Offering Memorandum

Telenet Communications NV
€500,000,000 9% Senior Notes due 2013

guaranteed on a senior subordinated basis by certain of its subsidiaries and guaranteed on a senior basis by its parent company

Issue Price: 100% plus accrued interest, if any, from the issue date

Telenet Communications NV (the "Issuer") is listing € 500,000,000 principal amount of its 9% Senior Notes due 2013 (the "Notes"). The Notes will mature on December 15, 2013. Interest has accrued from December 22, 2003 and will be paid on June 15 and December 15 of each year, commencing on June 15, 2004.

Prior to December 15, 2008, the Issuer may redeem all or part of the Notes by paying a "make-whole" premium. The Issuer may also redeem any of the Notes at any time on or after December 15, 2008 at the redemption prices set forth in this offering memorandum. In addition, prior to December 15, 2006, the Issuer may redeem up to 35% of the Notes using proceeds from certain equity offerings.

The Notes are senior obligations and rank equally with all of the Issuer's existing and future senior debt. Certain subsidiaries of the Issuer have guaranteed the Notes on a senior subordinated basis and the Issuer's parent company, Telenet Group Holding NV, has guaranteed the Notes on a senior basis. In addition, MixtICS NV has guaranteed the obligations of Telenet Operaties NV under the intercompany loan made by Telenet Bidco NV to Telenet Operaties NV. The subsidiary guarantees and the MixtICS guarantee are subject to a standstill period on enforcement and may be released in certain circumstances. The Notes and the guarantees of the Notes are secured by a second priority security interest in the shares of Telenet Bidco NV, Telenet Operaties NV and MixtICS NV pursuant to share pledges and by a second ranking pledge of certain intercompany loans.

See "Risk Factors" beginning on page 22 for a discussion of certain risks that you should consider in connection with an investment in the Notes.

The Notes and the guarantees of the Notes have not been registered under the U.S. federal securities laws or the securities laws of any other jurisdiction. The initial purchasers named below have offered the Notes only to qualified institutional buyers in accordance with Rule 144A of the U.S. Securities Act of 1933, as amended, and to persons outside the United States in accordance with Regulation S of the U.S. Securities Act of 1933, as amended.

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

Application has been made to list the Notes on the Luxembourg Stock Exchange.

Delivery of the Notes was made to investors in book-entry form through the facilities of the X/N System, Euroclear and Clearstream, Luxembourg on or about December 22, 2003.

Joint Global Coordinators

JPMorgan **Goldman Sachs International**

Joint Bookrunning Managers

JPMorgan

Goldman Sachs International

Merrill Lynch International

The Royal Bank of Scotland

Co-Managers

KBC Bank NV **SG Corporate & Investment Banking** **WestLB AG**

April 16, 2004

In making your investment decision, you should rely only on the information contained in this offering memorandum. We and the initial purchasers have not authorized anyone to provide you with any other information. If you receive any other information, you should not rely on it.

We and the initial purchasers are offering to sell the Notes only in places where offers and sales are permitted.

You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front cover of this offering memorandum.

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You should read this offering memorandum before making a decision whether to purchase the Notes. You must not:

- use this offering memorandum for any other purpose, or
- disclose any information in this offering memorandum to any other person.

Notwithstanding anything in this offering memorandum to the contrary, we and each prospective investor in the Notes (and our and its respective employees, representatives or other agents) may disclose to any and all persons, without limitation of any kind, the U.S. federal income tax treatment and tax structure of the transactions contemplated by this offering memorandum and all materials of any kind (including opinions or other tax analyses) that are provided to you relating to such tax treatment and tax structure. However, no disclosure of any information relating to the tax treatment or tax structure may be made to the extent non-disclosure is necessary to comply with applicable securities laws.

By accepting delivery of this offering memorandum you agree to these restrictions.

The initial purchasers, Trustee, Principal Paying Agent, Luxembourg Listing Agent and Luxembourg Paying Agent (collectively, the "Agents") make no representation or warranty, express or implied, as to the accuracy or completeness of the information set forth in this offering memorandum. Nothing contained in this offering memorandum is or should be relied upon as a promise or representation, whether as to the past or the future. The initial purchasers, the Trustee and the Agents assume no responsibility for its accuracy or completeness.

Except as provided below, we accept responsibility for the information contained in this offering memorandum. We confirm to the best of our knowledge, information and belief, having made all reasonable inquiries, that the information contained in this offering memorandum regarding us and the Notes is true and accurate in all material respects. We additionally confirm, except as provided below, that this information is not misleading, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which would make this offering memorandum as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. However, the information contained under the headings "Summary," "Exchange Rate Information" and "Business" includes extracts from information and data publicly released by official and other sources in Belgium and elsewhere. Although we accept responsibility for the accurate extraction and summarization of such information and data, we accept no further responsibility in respect of such information. In addition, the information set out in relation to sections of this offering memorandum describing clearing arrangements, including the section entitled "Book-Entry, Form, Clearance and Settlement" are subject to any change in or reinterpretation of the rules, regulations and procedures of the National Bank of Belgium ("NBB"), as operator of a book-entry clearing system (the "X/N System"), Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg") currently in effect. While we accept responsibility for the accurate summarization of the information concerning the clearing systems, we accept no further responsibility in respect of such information.

You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the Notes. We have summarized certain documents and other information in a manner we believe to be accurate, but we refer you to the actual documents for a more complete understanding of the matters discussed in this offering memorandum. You may contact us if you need any additional information.

By purchasing the Notes, you will be deemed to have acknowledged that:

- you have reviewed this offering memorandum;
- you have had an opportunity to request all additional information that you need from us; and
- the initial purchasers are not responsible for, and are not making any representation to you concerning, our future performance or the accuracy or completeness of this offering memorandum.

We are not providing you with any legal, business, tax or other advice in this offering memorandum. You should consult with your own advisors as needed to assist you in making your investment decision and to advise you whether you are legally permitted to purchase the Notes.

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. Laws in certain jurisdictions may restrict the distribution of this offering memorandum and the offer and sale of the Notes. 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. We and the initial purchasers are not responsible for your compliance with these legal requirements. See "Transfer Restrictions."

This offering memorandum sets out the procedures of the NBB, as operator of the X/N System, Euroclear and Clearstream, Luxembourg in order to facilitate the original issue and subsequent transfers of interest in the Notes among participants of the X/N System, Euroclear and Clearstream, Luxembourg. However, none of the NBB, Euroclear and Clearstream, Luxembourg is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued by any of them at any time. We will not, nor will any of our agents, have responsibility for the performance of the respective obligations of the NBB, Euroclear and Clearstream, Luxembourg or their respective participants under the rules and procedures governing their operations.

Neither the Notes nor the guarantees of the Notes have been registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any state of the United States and may not be offered or sold 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 ("Regulation S")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. We have not undertaken, and do not intend, to register the Notes under the U.S. Securities Act.

The Notes are being offered and sold outside the United States in reliance on Regulation S and within the United States to "qualified institutional buyers" ("QIBs") in reliance on Rule 144A under the U.S. Securities Act ("Rule 144A"). Prospective purchasers are hereby notified that the sellers of the Notes 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 these and certain other restrictions on offers, sales and transfers of the Notes and the distribution of this offering memorandum, see "Transfer Restrictions." By purchasing any Notes, you will be deemed to have represented and agreed to all of the provisions contained in that section of this offering memorandum. You may be required to bear the financial risks of this investment for an indefinite period of time.

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission (the "SEC"), any state securities commission in the United States or any other U.S. regulatory authority or any non-U.S. regulatory authority, nor have any of these authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

You may not use any information herein for any purpose other than considering an investment in the Notes.

We reserve the right to withdraw this offering of the Notes at any time. We and the initial purchasers also reserve the right to reject any offer to purchase the Notes in whole or in part for any reason or no reason and to allot to any prospective purchaser less than the full amount of the Notes sought by it.

In connection with this offering, J.P. Morgan Securities Ltd. may over-allot or effect transactions for a limited period with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, J.P. Morgan Securities Ltd. is not obligated to do this. Such stabilizing, if commenced, may be discontinued at any time, and must be brought to an end after a limited period.

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NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE UNIFORM SECURITIES ACT ("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 OF THE STATE OF NEW HAMPSHIRE 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.

PRESENTATION OF FINANCIAL AND OTHER DATA

Definitions

In this offering memorandum:

- "EU" refers to the European Union;
- "Flanders" means the Flemish region of Belgium, excluding Brussels;
- "United States" or the "U.S." refers to the United States of America;
- "Belgian GAAP" refers to generally accepted accounting principles in Belgium;
- "U.S. GAAP" refers to generally accepted accounting principles in the United States;
- "$," "U.S.$" or "U.S. dollars" refers to the lawful currency of the United States;
- "€" or "euro" refers to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time;
- "initial purchasers" refers to the firms listed on the cover of this offering memorandum;
- "we," "us," "our" and "Telenet" refer to Telenet Communications NV, together with its consolidated subsidiaries, except where the context otherwise requires; and
- "Issuer" refers to Telenet Communications NV, except where the context otherwise requires.

In addition "Telenet Group Holding" refers to Telenet Group Holding NV, "Telenet Bidco" refers to Telenet Bidco NV, "Telenet Holding" refers to Telenet Holding NV, "Telenet Operaties" refers to Telenet Operaties NV, "Telenet Vlaanderen" refers to Telenet Vlaanderen NV, "MixtICS" refers to MixtICS NV and "PayTVCo" refers to PayTVCo NV.

Financial Information

The audited consolidated annual financial statements and unaudited condensed consolidated interim financial statements of Telenet Group Holding as of and for the year ended December 31, 2002 and the nine months ended September 30, 2003 and September 30, 2002, have in each case been prepared in accordance with U.S. GAAP. The audited consolidated annual financial statements of Telenet Bidco as of and for the year ended December 31, 2001 have been prepared in accordance with U.S. GAAP. The annual financial statements were audited under Belgian generally accepted auditing standards. We have not included financial statements for Telenet Holding for the year ended December 31, 2000 in this offering memorandum, but have prepared certain unaudited U.S. GAAP information for Telenet Holding, which is included herein.

The audited consolidated annual financial statements of Telenet Bidco as of and for the year ended December 31, 2001, reflect the results of Telenet Holding for the predecessor period prior to its acquisition by Telenet Bidco in March 2001. The audited consolidated annual financial statements and unaudited condensed consolidated interim financial statements of Telenet Group Holding as of and for the year ended December 31, 2002 and the nine months ended September 30, 2003 are not directly comparable to the audited consolidated annual financial statements and unaudited condensed consolidated interim financial statements of Telenet Group Holding as of and for the year ended December 31, 2001 and the nine months ended September 30, 2002 because of our acquisition of the cable television businesses of the Mixed Intercommunales (the "MixtICS Acquisition") in August 2002. In addition, our financial statements do not necessarily reflect what our financial results and positions may be in the future given, among other things, our rapid growth to date, the continuing integration of MixtICS (including the related transfer of certain personnel of Electrabel NV), our acquisition of Codenet NV and our pending acquisition of certain assets from the Canal+ group. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—

Current Developments."

Telenet Group Holding, which is the direct parent company of the Issuer, the Issuer and Telenet Bidco are holding companies that do not conduct any business operations of their own. Substantially all the assets of Telenet Group Holding consist of shares of the Issuer and intercompany loans originally made to the Issuer in connection with the MixtICS Acquisition. These intercompany loans bear interest at a rate that mirrors the rate at which debt incurred by Telenet Group Holding bears interest (historically, the shareholder funded debt incurred in connection with the MixtICS Acquisition). Except for the impact of presenting as equity certain detachable warrants issued by Telenet Group Holding, the financial position and results of operations of Telenet Group Holding are substantially the same as the financial position and results of operations of the Issuer for relevant periods. Telenet Group Holding will not be subject to the covenants or other provisions of the indenture governing the Notes, except that Telenet Group Holding will guarantee the Notes on a senior basis.

