for the benefit of all the Parties.

### **20.5 References to Finance Parties following a transfer**

If any Finance Party transfers all or any of its rights and obligations as provided in Clause 20.3 (Transfers by Finance Parties) all relevant references in this Deed to such Finance Party shall, except as otherwise expressly provided in this Deed, thereafter be construed as a reference to such Finance Party, and/or its Transferee to the extent of their respective interests and, in the case of a transfer of all or part of such Finance Party's obligations, the other parties to this Deed shall thereafter look only to the Transferee in respect of that proportion of the Finance Party's obligations under this Deed as corresponds to the obligations assumed by such Transferee.

### **20.6 Successor Agent**

The appointment of any successor Agent, pursuant to Clause 21.13 (Resignation of an Agent) of the Senior Facilities Agreement, shall for the purposes of this Deed be conditional upon such successor having executed a Deed of Accession in the form of, or substantially in the form of, Schedule 2 whereby such successor (a) accepts such appointment for the purposes of this Deed and (b) agrees to be bound by and comply with the obligations incumbent upon the Agent under this Deed as if it had been a party to this Deed in place of the retiring Agent. Upon the appointment of any such successor taking effect, the retiring Agent shall be discharged from any further obligations under this Deed and its successor and each of the other parties to this Deed shall have the same rights and obligations among themselves as they would have had if such successor had been a party to this Deed in place of the retiring Agent. The successor Agent shall promptly notify the parties to this Deed of its appointment.

### **20.7 Senior Creditors**

- (a) Until the Senior Discharge Date, no Senior Creditor will:
  - (i) assign, transfer or dispose of any of the Debt owing to it or its proceeds or any interest in that Debt or its proceeds, or any security therefor, to or in favour of any person; or

- (ii) transfer by novation or otherwise any of its rights or obligations under any of the Finance Documents to any person,

unless that Senior Creditor and that person comply with Clause 20.3 (Transfers by Finance Parties).

- (b) A Telenet Additional Facility Lender may become a Lender if it executes and delivers to the Facility Agent a Deed of Accession.
- (c) On delivery of a Deed of Accession to the Facility Agent a Telenet Additional Facility Lender will acquire all the rights and assume all the obligations of a Lender under this Deed.

## **20.8 Subordinated Creditors**

Until the Senior Discharge Date no Subordinated Creditor will:

- (a) assign, transfer or dispose of, or create or permit to subsist any Security Interest (other than pursuant to the Security Documents) over, any of the Subordinated Debt owing to it, or its proceeds or any interest in that Subordinated Debt, or its proceeds or any security therefor to or in favour of any person or transfer to any person by novation or otherwise any of its rights or obligations in respect of Subordinated Debt arising under or in respect of the Subordinated Debt Documents; or
- (b) subordinate any of the Subordinated Debt owing to it or its proceeds to any sums owing by any Obligor to any person (other than Senior Debt owing to the Senior Creditors),

unless that person:

- (i) becomes a party hereto as a Subordinated Creditor and executes a Deed of Accession substantially in the form set out in Schedule 2 and delivers the same to the Facility Agent; or
- (ii) has otherwise subordinated the indebtedness owing to it by any Obligor to Senior Debt owing to the Senior Creditors in a manner satisfactory to the Senior Creditors.

## **20.9 Intercompany Creditors**

Until the Senior Discharge Date no Intercompany Creditor will:

- (a) assign, transfer or dispose of, or create or permit to subsist any Security Interest over, any of the Intercompany Debt owing to it, or its proceeds or any interest in that Intercompany Debt, or its proceeds or any security therefor to or in favour of any person or transfer to any person by novation or otherwise any of its rights or obligations in respect of Intercompany Debt arising under or in respect of the Intercompany Debt Documents; or
- (b) subordinate any of the Intercompany Debt owing to it or its proceeds to any sums owing by any Obligor to any person (other than Senior Debt owing to the Senior Creditors).