The financial information included in this offering memorandum is not intended to comply with SEC reporting requirements. Compliance with such requirements would require the modification or exclusion of certain financial measures, including EBITDA, EBITDA margin, average revenue per subscriber, our annualized and pro forma data and the presentation of certain other information not included herein including financial information for each of the guarantors and historical and *pro forma* financial information for the MixtICS Acquisition.

EBITDA, EBITDA margin, average revenue per subscriber, cash interest expense, net cash pay debt and certain other items included herein are non-GAAP measures and you should not consider such items as an alternative to the applicable GAAP measures.

Subscriber Data

Each subscriber is counted as a revenue generating unit, or "RGU," for each service subscribed, regardless of the number of services that customer receives from us. Thus, a subscriber who receives from us cable television, broadband Internet and telephony services (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 revenue per subscriber, market shares and churn rates, are derived from management estimates, are not part of our financial statements and have not been audited or otherwise reviewed by an outside auditor, consultant or expert.

Industry Data

Certain economic and industry data used throughout this offering memorandum are derived from European Union, Belgian government and various other industry data sources, which we believe to be reliable. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We have not independently verified such data.

Elsewhere in this offering memorandum, statements regarding our industry and our position in the industry are based solely on our experience, our internal studies and estimates, studies done by third parties on our request and our own investigation of market conditions. We cannot assure you that any of these assumptions are accurate or correctly reflect our position in the industry, and none of our internal surveys or information has been verified by any independent sources.

Other Data

Certain numerical figures included in this offering memorandum have been subject to rounding adjustments; accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This offering memorandum includes forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes," "estimates," "anticipates," "aims," "expects," "intends," "may," "will," "would" or "should" or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this offering memorandum and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity and the development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this offering memorandum. In addition, even if our results of operations, financial condition and liquidity and the development of the industry in which we operate are consistent with the forward-looking statements contained in this offering memorandum, those results or developments may not be indicative of results or developments in future periods. Important factors that could cause those differences include, but are not limited to:

- our substantial leverage and ability to generate sufficient cash to service our debt;
- our ability to access the financial markets in order to refinance our debt;
- restrictions and limitations contained in the agreements governing our debt;
- competition from other companies in our industry and our ability to retain or increase our prices and our market shares, including following the introduction of "light" DSL services in Belgium;
- increasing fixed to mobile substitution by telephony users;
- unfavorable market pricing conditions for our existing and planned services and for competing services;
- increasing subscriber acquisition costs;
- our ability to successfully introduce new technologies or services, such as voice over internet protocol and digital television, or respond to technological developments;
- our inability to market our existing and planned services to current and new customers;
- difficulties and higher costs as we complete the integration of our recently acquired cable television business into our operations;
- the failure to maintain and upgrade the network we own or use or the occurrence of events that result in damage to such networks;
- our inability to obtain adequate supplies of telephony modems;
- delays in the timing of the development and launch of our planned services;
- difficulties as we integrate our acquisition of Codenet NV or complete or integrate our acquisition of certain Flemish assets of the Canal+ group, or the failure to complete the Canal+ Acquisition;
- upon completion of the acquisition of certain Flemish assets of Canal+ group, the failure to ensure sufficient access to premium programming;

- a restructuring of Cable Partners, which may result in a change of ownership of Cable Partners in the near future;
- conflicts of interest with our shareholders;
- the significant litigation we are involved in with respect to interconnection and copyright fees;
- adverse regulatory, legislative, tax or other judicial developments; and
- factors that are not known to us at this time.

The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward-looking statements that we, or persons acting on our behalf, may issue. We do not undertake any obligation to review or confirm analyst expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise after the date of this offering memorandum.

We urge you to read the sections of this offering memorandum entitled "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" for a more complete discussion of the factors that could affect our future performance and the industry in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this offering memorandum may not occur.

SUMMARY

This section contains a general summary of the more detailed information contained elsewhere in this offering memorandum. You should read carefully the entire offering memorandum to understand our business, the terms of the Notes, and the tax and other considerations that are important to your decision to invest in the Notes. You should pay special attention to the "Risk Factors" section.

Our Business

We are the largest provider of broadband cable services in Belgium. Through our broadband network in the Flanders region, we offer analog cable television, broadband Internet and telephony services, primarily to residential subscribers.

- ***Cable Television.*** Cable television is the principal medium for the provision of television services in Flanders, and there is currently limited competition from satellite or terrestrial transmission of television signals in Flanders or elsewhere in Belgium. Approximately 95% of television households in Belgium are passed by a cable network. As of September 30, 2003, we had approximately 1.6 million subscribers to our analog cable television service (receiving between 32 and 35 television channels), representing a penetration rate of approximately 94% of the homes and businesses in Flanders passed by our network. As a result of our high penetration, our cable television business has been stable and has provided us with a predictable source of revenues and cash flow.

- ***Broadband Internet.*** We are the leading provider of residential broadband Internet services in Flanders. As of September 30, 2003, we had approximately 368,000 residential broadband Internet subscribers which contributed to our estimated market share of 53% and penetration rate of 15.5% in Flanders. We have grown from approximately 253,000 subscribers and a penetration rate of 10.6% as of September 30, 2002. Through our hybrid fiber coaxial-upgraded network, we offer our residential subscribers an "always on" broadband Internet service at a downstream data transfer speed of up to 4 megabits per second, which is among the fastest speeds available to residential customers in western Europe. We believe that the combination of the speed, stability and pricing of our Internet offering has enabled us to grow faster than our competitors in Flanders.

- ***Telephony.*** We offer our residential subscribers local, national and international long distance telephony services as well as a variety of other related value-added services. As of September 30, 2003, we had approximately 241,000 residential subscribers, which contributed to an estimated market share of 10% in Flanders (based on number of lines). These results compared to approximately 221,000 residential subscribers as of September 30, 2002. We achieved a penetration rate of 9.8% as of September 30, 2003, compared to a penetration rate of 9.1% as of September 30, 2002. We believe that we are currently the largest competitor to Belgacom, the Belgian incumbent, in Flanders.

For the three months ended September 30, 2003, our residential analog cable, broadband Internet and telephony services (including interconnection revenues relating to both residential subscribers and business customers) accounted for approximately 39%, 30% and 24% of our consolidated revenues, respectively. In addition, we offer our business customers a range of Internet, data and voice services, which accounted for approximately 7% of our consolidated revenues for the three months ended September 30, 2003.

For the three months ended September 30, 2003, we generated annualized consolidated revenues and EBITDA of €506.8 million and € 252.8 million, respectively. See "—Summary Financial Information and Operating Data."

Our broadband network passes approximately 1.7 million homes and businesses in Flanders. We are able to offer cable television, broadband Internet and telephony services to subscribers whose homes are passed by our network. In addition, we are also able to offer broadband Internet and telephony services to subscribers whose homes are passed by the cable network of five publicly owned utilities (the pure intercommunales or "PICs") that operate in Flanders (the "PICs Network" and, together with our owned network, the "Combined Network") pursuant to 50-year usage rights, of which 43 years remain. The PICs Network passes approximately 800,000 additional homes and businesses. Our network covers approximately 68% of homes and businesses passed by the Combined Network in Flanders. We, in cooperation with our local municipal partners, recently completed the upgrade of the Combined Network to a hybrid fiber coaxial ("HFC") standard that provides bi-directional capability, enabling us to transmit and receive digital signals.

Our high performance optical fiber network extends over 10,000 kilometers and the coaxial local loops of the Combined Network reach over 52,000 kilometers throughout Flanders. We use our network to transmit television signals and the Combined Network to carry telephony and Internet traffic to and from end users. We believe that we have significant unutilized backbone capacity.

Our Strengths

- ***High Penetration of Cable Television.*** Following an early introduction in the 1960s and 1970s, cable television enjoys broad acceptance in Belgium. Approximately 95% of television households across Belgium are passed by a cable network, compared to an average of approximately 43% of all television households across the European Union. As of September 30, 2003, we provided cable television to approximately 94% of the homes and businesses in Flanders passed by our network. These high penetration rates have allowed our cable television business to generate relatively stable and predictable cash flows. Our cable television revenues have been enhanced by recent increases in the fees charged to our subscribers.

- ***Leader in Broadband Internet.*** We are the leading provider of residential broadband Internet services in Flanders. As of September 30, 2003, we had approximately 368,000 residential subscribers, which contributed to our estimated market share of 53% of all broadband Internet subscribers in Flanders. During the three months ended September 30, 2003, we increased our market position by adding more than 26,000 net new subscribers. We currently provide broadband Internet subscribers a downstream data transfer speed of up to 4 megabits per second for a price of approximately €42 per month (including VAT). We believe that the combination of speed, stability and pricing of our Internet offering compares favorably to other broadband Internet products such as digital subscriber lines, or "DSL."

- ***Fully Built-out and Recently Upgraded Network.*** The Combined Network has an extensive reach in Flanders, passing approximately 2.5 million, or 94%, of the homes and businesses in Flanders. The Combined Network includes our 10,000 kilometer high-capacity fiber backbone that spans Flanders. This backbone is linked via head end stations and nodes to end users by local loops owned by us and the PICs that consist of 52,000 kilometers of coaxial cable. The Combined Network has been upgraded to an HFC standard capable of transmitting bi-directional digital data and offering a minimum capacity of 450MHz.

- ***Strong Brand Recognition.*** Telenet is a well recognized brand in Flanders. Third-party research commissioned by us indicates that consumers had over 95% aided brand awareness of Telenet as a provider of Internet and fixed telephony services, and unaided brand awareness that varied between 60% and 80% depending on the level of Telenet's promotional activities. A third-party customer survey that we commissioned also indicated that customers recognize us for the quality of the products we offer.

- ***Strong Management Team.*** Our management team has extensive experience in managing technology businesses in competitive markets. Management is supported by a diverse group of shareholders, which bring a combination of international telecommunications experience and local relationships to our operations. Our shareholders include 15 Flemish intercommunales that have experience running local cable television networks, have strong local relationships and an understanding of the Belgian regulatory environment.

Our Strategy

We seek to build on the existing reach of our cable television network to increase penetration rates of our broadband Internet and telephony services. Our strategy is to continue to add value for our end users by providing high quality products and superior levels of customer service. We aim to increase our operating cash flow by increasing our subscriber base and the amount of revenue generated by each customer and by implementing cost-saving initiatives. To achieve these objectives, we are pursuing the following strategies:

- ***Continue to Grow our Subscriber Base.*** We aim to maintain our strong presence in cable television and continue to increase our subscriber base and expand our market share in broadband Internet and telephony services. We are especially focused on the residential broadband Internet market, which contributes incremental revenues while generating low incremental costs. We utilize a range of promotions and brand marketing activities to attract new subscribers.

- ***Prudent Deployment of Capital.*** We seek to make prudent capital expenditures and to deploy proven technologies. The Combined Network has recently been upgraded to an HFC standard with bi-directional digital capability and passes approximately 2.5 million homes and businesses in Flanders. We believe that the HFC upgrade and the reach of the Combined Network should limit the need for a significant amount of capital expenditure for future upgrades. In addition, to reduce the risks frequently associated with new product launches we seek to invest in proven products and technologies. We aim to use technologies that operate on "open standards" in order to increase the compatibility of various network components.

- ***Improve Cash Flow and EBITDA Margin.*** We seek to improve our cash flow and EBITDA margin primarily by growing our subscriber base and maximizing the amount of revenue generated by each subscriber. In addition, we continue to focus on reducing our operating costs. We measure our EBITDA margin as revenues net of operating expenses (excluding depreciation and amortization) and selling, general and administrative expenses taken as a percentage of revenues. Our EBITDA margin increased from 18.3% for the nine months ended September 30, 2002, to 46.6% for the nine months ended September 30, 2003. We have reduced the amount of our bad debts, lowered network repair and maintenance expenses and controlled the growth of our workforce. In the future, we plan to improve our EBITDA margin by lowering the cost of customer acquisitions and customer service.

- ***Continue to Focus on Quality and Customer Service.*** We view customer satisfaction as essential to the maintenance of our existing subscriber base and pricing levels and our future prospects. We rely on a number of metrics to evaluate the level of our customer service. One key factor is the average time that our residential Internet and telephony subscribers wait to have their calls answered, which was an average of approximately 30 seconds for the three months ended September 30, 2003. In order to continue to reduce churn and enhance the quality of services we provide our subscribers, we have customer retention teams that assist in the resolution of subscriber problems. We also intend to introduce programs such as Telenet EasyCare™, which is a customer care computer program designed to help subscribers find answers to certain common questions more quickly without having to seek help from our call center. In addition, we regularly conduct customer surveys using internal and third-party research organizations and continuously monitor competitor activity. We continuously invest in product development to make our products and services more attractive. For example, we are in the process of developing ExpressNet™, a high-speed broadband Internet product that we anticipate will permit access to the Internet at speeds significantly faster than those we currently offer.

Our History

Our predecessor parent company, Telenet Holding, was incorporated in September 1996 to deliver telephony services to residential subscribers in Flanders. In 1998 we began to deliver Internet services to residential subscribers in Flanders. Since our acquisition of the cable television business from ten utility companies owned by municipalities and Electrabel NV (mixed intercommunales or "MICs") in August 2002 (the "MixtICS Acquisition"), we have also provided cable television to residential subscribers in Flanders connected to our network.

Refinancing

We are issuing the Notes as part of a refinancing plan, which we refer to as the "Refinancing." The Refinancing includes:

- the offering of the Notes and the application of the proceeds thereof as described in "Use of Proceeds,"

- the drawdown of a new, non-amortizing €300 million tranche E under our senior credit facility to pay down amortizing tranches A and B under our senior credit facility,

- the drawdown of €20 million under tranche C-2 of our senior credit facility to pay certain deferred payment obligations, and

- the issuance of U.S. dollar denominated senior discount notes due 2014 by Telenet Group Holding (the "Senior Discount Notes"), resulting in net proceeds in cash of approximately €239.4 million based on an exchange rate of $1.2382 = €1.00.

Such borrowings and Senior Discount Notes offering will happen concurrently with the issuance of the Notes. Prior to the Refinancing, on November 3, 2003, Telenet Bidco drew an additional €40 million on our senior credit facility, €20 million of which was used to pay down tranche C-1 of the senior credit facility and €20 million of which was used to repay certain deferred payment obligations. See "Use of Proceeds," "Capitalization" and "Description of Other Indebtedness."

The following chart summarizes the expected sources and uses of the funds for the Refinancing:

Sources	**Amount (euro in millions)**	**Uses**	**Amount (euro in millions)**
Funding under senior credit facility[(1)]	320.0	Senior credit facility[(1)]	455.0
Notes offered hereby	500.0	Deferred payment obligations and subordinated shareholder loans[(3)]	455.2
Senior Discount Notes[(2)]	258.2	General corporate purposes[(4)]	110.0
		Estimated fees and expenses[(5)]	58.0
Total	1,078.2	**Total**	1,078.2

(1) Includes the €20 million that we intend to draw under tranche C-2 of our senior credit facility concurrently with the closing of this offering and the creation of a new, non-amortizing tranche E under the senior credit facility which we intend to fully draw concurrently with the closing of this offering and which will provide €300 million to pay down amortizing tranches A and B under our senior credit facility. Excludes €140 million of additional available borrowing capacity under our senior credit facility.

(2) Telenet Group Holding's Senior Discount Notes will be denominated in U.S. dollars and the amount of proceeds received therefrom will be converted to euro at an exchange rate of U.S.$1.2382 = € 1.00.

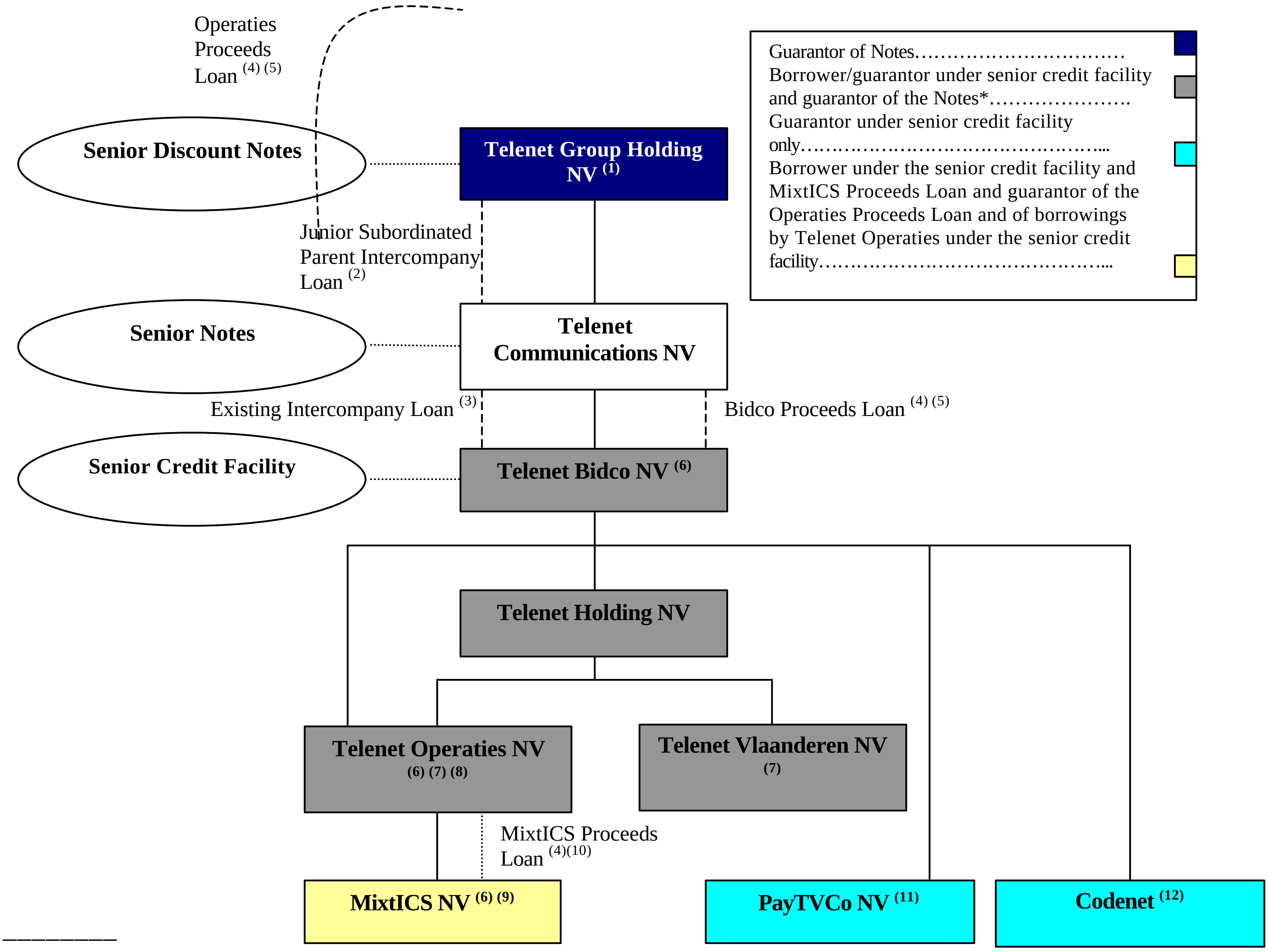
(3) €455.2 million includes the impact of accrued interest and deferred charges of approximately €20.0 million on the deferred payment obligations and subordinated shareholder loans subsequent to September 30, 2003. We expect that €205 million of the deferred payment obligations and subordinated shareholder loans will be paid through the proceeds of this offering with a further €20 million repaid from amounts drawn under our senior credit facility. The remainder of the deferred payment obligations, together with subordinated shareholder loans, will be repaid from the proceeds of the issuance of the Senior Discount Notes.

(4) We intend to apply €100 million of the net cash proceeds of the Notes offered hereby to reduce our cash pay debt. To the extent that we do not use those proceeds to repay bank debt within 120 days after the completion of this offering, we will be obligated to offer to purchase Notes at 100% of their principal amount, plus accrued and unpaid interest to the date of purchase. See "Description of the Notes—Par Offer."

(5) Includes approximately €30 million of estimated fees and expenses related to this offering, approximately €18.8 million of estimated fees and expenses related to the offering of the Senior Discount Notes and a redemption premium of approximately €9.2 million paid upon repayment of certain of the subordinated shareholder loans and deferred payment obligations.

Corporate and Financing Structure

The following diagram summarizes our corporate and financing structure after giving effect to the Refinancing.



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* The Subsidiary Guarantors of the Notes will consist of our principal operating subsidiaries, other than MixtICS, which provides our cable television services. MixtICS will guarantee the Operaties Proceeds Loan, which will be pledged to secure the Notes on a second priority basis. As of and for the nine months ended September 30, 2003, the Subsidiary Guarantors, together with the Issuer and Telenet Group Holding, would have represented 63.9%, 61.9% and 50.6% of our total assets, revenue and EBITDA, respectively. See "Annex C—Summary Guarantor Financial Information."

(1) Telenet Group Holding will provide a full and unconditional senior guarantee of the Notes.

(2) Receivables arising under the Junior Subordinated Parent Intercompany Loan will be pledged on a first priority basis to secure Telenet Group Holding's obligations under its guarantee of the Notes.

(3) The Existing Intercompany Loan in a principal amount of approximately €102.6 million will be amended to match the maturity and repayment terms of the Notes and will be pledged to secure the Notes on a second priority basis (in addition to a first priority pledge to secure the senior credit facility). The remainder of the intercompany loans from the Issuer to Telenet Bidco will be amended to match the maturity and repayment terms of the Junior Subordinated Parent Intercompany Loan from Telenet Group Holding to the Issuer.

(4) Receivables arising under the Bidco Proceeds Loan, Operaties Proceeds Loan and MixtICS Proceeds Loan will be pledged to secure the Notes on a second priority basis (in addition to a first priority pledge to secure the senior credit facility).

(5) The amount of the Bidco Proceeds Loan consists of approximately €30 million to be used to pay expenses related to this offering, approximately €155 million that is to be used by Telenet Bidco to repay outstanding loans under the senior credit facility and approximately €112.4 million to be on-lent to Telenet Operaties as the Operaties Proceeds Loan.

(6) Shares of Telenet Bidco, Telenet Operaties and MixtICS will be pledged to secure the Notes on a second priority basis (in addition to a first priority pledge to secure the senior credit facility). Telenet Bidco also is the parent company of Merrion Communications, a company that

is engaged in limited financing and product development activities.

(7) Telenet Operaties provides the commercial services, marketing, customer service and network management for our broadband Internet and telephony services. Telenet Vlaanderen holds a 50-year right to use the PICs Network and has licensed this right to Telenet Operaties.