## **21. REMEDIES, WAIVERS, AMENDMENTS AND CONSENTS**

### **21.1 No implied waivers, remedies cumulative**

No failure on the part of a Senior Creditor to exercise, and no delay on its part in exercising, any right or remedy under this Deed will operate as a waiver thereof, nor will any single or partial exercise of any right or remedy preclude any other or further exercise of that or any other right or remedy. The rights and remedies provided in this Deed are cumulative and not exclusive of any other rights or remedies (whether provided by law or otherwise).

### **21.2 Amendments, waivers and consents**

- (a) Subject to paragraphs (b) and (c) below, any provision of this Deed may be amended or supplemented only if the Obligors and the Security Agent (acting on the instructions of the Majority Senior Creditors) so agree in writing.
- (b) Any provision of this Deed affecting the rights or obligations of the Subordinated Creditors or the Intercompany Creditors may only be amended or supplemented if, in addition to the Obligors and the Security Agent (acting on the instructions of the Majority Senior Creditors), the relevant Subordinated Creditors or Intercompany Creditors so agree in writing.

- (c) If an amendment to any provision of this Deed adversely affects the rights or obligations of the Hedging Banks and only affects the rights and obligations of the Hedging Banks (including without limitation an amendment to Clause 2(a)(Ranking) or Clause 10.3(ii) (Proceeds of Enforcement) that only adversely affects the ranking of the Hedging Banks or their right to receive amounts under Clause 10.3 (Proceeds of Enforcement)), such amendment may only be made if, in addition to the Obligors and the Security Agent (acting on the instructions of the Majority Senior Creditors), the relevant Hedging Banks so agree in writing.
- (d) Any breach of any provision of this Deed may be waived before or after it occurs only if the Majority Senior Creditors so agree in writing.
- (e) Any consent by any Person or the Majority Senior Creditors under this Deed must also be in writing. Any such waiver or consent may be given subject to any conditions thought fit by the Person giving it and shall be effective only in the instance and for the purpose for which it is given.

## **22. COMMUNICATIONS**

### **22.1 Addresses**

Each communication under this Deed must be in writing and unless otherwise stated, may be given in person, by post or fax. Each communication or document to be delivered to any party under this Deed shall be sent to it at the fax number or address, and marked for the attention, if any, from time to time designated by it to the Facility Agent, and the Obligors for the purpose of this Deed. The initial fax number, address and marking (if any) so designated by the Obligors are set out opposite their respective names in Schedule 1 and in the case of the Facility Agent are as set out in the Senior Facilities Agreement. Any communication or document from or to the Finance Parties shall be sent to, by or through the Facility Agent.

### **22.2 Deemed delivery**

Any communication to any Person shall be conclusively deemed to be received by that Person:

- (a) if sent by fax between 9.00 a.m. and 5.00 p.m. (local time in the place to which it is sent) on a working day in that place, when sent or, if sent by fax at any other time, at 9.00 a.m. (local time in the place to which it is sent) on the next working day in that place, provided that, in the case of a communication by fax, the communication is received by the intended recipient in legible form; or
- (b) in any other case, when left at the address required by Clause 22.1 (Addresses) or within five such working days after being put in the post (by airmail if to another country) postage prepaid and addressed to it at that address.

For this purpose, working days are days other than Saturdays, Sundays and bank holidays.

## **23. PARTIAL INVALIDITY**

The illegality, invalidity or unenforceability of any provision of this Deed under the law of any jurisdiction shall not affect its legality, validity or enforceability under the law of any other jurisdiction nor the legality, validity or enforceability of any other provision.

## **24. COUNTERPARTS**

This Deed may be signed in any number of counterparts, all of which taken together and when delivered to the Facility Agent shall constitute one and the same instrument. Any party may enter into this Deed by signing any such counterpart.

## **25. POWER OF ATTORNEY**

By way of security for the obligations of each Obligor, Subordinated Creditor and Intercompany Creditor under this Deed, each Obligor, Subordinated Creditor and Intercompany Creditor irrevocably appoints until the Senior Discharge Date, the Facility Agent as its attorney to do anything which an Obligor, Subordinated Creditor or Intercompany Creditor (i) has authorised any Senior Creditor to do under this Deed and (ii) is required to do by this Deed (and is legally able to do so) but has failed to do so for a period of ten business days after receiving notice from the

Facility Agent requiring it to do so unless such Obligor, Subordinated Creditor or Intercompany Creditor is disputing in good faith and by appropriate proceedings that it is required to do the thing concerned.