(8) Telenet Bidco owns approximately 52% of the share capital of Telenet Operaties and Telenet Holding owns approximately 48% of the share capital of Telenet Operaties.

(9) MixtICS has guaranteed the obligations of Telenet Operaties under the senior credit facility and will guarantee Telenet Operaties' obligations under the Operaties Proceeds Loan. We anticipate that, after giving effect to the Refinancing, approximately €139 million of borrowings under the senior credit facility would be outstanding at Telenet Bidco, while the remaining €701 million would be outstanding at Telenet Operaties. We provide cable television services through MixtICS.

(10) Telenet Operaties will loan approximately €102.4 million to MixtICS to repay the HFC upgrade deferral. See "Our History—Network Upgrade."

(11) PayTVCo, a wholly owned subsidiary of Telenet Bidco, has been formed to acquire certain assets, subscribers and employees of Canal+.

(12) Codenet NV was acquired by Telenet Bidco on December 9, 2003 and, together with its Luxembourg subsidiary, Codenet S.A., will provide services to our business customers. Codenet's other subsidiary, Phone-Plus SPRL, offers residential telephony service.

Most Significant Financial Particulars of the Issuer, the Parent Guarantor and the Subsidiary Guarantors

The following summary financial information as of and for the periods indicated is set forth in financial statements that we prepare for Belgian legal and statutory purposes in accordance with generally accepted accounting principles in Belgium. See "Incorporation by Reference" for a list of the financial statements incorporated by reference into these listing particulars and information on how you may obtain copies of these financial statements.

As of and for the year ended December 31, 2002

	Parent Guarantor	Issuer	Guarantor Subsidiaries			
	Telenet Group Holding (1)	Telenet Communications	Telenet Bidco	Telenet Holding	Telenet Operaties	Telenet Vlaanderen
Profit and loss data:						
Turnover	-	-		-	247,372	17,461
Operating profit (loss)	25	22	26,72[illegible]	171	73,412	4,619
Financial profit (loss)	20	30	56,44[illegible]	7	72,660	4,614
Extraordinary profit (loss)	-	-	691,00[illegible]	-	2,473	5
Income taxes	2	3		3	-	-
Net profit (loss) for the period	3	5	774,17[illegible]	167	148,545	-
Balance sheet data:						
Intangible assets	162	151	31[illegible]	20	16,264	37,310
Goodwill	-	-		-	-	-
Tangible fixed assets	-	-		-	481,275	130,297
Financial assets	1,419,946	1,418,981	2,768,62[illegible]	386,559	800	-
Trade and other eceivables	371,164	371,025	39,81[illegible]	38,018	94,515	12,593
Cash and Cash Equivalents	63	61	2,12[illegible]	82	15,925	1
Total assets	1,791,335	1,790,218	2,810,88[illegible]	424,679	608,779	180,201
Total liabilities	371,324	371,171	1,535,22[illegible]	26,520	990,086	108,591
Total shareholders' equity	1,420,011	1,419,047	1,275,66[illegible]	398,159	381,307	71,610

(1) Telenet Group Holding was incorporated in July 2002. The profit and loss data reflect the period from its inception through December 31, 2002.

As of and for the year ended December 31, 2001

	Issuer	Guarantor Subsidiaries (1)			
	Telenet Communications	Telenet Bidco	Telenet Holding	Telenet Operaties	Telenet Vlaanderen
Profit and loss data:					
Turnover	-	-	-	117,761	17,743
Operating profit (loss)	4	39,852	110	127,282	3,300
Financial profit (loss)	4	67,112	-	54,742	3,630
Extraordinary profit (loss)	-	-	-	14,604	330
Income taxes	-	-	-	-	-
Net profit (loss) for the period	-	106,964	110	196,628	-
Balance sheet data:					
Intangible fixed assets	-	277	107	18,663	40,037
Goodwill	-	-	-	-	-
Tangible fixed assets	-	-	-	463,807	145,436
Financial assets	-	1,683,260	386,559	621	-
Trade and other receivables	-	11,659	27,183	52,010	4,606
Cash	64	2,679	3	7,339	26
Total assets	64	1,697,875	413,852	542,440	190,105
Total liabilities	2	882,329	15,974	775,154	118,495
Total shareholders' equity	62	815,546	397,878	232,714	71,610

(1) No information has been presented for the Parent Guarantor as of and for the year ended December 31, 2001 because Telenet Group

Holding was incorporated in July 2002.

The Offering

The following summary contains basic information about the Notes. It may not contain all the information that is important to you. For a more complete understanding of the terms of the Notes, please refer to the section of this offering memorandum entitled "Description of the Notes" and particularly to those sub-sections to which we have referred you.

Issuer	Telenet Communications NV, a limited liability company organized under the laws of Belgium.
Notes Offered	€500,000,000 principal amount of 9% Senior Notes due 2013.
Maturity Date	December 15, 2013.
Interest	We will pay interest on the Notes at a rate of 9% per year, on June 15 and December 15 of each year, beginning on June 15, 2004.
Ranking of the Notes	The Notes will be secured senior indebtedness of the Issuer, will rank equally in right of payment with all existing and future senior indebtedness of the Issuer and will be senior in right of payment to all existing and future subordinated obligations of the Issuer. The Notes will be effectively subordinated to any secured indebtedness of the Issuer and its subsidiaries, including borrowings under the senior credit facility, to the extent of the value of the assets securing such indebtedness (other than to the extent that such assets also secure the Notes on an equal and ratable or priority basis). The Notes will be effectively subordinated to all indebtedness of the Issuer's subsidiaries that are not Subsidiary Guarantors. As of September 30, 2003, after giving *pro forma* effect to the Refinancing, the Issuer had no indebtedness other than the Notes and intercompany indebtedness owed to Telenet Group Holding. The Issuer has no revenue-generating operations of its own and will depend upon payments from Telenet Bidco (i) under an intercompany loan the Issuer will make to it using a portion of the proceeds of the Notes offered by this offering memorandum (the "Bidco Proceeds Loan"), (ii) under existing intercompany loans that the Issuer has made to it (the "Existing Intercompany Loan") and (iii) in the form of other loans, dividends and other distributions, to make payments on the Notes. Bidco has no revenue-generating operations of its own and will depend on cash flows received from its subsidiaries and payments under intercompany loans made by Telenet Bidco to Telenet Operaties (the "Operaties Proceeds Loan") and made by Telenet Operaties to MixtICS (the "MixtICS Proceeds Loan" and, together with the Bidco Proceeds Loan, the Operaties Proceeds Loan and the Existing Intercompany Loan, the "Proceeds Loans") to make payments to the Issuer under the Bidco Proceeds Loan and the Existing Intercompany Loan.
Guarantors and Security	The Notes will be guaranteed on a senior subordinated basis (the "Subsidiary Guarantees") by certain subsidiaries of the Issuer (the "Subsidiary Guarantors") and on a senior basis by Telenet Group Holding. The Subsidiary Guarantors will consist of our principal operating subsidiaries, other than MixtICS, which provides our cable television services. MixtICS will guarantee the obligations of Telenet Operaties under the Operaties Proceeds Loan. As of and for the nine months ended September 30, 2003, the Subsidiary Guarantors, together with the Issuer and Telenet Group Holding, would have represented 63.9%, 61.9% and 50.6% of our total assets, revenue and EBITDA, respectively. See "Annex C—Summary Guarantor Financial Information." The Issuer's obligations under the Notes and the indenture and the obligations of the Subsidiary Guarantors under the Subsidiary Guarantees and the indenture will be secured by a second priority security interest in the shares of Telenet Bidco, Telenet Operaties and MixtICS, respectively, pursuant to share pledges and by second ranking pledges of receivables arising under the Proceeds Loans. These security interests will be held by the Junior Security Agent as joint creditor, together with the holders of the Notes, pursuant to an intercreditor agreement (the "Intercreditor Agreement"). The Junior Security Agent for the Notes will hold the

security and any proceeds of the security in trust for the benefit of the holders of the Notes and the Trustee under the indenture governing the Notes. This security will be pledged to the lenders under the senior credit facility on a first priority basis. The second priority security interests under the share pledges and the pledges of receivables arising under the Proceeds Loans will be subject to release under certain circumstances. The Notes will also be secured by a first priority security interest in receivables arising under a junior subordinated intercompany loan from Telenet Group Holding to the Issuer. Subject to certain conditions, the indenture governing the Notes will permit the Issuer and certain of its subsidiaries to secure additional debt that the Issuer or such subsidiaries may issue, including any additional Notes, with all or a portion of the security that secures the Notes.

Ranking of the Guarantees.............. Each Subsidiary Guarantee will be a senior subordinated obligation of the relevant Subsidiary Guarantor. Accordingly, the Subsidiary Guarantees will:

- rank junior in right of payment to each Subsidiary Guarantor's existing and
ling any obligations in respect of the senior credit facility);
- rank *pari passu* in right of payment with any future senior subordinated
uarantors; and
- rank senior in right of payment to any future subordinated indebtedness of the

In addition, each Subsidiary Guarantee of each Subsidiary Guarantor will effectively rank junior in right of payment to its existing and future secured obligations to the extent of the value of the collateral securing those obligations (other than to the extent that such assets also secure the Notes on an equal and ratable or priority basis) and the existing and future indebtedness and other liabilities of its subsidiaries that are not Subsidiary Guarantors, except to the extent of any debt owed to it by one of those subsidiaries, such as the MixtICS Proceeds Loan and the guarantee of the Operaties Proceeds Loan by MixtICS. The guarantee of the Operaties Proceeds Loan by MixtICS has a similar ranking to the Subsidiary Guarantees.

The terms of the Intercreditor Agreement will provide that the Subsidiary Guarantors will not be permitted to make payments in respect of their Subsidiary Guarantees if a payment default has occurred and is continuing under the senior credit facility or during the continuation of a payment blockage period. Enforcement actions in respect of the Subsidiary Guarantees are also subject to a standstill period imposed by the terms of the Intercreditor Agreement. The Subsidiary Guarantees will be subject to release under certain circumstances, subject to compliance with certain provisions contained in the Intercreditor Agreement relating to procedures to be followed in connection with enforcement sales.

As of September 30, 2003, after giving *pro forma* effect to the Refinancing, the Subsidiary Guarantors would have had approximately €840 million of indebtedness under the senior credit facility (exclusive of undrawn facilities) that was senior in right of payment to the Subsidiary Guarantees (approximately €701 million of which we anticipate would have been guaranteed by MixtICS on a basis that is senior in right of payment to MixtICS's guarantee of the Operaties Proceeds Loan). The indenture governing the Notes will permit the Issuer and its subsidiaries to incur a significant amount of additional indebtedness, including senior indebtedness.

Additional Amounts........................ Subject to limited exceptions, the Issuer and each Subsidiary Guarantor will make all payments in respect of the Notes, including principal and interest payments, without deduction or withholding for or on account of any present or future taxes or other governmental charges in Belgium, Luxembourg or any other relevant taxing jurisdiction, unless it is obligated by law to deduct or withhold taxes or governmental charges.

If the Issuer or any Subsidiary Guarantor is obligated by law to deduct or withhold taxes or government charges in respect of the Notes, the Issuer or the relevant Subsidiary Guarantor, as applicable, will pay, subject to certain exceptions, the holders of the Notes such additional amounts so that the net amount received by the holders after such deduction or withholding will not be less than the amount the holders would have received if such taxes or government charges had not been withheld or deducted.

Optional Redemption	The Issuer may redeem the Notes in whole or in part at any time before December 15, 2008, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus the applicable "make-whole" premium described in this offering memorandum and accrued and unpaid interest and additional amounts, if any, to the date of redemption. The Issuer may redeem the Notes in whole or in part at any time on or after December 15, 2008, at the redemption prices described under the heading "Description of the Notes—Optional Redemption," plus accrued and unpaid interest and additional amounts, if any, to the date of redemption. At any time prior to December 15, 2006, the Issuer may, on one or more occasions, redeem up to 35% of the aggregate principal amount of the Notes using the net cash proceeds from certain equity offerings at a redemption price equal to 109% of the principal amount of the Notes, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption, so long as at least 65% of the aggregate principal amount of the Notes remains outstanding after the redemption.
Optional Redemption for Tax Reasons	If the Issuer becomes obligated to pay any additional amounts as a result of any change in law of any relevant taxing jurisdiction which becomes effective after the date on which the Notes are issued, the Issuer may redeem the Notes at its option in whole, but not in part, at any time at a 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 redemption.
Par Offer	In the event that we do not apply at least €100 million of the net cash proceeds of the Notes offered hereby within 120 days after the date of the issuance of the Notes to permanently prepay or repay certain bank indebtedness under the senior credit facility, the Issuer will be obligated to make an offer to purchase Notes at 100% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, to the date of purchase, to the extent of the amount by which the reduction is less than €100 million.
Certain Covenants	The indenture governing the Notes and the guarantees of the Notes will, among other things, restrict the ability of the Issuer and its restricted subsidiaries to: • incur or guarantee additional indebtedness, • pay dividends or make other distributions, or redeem or repurchase equity interests or subordinated obligations, • make investments, • sell assets, including the capital stock of subsidiaries, • enter into sale/leaseback transactions, • create liens, • enter into agreements that restrict the restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans, • merge or consolidate or transfer all or substantially all of its assets, and • enter into transactions with affiliates. All of these covenants are subject to a number of important qualifications. For more details, see "Description of the Notes—Certain Covenants."
Change of Control	If the Issuer experiences specific kinds of changes of control, you will have the right to require the Issuer to repurchase your Notes at 101% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption. For more details, see "Description of the Notes—Change of Control."
Transfer Restrictions	The Notes and the guarantees of the Notes have not been registered under U.S. federal or state or any foreign securities laws and are subject to restrictions on transferability and resale. It is your obligation to ensure that any offers or sales of the Notes by you comply with applicable securities laws. For more details, see "Transfer Restrictions."

Form of Notes	On the issue date, the Notes will be represented by one or more global notes in bearer form. The global notes will be deposited with, and held by, the National Bank of Belgium (the "NBB"), as operator of the X/N System, and 100% of the interests therein will be held through the X/N System and its participants (including Euroclear and Clearstream, Luxembourg). Definitive registered notes will be issued in exchange for interests in the global notes held through the X/N System, Euroclear or Clearstream, Luxembourg only under the circumstances set out under "Book-Entry, Form, Clearance and Settlement—Issuance of Definitive Registered Notes." Any such definitive registered notes issued in exchange for interests in the global notes will not be eligible for settlement through the X/N System, Euroclear or Clearstream, Luxembourg. Under no circumstances will definitive bearer notes be issued to individual holders of interests in the global notes.
Clearance and Settlement	The Notes will be admitted for clearance and settlement in the X/N System. The X/N System is accessible to investors and financial intermediaries through the X/N System's participants, which include, among others, Euroclear, Clearstream, Luxembourg and most credit institutions and securities firms established in Belgium. Transfers of book-entry interests in the Notes will be effected through the book-entry facilities of the X/N System and its participants. Such transfers will be conducted and settled in accordance with the usual rules and operating procedures of the X/N System and its participants. When conducted through the X/N System, Euroclear or Clearstream, Luxembourg, such transfers will be settled in same-day funds in the same manner as conventional eurobonds. Interests in the Notes may be held only by eligible investors referred to in Article 4 of the Belgian Royal Decree of May 26, 1994 holding their Notes in an exempt account with the X/N System or with a direct or indirect participant in such system, as further described in "Certain Income Tax Considerations." In order for the Notes to be traded on a fungible basis, each holder of Notes will be deemed to agree to the application of the fungibility system provided for in Belgian Royal Decree No. 62 of November 10, 1967 for the promotion of the circulation of securities, as amended.
Disclosure of Certain Information by the NBB	In principle, the NBB is bound by a duty of confidentiality. However, the NBB may, to the extent required by U.S. or international regulations or treaties or otherwise, disclose certain information relating to the identity of the holders of book entry interests in the Notes and the amount of interests held in the X/N System (through Euroclear, Clearstream, Luxembourg or directly).
No Prior Market	The Notes will be new securities for which there is currently no market. Although the initial purchasers have informed us 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, we cannot assure you that a liquid market for the Notes will develop or be maintained.
Listing	Application has been made to list the Notes on the Luxembourg Stock Exchange.
Governing Law for the Notes and Guarantees	The Notes and the guarantees of the Notes will be governed by the laws of the State of New York.
Governing Law for the Intercreditor Agreement and the Security Documents	The Intercreditor Agreement will be governed by English law. The share pledges over the shares of Telenet Bidco, Telenet Operaties and MixtICS and the pledges of the receivables arising under the Proceeds Loans and a junior subordinated intercompany loan from Telenet Group Holding to the Issuer will be governed by the laws of the Kingdom of Belgium.
Use of Proceeds	We will use the proceeds from the offering of the Notes (i) to repay a portion of our senior credit facility, (ii) to repay deferred payment obligations owed to certain shareholders of Telenet Group Holding, (iii) for general corporate purposes and (iv) to pay expenses of this offering. See "Use of Proceeds."

Trustee	The Bank of New York
Junior Security Agent	JPMorgan Chase Bank
Principal Paying Agent	ING Belgium SA/NV
Luxembourg Listing Agent and Paying Agent	The Bank of New York (Luxembourg) SA

Risk Factors

You should consider carefully all of the information in this offering memorandum and, in particular, you should evaluate the specific risk factors set forth under "Risk Factors" immediately following this summary before investing in the Notes.

Summary Financial Information and Operating Data

The following tables set forth summary financial information and operating data as of and for the periods indicated. See "Management's Discussion and Analysis of Financial Condition and Results of Operation—Introduction."

Consolidated Financial Information

(Euro in millions except ratios and percentages)	For the year ended December 31,			For the nine months ended September 30,	
	2000 (Predecessor)(1)	2001 (Predecessor & Successor)(1)	2002 (Successor)(1)	2002	2003
	(Unaudited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Statement of Operations Information					
Revenues					
Cable television	-	-	64.2	25.4	137.0
Residential broadband Internet	-	65.7	101.1	71.5	105.9
Residential telephony(2)	-	82.5	112.4	81.3	91.5
Business services	-	24.1	29.4	21.4	24.7
Total	89.3	172.3	307.1	199.5	359.1
Expenses					
Operating costs and expenses (excluding depreciation and amortization)	(85.1)	(107.2)	(133.0)	(97.9)	(117.7)
Selling, general and administrative	(68.7)	(83.7)	(91.5)	(65.1)	(74.1)
Depreciation	(46.2)	(67.9)	(109.4)	(76.7)	(106.3)
Amortization	(16.1)	(114.5)	(36.5)	(29.0)	(357.9)
Operating loss	(126.7)	(201.1)	(63.3)	(69.2)	(297.1)
Interest expense, net	(26.2)	(125.8)	(134.2)	(94.0)	(133.5)
Foreign exchange gain (loss), net	(1.0)	(0.9)	0.7	-	-
Other income (expense), net	(27.2)	(126.7)	(133.5)	(94.0)	(133.4)
Income tax benefit (expense)(3)	-	-	-	-	-
Net loss before cumulative effect of accounting	(153.9)	(327.8)	(196.8)	(163.1)	(430.4)

change					
Cumulative effect of accounting change	-	-	(667.6)	(667.6)	-
Net loss	(153.9)	(327.8)	(864.4)	(830.7)	(430.4)
Other Financial Information					
EBITDA	(64.4)	(18.6)	82.6	36.5	167.2
EBITDA margin	(72.1)%	(10.8)%	26.9%	18.3%	46.6%
Capital expenditure[4]	-	200.5	67.4	43.4	73.5
Cash flow from (used in) operations	-	(35.6)	11.1	5.8	115.7

(Euro in millions except ratios)	**Based on three months ended September 30, 2003**
***Pro Forma* and Annualized Information**	
Pro forma net cash pay debt[5]	1,295.9
Annualized EBITDA[6]	252.8
Pro forma cash interest expense[5]	109.6
Ratio of *pro forma* net cash pay debt to annualized EBITDA	5.1x
Ratio of annualized EBITDA to *pro forma* cash interest expense	2.3x

(Euro in millions)	**As of December 31, 2001 (Predecessor & Successor)[1] (Audited)**	**As of December 31, 2002 (Successor)[1] (Audited)**	**As of September 30, 2003 (Unaudited)**
Balance Sheet Information			
Cash and cash equivalents	10.0	18.3	53.7
Current assets, excluding cash and cash equivalents	33.7	90.1	81.0
Property and equipment, net	542.0	1,012.9	970.4
Total assets	2,397.3	2,803.3	2,471.6
Trade payables	186.9	112.1	82.1
Total cash pay debt	649.8	997.1	1,074.6
Deferred payment obligations and subordinated shareholder loans	878.7	357.5	455.2
Shareholders' equity	640.3	1,148.0	718.4

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(1) Telenet Holding is the predecessor company, Telenet Bidco is the successor company for the year ended December 31, 2001 (reflecting Telenet Bidco's acquisition of Telenet Holding in March 2001) and Telenet Group Holding is the successor company for the year ended December 31, 2002.

(2) Includes interconnection fees generated by residential and business customers.

(3) Income tax expense was nil for the years ended December 31, 2000 and December 31, 2001 and the nine months ended September 30, 2002, €6,000 for the year ended December 31, 2002 and €26,000 for the nine months ended September 30, 2003.

(4) Capital expenditure as presented here includes purchases of property and equipment, intangibles, and other investments, but excludes the acquisition of network user rights under the Clientele Agreements and the Annuity Agreement. See "Management's Discussion and Analysis of Financial Condition and Results of Operation—Liquidity and Capital Resources."

(5) Cash interest expense excludes non-cash items such as amortization of debt discounts and debt issuance costs and excludes expenses such as currency hedging costs and other borrowing expenses, such as withholding tax and commitment fees. Cash pay debt includes third party debt on which cash interest is payable from the date of issuance, and excludes the Senior Discount Notes on which interest is accruing on a discounted basis and for which cash interest is not payable on issuance. *Pro forma* cash interest expense is calculated assuming the following *pro forma* cash pay debt balances were outstanding for an annual period at rates in effect or assumed to be in effect at September 30, 2003:

	***Pro forma* principal**	**Annual *pro forma* cash interest expense**
Senior credit facility		
Tranches at EURIBOR + 3.50%[(a)]	730.0	49.1
Tranches at EURIBOR + 4.25%[(a)]	110.0	7.0
Notes offered hereby[(b)]	500.0	45.0
Other long-term obligations[(c)]	119.6	8.5
Total cash pay debt	1,459.6	109.6
Cash and cash equivalents[(d)]	(163.7)	
Net cash pay debt	1,295.9	
Senior Discount Notes[(e)]	258.2	

(a) The interest rate is calculated using the EURIBOR rate at September 30, 2003 of 2.128% plus the applicable margin, excluding withholding tax, commitment fees on undrawn facilities and other borrowing expenses. Interest on tranches at EURIBOR +3.50% has also been adjusted to reflect the impact of notional €380.9 million of interest rate swaps, whereby EURIBOR is received and a blended 4.24% fixed interest rate (as at September 30, 2003) is paid.