## **26. GOVERNING LAW AND JURISDICTION**

### **26.1 Governing Law**

This Deed shall be governed by and construed in accordance with the laws of England.

### **26.2 Agents for Service**

Without prejudice to any other mode of service, each Obligor:

- (a) irrevocably appoints Law Debenture Trustee Company as its agent for service of process relating to any proceedings before the English Courts in connection with this Deed or any judgment in connection therewith;
- (b) agrees that failure by a process agent to notify the Obligors of the process will not invalidate the proceedings concerned; and
- (c) consents to the service of process relating to any such proceedings by the posting of a copy of the process to its address for the time being applying for the purposes of Clause 36.2 (Service of Process) of the Senior Facilities Agreement.

### **26.3 Submission**

- (a) For the benefit of each Senior Creditor each other party (each being a **Jurisdiction Party**) irrevocably agrees that the Courts of England have jurisdiction to settle any disputes in connection with this Deed and accordingly submit to the jurisdiction of the English Courts.
- (b) Each Senior Creditor (each also being a **Jurisdiction Party**) irrevocably agrees that the Courts of England have jurisdiction to settle any disputes in connection with this Deed and accordingly submits to the jurisdiction of the English Courts.

### **26.4 Forum Convenience and Enforcement Abroad**

Each Jurisdiction Party:

- (a) waives objection to English Courts on grounds of inconvenient forum or otherwise as regards proceedings in connection with this Deed;
- (b) agrees that a judgment or order of an English Court in connection with this Deed is conclusive and binding on it and may be enforced against it in the courts of any other jurisdiction; and
- (c) hereby to the fullest extent permitted by law waives any right it may have in any jurisdiction to have any proceeding take the form of a trial by jury.

**THIS DEED** has been duly executed by the parties hereto on the date stated at the beginning of this Deed.

**SCHEDULE 1**  
**PARTIES**  
**PART 1**  
**THE ORIGINAL LENDERS**

ABN AMRO Bank N.V.

BNP PARIBAS S.A.

JPMORGAN CHASE BANK, N.A.



**PART 2**  
**THE ORIGINAL SUBORDINATED CREDITORS AND**  
**THE ORIGINAL SUBORDINATED DEBTORS**

**Original Subordinated Creditors**

None

**Original Subordinated Debtors**

<u>Name</u>	<u>Registration number (or equivalent, if any)</u>
Telenet BidCo NV	HR Mechelen 89835 Enterprise No.: 0473.416.418
Telenet Communications NV	HR Mechelen 090032 Enterprise No.: 0473.416.814
Telenet Group Holding NV	HR Mechelen 090008 Enterprise No.: 0477.702.333
Telenet NV	HR Mechelen 82218 Enterprise No.: 0439.840.857
Telenet Vlaanderen NV	HR Mechelen 83076 Enterprise No.: 0458.840.088
UPC Belgium NV	HR Brussels 69463 Enterprise No.: 0455.620.381

**PART 3**  
**THE ORIGINAL OBLIGORS**

<u>Name</u>	<u>Registration number (or equivalent, if any)</u>
Telenet BidCo NV	HR Mechelen 89835 Enterprise No.: 0473.416.418
Telenet NV	HR Mechelen 82218 Enterprise No.: 0439.840.857
UPC Belgium NV	HR Brussels 69463 Enterprise No.: 0455 620 381

**PART 4**  
**THE ORIGINAL INTERCOMPANY CREDITORS AND**  
**THE ORIGINAL INTERCOMPANY DEBTORS**

**Original Intercompany Creditors**

<u>Name</u>	<u>Registration number (or equivalent, if any)</u>
Telenet BidCo NV	HR Mechelen 89835 Enterprise No.: 0473.416.418
Telenet Communications NV	HR Mechelen 090032 Enterprise No.: 0473.416.814