(b) Based on a rate of 9% for the Notes offered hereby.

(c) Interest is calculated using a blended rate of 7.13%, reflecting the profile of the components of these obligations which include capital leases and clientele and annuity fees.

(d) We intend to apply €100 million of the net cash proceeds of the Notes offered hereby to reduce our cash pay debt. To the extent that we do not use those proceeds to repay bank debt within 120 days after the completion of this offering, we will be obligated to offer to purchase the Notes at 100% of their principal amount, plus accrued and unpaid interest to the date of purchase. See "Description of the Notes—Par Offer."

(e) The Senior Discount Notes will accrete at the rate of 11.5% per annum to but excluding December 15, 2008, with cash interest accruing on the Senior Discount Notes thereafter at a rate of 11.5% per annum, which would be approximately €52 million cash interest payable per annum (using an exchange rate of U.S.$1.2382 = €1.00). Telenet Group Holding's Senior Discount Notes will be denominated in U.S. dollars and the amount of proceeds received therefrom will be converted to euro at an exchange rate of U.S.$1.2382 = €1.00.

Assuming an unfavorable 0.25% increase in interest applicable to the *pro forma* balance of the senior credit facility, cash interest expense would increase by approximately €2.1 million on an annual basis.

(6) Annualized EBITDA is calculated by multiplying by four our EBITDA of €63.2 million for the three months ended September 30, 2003. We believe this is a more useful measure of performance than our last twelve month or annual EBITDA, because it reflects the benefit of cable subscriber price increases implemented during the past year and growth in our Internet and telephony businesses. See "Risk Factors—Risks Relating to Our Financial Profile—Our historical financial information may not be representative of our actual

results, given the recent MixtICS Acquisition, its pending integration with Telenet and other factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Four Most Recent Quarters."

Consolidated Operating Information (Unaudited)

	As of and for the year ended December 31,			As of and for the three months ended			
(RGUs and homes passed, in thousands)	2000	2001	2002	December 31, 2002	March 31, 2003	June 30, 2003	September 30, 2003
Homes HFC Upgraded[1]	1,663	2,144	2,423	2,423	2,457	2,484	2,484
HFC Upgrade (% completion)	68%	87%	99%	99%	100%	100%	100%
Homes Passed (Telenet cable television network*)	1,620	1,653	1,683	1,683	1,683	1,683	1,683
RGUs[2]							
Cable television*	1,532	1,544	1,564	1,564	1,568	1,573	1,575
Residential broadband Internet[3]	85	195	287	287	319	341	368
Residential telephony[3][4]	107	201	220	220	225	232	241
Business services[5]	6	6	17	17	19	20	21
Total	1,730	1,947	2,087	2,087	2,131	2,166	2,205
Revenue (euro in millions)							
Cable television	-	-	64.2	38.8	43.6	43.4	50.0
Residential broadband Internet	-	65.7	101.1	29.6	32.2	35.7	37.9
Residential telephony[6]	-	82.5	112.4	31.1	30.2	30.6	30.6
Business services	-	24.1	29.4	8.0	8.1	8.4	8.2
Total	89.3	172.3	307.1	107.5	114.2	118.1	126.7
Penetration[7]							
Cable television[8]*	92.9%	92.7%	92.9%	92.9%	93.2%	93.5%	93.6%
Residential broadband Internet[9]	3.5%	8.2%	12.2%	12.2%	13.6%	14.4%	15.5%
Residential telephony[9]	4.5%	8.2%	9.1%	9.1%	9.3%	9.5%	9.8%
ARPU (in euro)[10]							
Cable television[11]*	-	-	-	8.3	9.3	9.2	10.6
Residential broadband Internet	29.3	31.0	33.5	34.7	34.5	35.6	34.7

Residential telephony[12]......	37.1	40.7	38.5	36.1	35.7	35.6	33.9
Churn (annualized)[13]							
Residential broadband Internet[14]........	6.0%	6.8%	8.2%	10.0%	7.7%	7.0%	7.6%
Residential telephony[15]......	15.4%	14.8%	11.2%	15.9%	10.3%	9.0%	9.4%
EBITDA (euro in millions)............	(64.4)	(18.6)	82.6	46.0	49.3	54.8	63.2
EBITDA margin	(72.1)%	(10.8)%	26.9%	42.8%	43.2%	46.4%	49.8%
Capital expenditure (euro in millions)[16]....	-	200.5	67.4	-	-	-	-

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* Includes historic statistics for MixtICS prior to the MixtICS Acquisition in August 2002.

(1) See "Business—The Combined Network—HFC Upgrade" for a discussion of the upgrade of homes served by the Combined Network to the HFC standard.

(2) Each subscriber is counted as a revenue generating unit, or "RGU," for each service subscribed. Thus, a subscriber who receives from us cable television, broadband Internet and telephony services (regardless of their number of telephony access lines) would be counted as three RGUs. RGUs are presented as of the relevant period end date.

(3) Our residential broadband Internet and telephony RGUs include households and small businesses with between one and four employees ("SoHo"s) that receive our services through a coaxial connection.

(4) These amounts also include 7,500, 21,300 and 35,000 RGUs who used our carrier preselection services at December 31, 2000, December 31, 2001 and December 31, 2002, respectively. These amounts also include 33,000, 32,000 and 29,000 RGUs who used our carrier preselection services at March 31, 2003, June 30, 2003 and September 30, 2003, respectively.

(5) Consists of small to medium sized enterprise ("SME") RGUs that receive our broadband Internet and telephony services through a coaxial connection. We estimated that we had 1,000, 5,000 and 14,000 SME broadband Internet customers, and 5,000, 1,000 and 3,000 SME telephony customers, respectively, at December 31, 2000, December 31, 2001 and December 31, 2002, respectively. We estimated that we had 15,000, 16,000 and 17,000 SME broadband Internet customers, and 4,000 SME telephony customers, respectively, at March 31, 2003, June 30, 2003 and September 30, 2003, respectively. SME and corporate RGUs that receive our services using a fiber connection are not included in the above RGU statistics.

(6) Includes interconnection fees generated by residential and business customers.

(7) Number of RGUs at the end of the relevant period as a percentage of the number of homes and businesses, as applicable, passed by our network at the end of the relevant period (in the case of cable television) or by the Combined Network as of September 30, 2003 (in the case of residential broadband Internet and telephony).

(8) Penetration rates estimated where limited data available.

(9) Includes SMEs that receive our broadband Internet and telephony services through a coaxial connection.

(10) Revenue earned for the period divided by the number of months in the period and divided by the average number of RGUs for the period (which average number of RGUs may vary from the number of RGUs presented above at the period end date).

(11) Average monthly revenue per subscriber includes copyright fees and other revenue earned from carriage fees.

(12) Average monthly revenue per subscriber excludes interconnection revenues and installation fees, but includes revenue generated by RGUs who use our carrier preselection services. See footnote 4. Average monthly revenue per subscriber excluding RGUs who use our carrier preselection services was €37.8, €38.9 and €40.0 for the years ended December 31, 2000, December 31, 2001 and December 31, 2002, respectively, and €38.3, €38.1, €37.8 and €35.9 for the three months ended December 31, 2002, March 31, 2003, June 30, 2003 and September 30, 2003, respectively.

(13) Total number of RGUs disconnected during the period divided by the average number of RGUs for the period (multiplied by four, in the case of information presented for the three months ended December 31, 2002, March 31. 2003, June 30, 2003 and September 30, 2003).

(14) Includes SMEs that receive our services through a coaxial connection.

(15) Excludes RGUs who use our carrier preselection services and includes SMEs that receive our services through a coaxial connection. See footnotes 4 and 5. We exclude RGUs who use our carrier preselection services from our residential telephony churn statistics because, for the most part, these customers subscribe to our direct access telephony services upon ceasing to subscribe to our carrier preselection services.

(16) Capital expenditure as presented here includes purchases of property and equipment, intangibles, and other investments, but excludes the acquisition of network user rights under the Clientele Agreements and the Annuity Agreement. See "Management's Discussion and Analysis of Financial Condition and Results of Operation—Liquidity and Capital Resources."

Summary Guarantor Financial Information

The following condensed consolidated financial information presents the financial information of Telenet Group Holding, the Issuer, the Subsidiary Guarantors (consisting of Telenet Bidco, Telenet Holding, Telenet Operaties and Telenet Vlaanderen) and the non-guarantor subsidiaries in the Telenet group (consisting of MixtICS and Merrion) on a non-consolidated basis, accounting for the investments in subsidiaries under the equity method. The financial information may not necessarily be indicative of the financial position or the results of operations had Telenet Group Holding, the Issuer, the Subsidiary Guarantors or non-guarantor subsidiaries operated as independent entities as of and for the nine months ended September 30, 2003 on a stand alone basis. Certain debt instruments are guaranteed by subsidiaries that are not so categorized:

- The obligations of Telenet Operaties under the senior credit facility included within the "Unconsolidated Subsidiary Guarantors" column have been guaranteed by MixtICS and certain Subsidiary Guarantors; and

- Certain deferred payment obligations (other than the HFC Deferrals) included within the "Telenet Group Holding" column and the HFC Deferrals included within the "Unconsolidated Non-Guarantor Subsidiaries" column have been guaranteed by MixtICS, Telenet Bidco, Telenet Holding, Telenet Operaties and Telenet Vlaanderen.

			As of and for the nine months ended September 30, 2003 (unaudited)			
(Euro in millions)	Telenet Group Holding	Issuer	Unconsolidated Subsidiary Guarantors	Unconsolidated Non-Guarantor Subsidiaries	Eliminations	Consolidated
Statement of Operations Information						
Revenues						
Total revenues	-	-	222.1	137.0	-	359.1
Expenses						
Operating costs and expenses (excluding depreciation and amortization)	-	-	(71.2)	(46.5)	-	(117.7)
Selling, general and administrative [(1)]	(0.3)	-	(65.9)	(7.9)	-	(74.1)
Depreciation	-	-	(76.4)	(29.9)	-	(106.3)
Amortization **[and impairment]**	-	-	(219.8)	(138.1)	-	(357.9)
Total cost and expenses [(1)]	(0.3)	-	(433.4)	(222.3)	-	(656.0)
Operating loss [(1)]	(0.3)	-	(211.4)	(85.3)	-	(297.0)
Interest expense, net	(46.0)	-	(78.5)	(9.0)	-	(133.5)
Interest, net - intercompany [(2)]	31.7	-	(6.5)	(25.2)	-	-
Foreign exchange gain (loss), net [(3)]	-	-	-	-	-	-
Equity in subsidiaries	(415.8)	(115.8)	(119.5)	-	951.1	-
Total other income (expense)	(430.1)	(415.8)	(204.5)	(34.2)	951.1	(133.4)
Net income (loss) before income taxes	(430.4)	(415.8)	(415.8)	(119.5)	951.1	(430.4)
Income tax expense [(4)]	-	-	-	-	-	-
Net loss	(430.4)	(415.8)	(415.8)	(119.5)	951.1	(430.4)
Balance Sheet Information						
Assets						
Cash and cash equivalents [(5)]	-	-	21.4	32.3	-	53.7

Accounts receivable	-	-	44.6	31.6	-	76.2
Other receivables	-	-	2.2	2.6	-	4.8
Intercompany receivables and short term loans	303.0	302.6	432.0	137.4	(1,175.0)	-
Total current assets	303.1	302.7	500.1	203.9	(1,175.0)	134.7
Property and equipment, net	-	-	569.2	401.2	-	970.4
Goodwill, net	-	-	607.5	423.4	-	1,030.9
Intangible assets, net(6)	-	-	268.6	-	-	268.7
Deferred costs(7)	-	-	66.0	-	-	66.0
Other assets(8)	-	-	0.8	-	-	0.8
Investments in subsidiaries	670.2	670.4	614.0	-	(1,954.7)	-
Total assets	973.3	973.1	2,626.2	1,028.6	(3,129.7)	2,471.6
Liabilities and Shareholders' Equity						
Current portion of long term debt	-	-	15.4	-	-	15.4
Accounts payable(9)	-	-	80.6	1.5	-	82.1
Accrued expenses and other current liabilities (10)	-	-	71.8	12.8	-	84.7
Intercompany payables and short term debt	0.2	302.9	438.0	433.9	(1,175.0)	-
Unearned revenue	-	-	5.6	87.5	-	93.1
Total current liabilities	0.3	302.9	611.5	535.7	(1,175.0)	275.3
Long-term debt, less current portion	311.4	-	1,020.2	99.4	-	1,431.0
Other noncurrent liabilities	-	-	1.0	45.8	-	46.8
Intercompany loans, net (11)	(56.8)	-	323.1	(266.3)	-	-
Shareholders' equity	718.4	670.2	670.4	614.0	1,954.7	718.4
Total liabilities and shareholders' equity	973.3	973.1	2,626.2	1,028.6	3,129.7	2,471.6

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(1) Selling, general and administrative expenses, total cost and expenses and operating loss for the Issuer on a non-consolidated basis were €2,000 for the nine months ended September 30, 2003. No eliminations were recorded.

(2) Interest, net—intercompany was €34,000 for the Issuer for the nine months ended September 30, 2003. No eliminations were recorded.

(3) Foreign exchange gain (loss), net for the unconsolidated Subsidiary Guarantors and under the "Consolidated" column was €45,000 for the nine months ended September 30, 2003. Foreign exchange gain (loss), net was nil for Telenet Group Holding, the Issuer and the unconsolidated non-guarantor subsidiaries during that same period. No eliminations were recorded.

(4) Income tax expense for unconsolidated non-guarantor subsidiaries and under the "Consolidated" column was €26,000 for the nine months ended September 30, 2003. Income tax expense was nil for Telenet Group Holding, the Issuer, the unconsolidated Subsidiary Guarantors and under the "Consolidated" column during that same period. No eliminations were recorded.

(5) Cash and cash equivalents for Telenet Group Holding and the Issuer were €13,000 and €55,000, respectively, as of September 30, 2003. No eliminations were recorded.

(6) Intangible assets, net for unconsolidated Subsidiary Guarantors was €70,000 as of September 30, 2003. Intangible assets, net was nil for Telenet Group Holding and the Issuer as of that same date. No eliminations were recorded.

(7) Deferred costs for Telenet Group Holding were €35,000 as of September 30, 2003. Deferred costs were nil for the Issuer and unconsolidated non-guarantor subsidiaries as of that same date. No eliminations were recorded.

(8) Other assets for unconsolidated non-guarantor subsidiaries were €54,000 as of September 30, 2003. Other assets were nil for Telenet Group Holding and the Issuer as of that same date. No eliminations were recorded.

(9) Accounts payable for Telenet Group Holding were €7,000 as of September 30, 2003. Accounts payable for the Issuer were nil as of that same date. No eliminations were recorded.

(10) Accrued expenses and other current liabilities for Telenet Group Holding and the Issuer were €64,000 and €4,000, respectively, as of September 30, 2003. No eliminations were recorded.

(11) Intercompany loans, net for the Issuer were €7,000 as of September 30, 2003. No eliminations were recorded and no amounts were included under the “Consolidated” column.

RISK FACTORS

An investment in the Notes involves a high degree of risk. 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. Any of the risks described below could have a material adverse impact on our business, prospects, results of operations and financial condition and could therefore have a negative effect on the trading price of the Notes and our ability to pay all or part of the interest or principal on the Notes. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

Risks Relating to Our Financial Profile

Our substantial leverage and debt service obligations could materially adversely affect our business, financial condition and results of operations and prevent us from fulfilling our obligations under the Notes.

We have substantial debt and debt service requirements and may incur additional debt in the future. As of September 30, 2003, after giving effect to the Refinancing, we would have had total cash pay debt of € 1,459.6 million on a consolidated basis (excluding available capacity under our senior credit facility and the Senior Discount Notes) as compared to shareholders' equity of approximately €718.4 million, and we are therefore considered highly leveraged. As of that date, after giving effect to the Refinancing, €840 million of debt would have been outstanding under our senior credit facility, which debt is secured and guaranteed on a senior basis by our subsidiaries. We are also the borrower under an intercompany loan of approximately $290 million from Telenet Group Holding, the economic terms of which are substantially similar to the economic terms of the Senior Discount Notes, including payments of cash interest beginning on June 15, 2009, subject to compliance with the terms of the indenture governing the Notes. You should read the discussions under the headings "Capitalization" and "Description of Other Indebtedness" for further information about our debt and the terms of the Senior Discount Notes.

Our high level of debt could have important consequences for you, including, but not limited to, the following:

- making it more difficult for us to satisfy our obligations with respect to the Notes, the senior credit facility and other debt and liabilities;
- requiring that a substantial portion of our cash flows from operations be dedicated to servicing debt, thereby reducing the funds available to us to finance our operations, capital expenditures, research and development and other business activities, including maintaining the quality of our network and the network on which the PICs have granted us usage rights (the "PICs Network" and, together with our network, the "Combined Network") and product performance;
- impeding our 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 our debt;
- impeding our 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 us and our brand; and
- making us more vulnerable to economic downturns and adverse developments and giving us less flexibility to react to changes in our business.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, including the Notes.

A portion of our debt, including all of our debt under the senior credit facility, bears interest at variable rates. An increase in the interest rates on our debt will reduce the funds available to repay the Notes and our other debt and to finance our operations, capital expenditures and future business opportunities and, as a result, will intensify the consequences of our leveraged capital structure. In addition, under the terms of our existing interest rate hedging arrangements, our effective interest rates may be higher than actual interest rates, resulting in increased costs for us.

See "Management's Discussion and Analysis of Financial Condition and Results of Operation—Quantitative and Qualitative Disclosures About Market Risk."

A portion of the proceeds from this offering will be used to repay our outstanding indebtedness, including certain deferred payment obligations relating to our acquisition of the cable television business of the MICs in August 2002. Although the Notes carry an interest rate that is lower than the weighted-average interest rate on these deferred obligations, these deferred obligations allow for payment of interest in kind, through an increase in the principal amount of the obligations, until July 1, 2005. Because interest under the Notes must be paid in cash, even though our total interest expense will decrease, the amount of cash interest that we will be required to pay will increase. If the Refinancing had been completed as of January 1, 2003, we estimate that we would have paid additional cash interest of approximately €29 million for the nine months ended September 30, 2003, excluding interest income generated on the incremental cash balance resulting from the Refinancing and withholding tax, commitment fees, currency hedging costs and other borrowing expenses.

Under the terms of tranches A and B of our senior credit facility, beginning on December 31, 2005 (after giving effect to the Refinancing), we will be required to make quarterly payments of principal on loans representing an aggregate principal amount of €430 million, with the principal amounts to be repaid increasing over time and the final payment, including all accrued interest, being due on December 31, 2009. In addition, any amounts outstanding under tranche D of the senior credit facility, which is a €100 million revolving facility, are payable in full on December 31, 2009, together with €300 million under tranche E of the senior credit facility. Loans in an aggregate principal amount of €150 million (€110 million drawn) under tranche C-2 of the senior credit facility are repayable in two equal installments on June 30, 2010 and December 31, 2010. See "Description of Other Indebtedness—Senior Credit Facility."

Under the terms of our senior credit facility, we are required, among other things, to make gross-up payments to non-resident lenders for interest payments made under the facility that are subject to Belgian withholding tax. For the nine months ended September 30, 2003, we paid approximately €2 million in gross-up payments. If we had been required to make gross-up payments on interest paid to all of the lenders under our senior credit facility at the highest withholding rate currently applicable under Belgian law, we would have paid approximately €8 million in gross-up payments for the nine months ended September 30, 2003. Our senior credit facility does not restrict transfers of interests in the facility to non-residents of Belgium. If we had been required to make gross-up payments on interest paid to all of the lenders under our senior credit facility at the highest withholding rate currently applicable under Belgian law and if the Refinancing had taken place on January 1, 2003, we would have made payments of approximately €7 million for the nine months ended September 30, 2003. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures About Market Risk—Interest Rate and Related Risk."

If we cannot repay the loans under our senior credit facility when they become due, make the required gross-up payments or refinance the loans on sufficiently favorable terms, we are unlikely to be able to make payments of principal and interest on the Notes as they become due and payable.

The terms of the indenture governing the Notes will restrict, but will not prohibit, us from incurring additional debt in the future. The terms of our senior credit facility also restrict, but do not prohibit, us from incurring additional debt. Those new borrowings could be senior to our obligations under the Notes. If new debt is added to our consolidated debt described above, the related risks that we now face will intensify.

We may not generate sufficient cash flow to fund our capital expenditures, ongoing operations and debt obligations, including our obligations under the Notes.

Our ability to service our debt (including payments on the Notes) and to fund our ongoing operations will depend on our ability to generate cash. We cannot assure you that our businesses will generate sufficient cash flow from operations or that future debt or equity financing will be available to us in an amount sufficient to enable us to pay our debt obligations, including the Notes, when due. Our ability to generate cash flow is dependent on many factors, including:

- our future operating performance;
- the demand and price levels for our current and planned products and services;

- general economic conditions and conditions affecting customer spending;
- competition;
- our ability to make use of our carry-forward tax losses;
- the outcome of certain litigation in which we are involved; and
- legal, tax and regulatory factors affecting our business.

Some of these factors are beyond our control. If we are unable to generate sufficient cash flow, we may not be able to repay our debt, grow our business, respond to competitive challenges or fund our other liquidity and capital needs, including capital expenditures. If we are unable to meet our debt service obligations, we may have to sell assets, attempt to restructure or refinance our existing indebtedness or seek additional funding in the form of debt or equity capital. We 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 at arm's length conditions. Mismatches between taxable income and deductible expenses (including interest on our debt) could adversely influence our ability to generate cash flow. Likewise, changes in Belgian tax law or the interpretation of permitted transactions could adversely affect our tax position and ability to utilize our carry-forward tax losses.

The agreements and instruments governing our debt contain restrictions and limitations that could adversely affect our ability to operate our business and repay the Notes.

The terms of our senior credit facility, the terms of our other outstanding debt and the indenture governing the Notes contain a number of significant covenants or other provisions that could adversely affect the holders of the Notes and our ability to operate our business. These covenants will restrict our ability, and the ability of our 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;
- grant liens and pledge assets; and
- change our business plan.

Furthermore, our senior credit facility requires us to maintain specified financial ratios and meet financial tests. Notwithstanding our intent to use a portion of the proceeds of this offering to repay our indebtedness, these financial ratios will tighten and may become more difficult to maintain over time. Our ability to comply with these provisions may be affected by events beyond our control. If we cannot comply with these tests or are otherwise in default, our group may not be able to borrow under the senior credit facility, which could have a material adverse effect on our ability to operate our business and to make payments under our debt instruments.

In addition to limiting our flexibility in operating our business, the breach of any covenants or obligations under the agreements and instruments governing our 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 our debt. In addition, the lenders under our senior credit facility could foreclose on their collateral, which includes equity interests in our operating subsidiaries, exercise other rights of secured creditors and deny us access to any unused amounts under the facility. A default under our senior credit facility or under the agreements governing our other debt could materially adversely affect our growth, our financial condition and results of operations and result in our not having sufficient assets to make payments on the Notes and other debt. See "Description of Other Indebtedness."