**Original Intercompany Debtors**

Telenet Communications NV	HR Mechelen 090032 Enterprise No.: 0473.416.814
Telenet Group Holding NV	HR Mechelen 090008 Enterprise No.: 0477.702.333
Telenet NV	HR Mechelen 82218 Enterprise No.: 0439.840.857

**PART 5**  
**THE SECURITY PROVIDERS**

<u>Name</u>	<u>Details</u>
Telenet BidCo NV	Address: Liersesteenweg 4 2800 Mechelen HR Mechelen 89835 Enterprise No.: 0473.416.418 Attention: Group Treasurer / Chief Financial Officer Tel: +32 (15) 33 3564/+32 (15) 33 3557 Fax: +32 (15) 33 3716
Telenet Communications NV	Address: Liersesteenweg 4 2800 Mechelen HR Mechelen 090032 Enterprise No. 0473.416.814 Attention: Group Treasurer / Chief Financial Officer Tel: +32 (15) 33 3564/+32 (15) 33 3557 Fax: +32 (15) 33 3716
Telenet Group Holding NV	Address: Liersesteenweg 4 2800 Mechelen HR Mechelen 090008 Enterprise No. 0477.702.333 Attention: Group Treasurer / Chief Financial Officer Tel: +32 (15) 33 3564/+32 (15) 33 3557 Fax: +32 (15) 33 3716
Telenet NV	Address: Liersesteenweg 4 2800 Mechelen HR Mechelen 82218 Enterprise No.: 0439.840.857 Attention: Group Treasurer / Chief Financial Officer Tel: +32 (15) 33 3564/+32 (15) 33 3557 Fax: +32 (15) 33 3716
Telenet Vlaanderen NV	Address: Liersesteenweg 4 2800 Mechelen HR Mechelen 83076 Enterprise No. 458.840.088 Attention: Group Treasurer / Chief Financial Officer Tel: +32 (15) 33 3564/+32 (15) 33 3557 Fax: +32 (15) 33 3716
UPC Belgium NV	Address: Chazallaan 140 1030 Brussels HR Brussels 69463 Enterprise No.: 0455 620 381 Attention: Treasurer Tel: +32 (15) 33 3564 Fax: +32 (15) 33 3716

**SCHEDULE 2**  
**FORM OF DEED OF ACCESSION**

**THIS DEED OF ACCESSION** is made on [date] by [name] of [address] (the **New Party**).

**BACKGROUND**

- (A) This Deed of Accession is supplemental to and entered into in accordance with:
- (i) [The details of Hedging Documents and Hedging Liability covered by this Deed is as follows [            ]].\*
  - (ii) an Intercreditor Deed (as amended, supplemented or novated from time to time, the **Intercreditor Deed**) dated 10 October 2007 between, among others, the Lenders, the Hedging Banks, the Intercompany Creditors, the Intercompany Debtors and the Obligors (each as therein defined), **BNP PARIBAS** as Facility Agent, and **KBC BANK NV** as Security Agent.
- (B) [New Party] has agreed to become a Party to the Intercreditor Deed as [the Facility Agent/the Security Agent/a Lender/a Hedging Bank/a Subordinated Creditor/a Subordinated Debtor/an Obligor/an Intercompany Creditor/an Intercompany Debtor].\*
- (C) It is intended by the parties hereto that this document shall take effect as a deed notwithstanding the fact that a party may only execute this document under hand.

**NOW THIS DEED WITNESSES AND IT IS AGREED** as follows:

1. Terms defined in the Intercreditor Deed shall, unless herein defined, have the same meaning when used in this Deed.
2. The New Party hereby agrees and undertakes to the other Parties to the Intercreditor Deed that, with effect on and from [date of accession], in accordance with and as described in Clause 20 of the Intercreditor Deed it will be bound by the Intercreditor Deed as [a Lender/a Hedging Bank/a Subordinated Creditor/a Subordinated Debtor/an Obligor/an Intercompany Creditor/an Intercompany Debtor/the Facility Agent/the Security Agent]\* and that it will observe and perform all the obligations of [a Lender/a Hedging Bank/a Subordinated Creditor/a Subordinated Debtor/an Obligor/an Intercompany Creditor/an Intercompany Debtor/the Facility Agent/a Security Agent/]\* under the Intercreditor Deed as if it had been an original party thereto.
3. This Deed shall be governed by English law.

**IN WITNESS WHEREOF** this document has been executed on the date first stated.

---

\* Delete as appropriate.

**EXECUTED** as a **DEED** by

[   ]

acting by

acting under the authority of that  
company, in the presence of:

}

Witness's Signature

Name:

Address:



**SCHEDULE 3**  
**CALCULATION OF HEDGING LIABILITIES**

On any date, the amount certified to the Facility Agent by the relevant Hedging Bank at the request of the Facility Agent as the amount which would be payable to that Hedging Bank by the relevant Obligor under the terms of the relevant Hedging Document(s) if an Additional Early Termination Event (as defined in the relevant Hedging Document) occurred and was declared on that date and the Obligor was the Affected Party (as defined in the relevant Hedging Document).

## SIGNATORIES TO THE INTERCREDITOR DEED

### Original Obligors

**EXECUTED** as a **DEED** by:

**TELENET BIDCO NV**

acting by

acting under the authority of that  
company, in the presence of:

}

Witness's Signature

Name:

Address:

**EXECUTED** as a **DEED** by:

**TELENET NV**

acting by

acting under the authority of that  
company, in the presence of:

}

Witness's Signature

Name:

Address:

**EXECUTED** as a **DEED** by:

**UPC BELGIUM NV**

acting by

acting under the authority of that  
company, in the presence of:

}

Witness's Signature

Name:

Address:

**Security Providers**

**EXECUTED** as a **DEED** by:

**TELENET BIDCO NV**

acting by

acting under the authority of that  
company, in the presence of:

Witness's Signature

Name:

Address:

**EXECUTED** as a **DEED** by:

**TELENET COMMUNICATIONS NV**

acting by

acting under the authority of that  
company, in the presence of:

Witness's Signature

Name:

Address:

**EXECUTED** as a **DEED** by:

**TELENET GROUP HOLDING NV**

acting by

acting under the authority of that  
company, in the presence of:

Witness's Signature

Name:

Address:

**EXECUTED** as a **DEED** by:

**TELENET NV**

acting by

acting under the authority of that  
company, in the presence of:

Witness's Signature

Name:

Address:

**EXECUTED** as a **DEED** by:

**TELENET VLAANDEREN NV**

acting by

acting under the authority of that  
company, in the presence of:

Witness's Signature

Name:

Address:

**EXECUTED** as a **DEED** by:

**UPC BELGIUM NV**

acting by

acting under the authority of that  
company, in the presence of:

Witness's Signature

Name:

Address:

**Original Intercompany Creditors**

**EXECUTED** as a **DEED** by:

**TELENET BIDCO NV**

acting by

acting under the authority of that  
company, in the presence of:

Witness's Signature

Name:

Address:

**EXECUTED** as a **DEED** by:

**TELENET COMMUNICATIONS NV**

acting by

acting under the authority of that  
company, in the presence of:

Witness's Signature

Name:

Address:

**Original Intercompany Debtors**

**EXECUTED** as a **DEED** by:

**TELENET COMMUNICATIONS NV**

acting by

acting under the authority of that  
company, in the presence of:

Witness's Signature

Name:

Address:

**EXECUTED** as a **DEED** by:

**TELENET GROUP HOLDING NV**

acting by

acting under the authority of that  
company, in the presence of:

Witness's Signature

Name:

Address:

**EXECUTED** as a **DEED** by:

**TELENET NV**

acting by

acting under the authority of that  
company, in the presence of:

Witness's Signature

Name:

Address:

**Original Subordinated Debtors**

**EXECUTED** as a **DEED** by:

**TELENET BIDCO NV**

acting by

acting under the authority of that  
company, in the presence of:

Witness's Signature

Name:

Address:



**EXECUTED** as a **DEED** by:

**TELENET COMMUNICATIONS NV**

acting by

acting under the authority of that  
company, in the presence of:

Witness's Signature

Name:

Address:

**EXECUTED** as a **DEED** by:

**TELENET GROUP HOLDING NV**

acting by

acting under the authority of that  
company, in the presence of:

Witness's Signature

Name:

Address:

**EXECUTED** as a **DEED** by:

**TELENET NV**

acting by

acting under the authority of that  
company, in the presence of:

Witness's Signature

Name:

Address:

**EXECUTED** as a **DEED** by:

**TELENET VLAANDEREN NV**

acting by

acting under the authority of that  
company, in the presence of:

}

Witness's Signature

Name:

Address:

**EXECUTED** as a **DEED** by:

**UPC BELGIUM NV**

acting by

acting under the authority of that  
company, in the presence of:

}

Witness's Signature

Name:

Address:

**Mandated Lead Arrangers**

**ABN AMRO BANK N.V.**

By:

**BNP PARIBAS S.A.**

By:

**J.P. MORGAN PLC**

By:

**Original Lenders**

**ABN AMRO BANK N.V.**

By:

**BNP PARIBAS S.A.**

By:

**JPMORGAN CHASE BANK, N.A.**

By:

**Facility Agent**

**BNP PARIBAS**

By:

**Security Agent**

**KBC BANK NV**

By:

**THE ISSUER**

**TELENET FINANCE III LUXEMBOURG S.C.A.**

65, Boulevard Grande-Duchesse Charlotte  
L-1331 Luxembourg  
Grand-Duchy of Luxembourg

**CO-BORROWERS AND CO-GUARANTORS UNDER THE SENIOR CREDIT FACILITY**

**TELENET INTERNATIONAL FINANCE S.à r.l.**

595, rue de Neudorf  
L-2220 Luxembourg  
Grand-Duchy of Luxembourg

**TELENET NV**

Liersesteenweg 4  
2800 Mechelen  
Belgium

**GROUP PARENT**

**TELENET GROUP HOLDING NV**

Liersesteenweg 4  
2800 Mechelen  
Belgium

**LEGAL ADVISERS TO THE ISSUER AND TELENET GROUP HOLDING NV**

*as to matters of U.S. federal,  
New York and English law*

**Ropes & Gray International LLP**  
5 New Street Square  
London EC4A 3BF  
United Kingdom

*as to matters of Belgian law  
(legal adviser to  
Telenet Group Holding only)*

**Cleary Gottlieb Steen &  
Hamilton LLP**  
Rue de la Loi 57  
B-1040 Brussels  
Belgium

*as to matters of Luxembourg law*

**Loyens & Loeff Luxembourg**  
18-20, rue Edward Steichen  
L-2540 Luxembourg  
Grand-Duchy of Luxembourg

**LEGAL ADVISERS TO THE INITIAL PURCHASERS**

*as to matters of U.S. federal,  
New York law and English law*

**Latham & Watkins (London) LLP**  
99 Bishopsgate  
London EC2M 3XF  
United Kingdom

*as to matters of Belgian law*

**Allen & Overy LLP**  
Avenue de Tervueren  
268A—1150 Brussels  
Belgium

*as to matters of Luxembourg law*

**Allen & Overy Luxembourg**  
33 avenue  
J.F. Kennedy L-1050 Luxembourg  
Grand Duchy of Luxembourg

**INDEPENDENT AUDITORS FOR TELENET GROUP HOLDING NV AND TELENET NV**

**KPMG Bedrijfsrevisoren CVBA**

Bourgetlaan 40  
1130 Brussels  
Belgium

**INDEPENDENT AUDITORS FOR THE ISSUER**

**KPMG Audit, société à responsabilité limitée**

9, allée Scheffer  
L-2520 Luxembourg  
Grand-Duchy of Luxembourg

**TRUSTEE, TRANSFER AND  
PRINCIPAL PAYING AGENT**

**The Bank of New York Mellon**  
One Canada Square  
London E14 5AL  
United Kingdom

**REGISTRAR AND  
LISTING AGENT**

**The Bank of New York Mellon (Luxembourg) S.A.**  
Vertigo Building  
Polaris-2-4 rue Eugène Ruppert  
L-2453 Luxembourg