We have incurred negative cash flow after interest and taxes and substantial operating and net losses to date and expect to continue to report losses for the foreseeable future.

We have not made a profit since the Telenet group was formed in 1996 and expect to continue to report losses for the foreseeable future. We have a history of negative net cash flows after deducting interest and taxes, and we may not generate positive cash flows in the future. On a consolidated basis, we reported net losses of €327.8 million in 2001, €864.4 million in 2002 and €430.4 million for the nine months ended September 30, 2003. Although a substantial portion of these losses consists of depreciation and amortization expenses that do not directly impact our cash flow, continued losses may limit our ability to engage in equity or debt financings in the future. In addition, we made cash payments as part of our acquisition of Codenet NV ("Codenet") and expect to make payments in connection with our pending acquisition of the Flemish assets from the Canal+ group (the "Canal+ Assets"), which have had and will have a negative impact on our cash flow, and we cannot guarantee that these operations will generate positive cash flows in the future. For more information about our recent results, see "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Our historical financial information may not be representative of our actual results, given the recent MixtICS Acquisition, its pending integration with Telenet and other factors.

We completed the MixtICS Acquisition in August 2002 and our financial statements only reflect the results of MixtICS since that date. We have not presented the MixtICS historical results on a stand-alone basis given that, prior to its acquisition, the MixtICS business was separately owned by different municipalities and operated on their behalf by Electrabel NV ("Electrabel"). In addition, the integration of MixtICS into Telenet has not been completed, and many of the operations of MixtICS are conducted on our behalf by Electrabel employees pursuant to a services and transfer agreement entered into at the time of the acquisition. The cost allocations by Electrabel under this agreement may not accurately reflect what we would have had to pay for Electrabel's services if we had obtained them from third parties or what we will have to pay for these services in the future if we obtain them from third parties. We expect to experience a slight increase in certain costs (such as for insurance) following the integration of the cable television business into our operations. Accordingly, you should not rely on our historical financial statements as indicative of our actual financial results or condition. In addition, our financial statements do not necessarily reflect what our financial results and condition may be in the future given, among other things, our rapid growth to date, the continuing integration of the MixtICS Acquisition (including the assumption of liabilities associated with the transfer of employees to MixtICS from Electrabel) and our acquisition of Codenet and our pending acquisition of the Canal+ Assets, which we expect may negatively affect our financial results beginning for the three months ended December 31, 2003. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Current Developments" and "Our History—MixtICS Acquisition."

We are contractually obligated to commercially launch a digital television platform by March 2005, and our financial condition and cash flows may be impaired by our efforts to launch digital television and any liability we incur if we fail to launch digital television.

At the time of our acquisition by Cable Partners Europe, LLC, we agreed with the MICs to launch a digital platform. It was agreed that this would be done in phases. The first phase, which was to last 12 months, required us to develop products, build the digital platform and prepare back and front office processes and systems for digital television ("DTV") operations. The second phase was to last six months, during which time we were to conduct DTV trials in a part of our network in order to gather market acceptance and information and further tailor our DTV commercial strategy. The third phase, initially due to begin at the end of 2002 and to last for 12 months, required us to achieve a full commercial launch of DTV products. In addition we are required to comply with certain subscriber penetration requirements.

Although we believe we have completed the first phase and are now engaged in the second phase and our obligation is being amended to extend the time for completion of all three phases to March 2005, we may not be able to launch DTV by that date. Our senior credit facility includes limits on both the amount and nature of any funding of DTV and also requires the development of a business plan. As DTV is not currently included in our business plan, we may not be able to develop a feasible business plan for the launch of DTV. Further, if the launch requires funding beyond the limited amounts permitted by our senior credit facility we would need the approval of the senior banks. Our financial condition and cash flows may be adversely affected by our efforts to launch DTV. See "—Risks Related to Our Business—If we fail to successfully introduce new technologies or services, such as VoIP telephony, or to respond to technological developments, our business and level of revenues may be adversely affected."

If we fail to successfully launch DTV in the required timeframe we will be liable to the MICs for all foreseeable liabilities and losses they incur as a result of breach of contract subject to a maximum amount of € 80 million. This will be so even if the banks have effectively blocked our ability to finance and launch DTV.

Termination of our rights of usage of the cable network in Flanders owned by five pure intercommunales (the "PICs") may adversely affect our operations and substantially lower the value of our assets in case of a bankruptcy or liquidation.

In September 1996, the PICs, through Interkabel Vlaanderen CVBA ("Interkabel"), granted Telenet Vlaanderen certain usage rights to their cable networks in return for shares in Telenet Vlaanderen (which have since been exchanged for shares of Telenet Group Holding). In turn, Telenet Vlaanderen has granted Telenet Operaties the exclusive rights to use Telenet Vlaanderen's rights to the cable network, through which Telenet Operaties is able to sell telephony and broadband Internet services to homes passed by the PICs Network. Under the terms of the deed by which Interkabel contributed these rights to Telenet Vlaanderen, the rights will automatically terminate if, among other things, either Telenet Holding, Telenet Vlaanderen or Telenet Operaties is declared bankrupt or put into liquidation. See "Business—The Combined Network—Our Usage Rights on the PICs Network." Consequently, there is a risk that we will no longer be able to use the PICs Network, which allows us to reach approximately 32% of the homes and businesses passed by the Combined Network. If we do not have access to the PICs Network, our operations, the value of our assets or business in a sale thereof and your ability to recover your investment in the Notes may be negatively affected.

Risks Related to Our Business

The Belgian Internet, data and telephony industries are highly competitive and the television industry may become more competitive in the future, which could result in lower prices and the loss of subscribers.

We face significant competition from established and new competitors who provide Internet, data and telephony services. In some instances, we compete against companies with fewer regulatory burdens, 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. Such competition may create downward pressure on prices similar to that experienced elsewhere in Europe, which may result in a decrease of our average revenue per subscriber, as well as a loss of subscribers, and increased content costs for cable television.

Internet. Our residential high-speed broadband Internet service competes with companies that provide lower-cost (or even free), slower connections to the Internet over traditional telephone lines as well as with competitors, including Belgacom (the telephony incumbent in Belgium), that provide high-speed broadband access over digital subscriber lines ("DSL "). Belgium has recently seen the introduction of new competition from "light" DSL Internet services that were launched in December 2003. These services, which have already been introduced in other European countries, offer connectivity at slower speeds in exchange for significantly lower prices than we charge for the service that we currently offer. Such products may prove effective, which could adversely affect our sales and churn and create greater price competition in the Belgian market. Additional competition may come from satellite and wireless technologies. We expect competition, including price competition, from current providers, new startups and other companies to increase in the future.

Telephony. Competition in providing residential telephony service is intense. Our principal competitor in the Flemish residential market is Belgacom, which has an extensive telephone network throughout Belgium, strong market knowledge, high brand recognition and substantial capital resources. As of September 30, 2003, Belgacom had approximately 80% of the fixed-line telephony market in Flanders. Belgacom may use its substantial capital resources to aggressively reduce prices. In addition, Belgacom recently announced the planned merger of its retail and wholesale divisions, which we believe may lead to lower retail prices. While Belgacom is our major competitor, we depend on Belgacom to provide certain services to our customers, including number portability, and to connect calls made by our customers to customers of Belgacom. Belgacom is subject to extensive regulation due to its dominant position in the fixed telephony market; however, our current proceedings against Belgacom or other factors may adversely affect our relations with Belgacom and negatively impact our competitive position. We also face growing competition from new competitors entering the telephony market, such as Tele 2, which offers a carrier preselect service. Many of these entrants have substantial resources and experience conducting telephony operations elsewhere in Europe.

Mobile telephony services, including planned third generation technology, and wireless local loop operators contribute to the competitive pressures that we face. Increasing numbers of users are substituting mobile telephone lines for fixed telephone lines, which may negatively affect our call usage volumes and subscriber growth. As interconnection rates for calls made to mobile networks are significantly higher than rates for calls that terminate on fixed lines, increased usage of mobile lines may also decrease the profitability of our residential telephony business.

The ongoing unbundling of the Belgacom local loop and the potential unbundling of the cable 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 such as Voice over Internet Protocol ("VoIP") may also increase the number of competitors. As new competitors enter the market and prices decrease in line with the downward pressure on telephony prices experienced elsewhere in Europe, our telephony business may become less profitable and experience a decline in revenues and market share.

Certain of our telephony competitors, including Belgacom, engage in "tromboning," a practice which consists of diverting abroad calls that originate in Belgium and then routing the calls back to Belgium in order to qualify for reduced international interconnection fees. Increased tromboning by competitors could have an adverse impact on our revenues and profitability. See “Regulation—Telephony Regulation—Interconnection” for more information. We have recently sought to include prohibitions on tromboning in interconnection agreements that we enter with certain other telephony providers, but because of the difficulty in proving that tromboning has occurred, the effectiveness of these contractual restrictions is uncertain.

Cable Television. Our cable television service does not currently compete with other television and video services on a significant scale, due in part to the high penetration rate of cable in Flanders. In the future, however, we believe it is likely that Belgacom will introduce a streaming video on demand product over its established telephone network. In addition, we may face increased competition from DSL, multi-channel satellite, digital terrestrial and other means of delivering multiple programming. Although none of these options has been deployed on a commercial scale in Belgium to date, many of these technologies have been effectively deployed elsewhere in Europe and may allow better-capitalized competitors to enter the market and offer a greater variety of channel packages and programming than we currently provide on our analog network. In addition, future legislation may require us to provide competitors access to our network for purposes of providing broadcasting services at regulated prices, which would strengthen our competitors by granting them access and lowering their costs to enter into the cable television business. See "—Risks Related to Regulatory and Legislative Matters—We may become subject to more extensive regulation if we are deemed to possess significant market power in any of the markets in which we operate."

Business Services. Competition in the provision of Internet, data and voice products to business customers is intense, with Belgacom and major international companies with established market presences, such as Colt, MCI, Versatel and BT, being the primary competitors. We have previously been limited in competing for business customers because the Combined Network does not reach outside Flanders. Although we believe that our acquisition of Codenet will provide us with the scale and geographic scope necessary to compete more effectively, we have not previously operated a network in the French-speaking region of Belgium and have limited experience providing Internet, data and voice services on a national level. We may experience unanticipated difficulties in establishing and maintaining a nationwide market presence in light of the substantial competition.

If we fail to successfully introduce new technologies or services, such as VoIP telephony, or to respond to technological developments, our business and level of revenues may be adversely affected.

Our 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 we introduce, such as those associated with the deployment of VoIP telephony or digital television, fail to achieve market acceptance or experience technical difficulties, our revenue growth, margins and cash flows may be adversely affected. As a result, we may not recover investments that we make 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. See "—The Belgian Internet, data and telephony industries are highly competitive and the television industry may become more competitive in the future, which could result in lower prices and the loss of subscribers." New or existing competitors may also rely on new or enhanced technologies, such as telephony based on VoIP technology, to offer standard services at lower prices or to offer new, more attractive services. We may not be able to fund the capital expenditures necessary to keep pace with technological developments. Our inability to obtain the funding or other resources necessary to expand or further upgrade our systems and provide advanced services in a timely manner, or successfully anticipate the demands of the marketplace, could adversely affect our ability to attract and retain customers and generate revenue.

In particular, we expect to introduce VoIP telephony by the fourth quarter of 2004 in order, among other things, to address a supply shortage of certain telephony modems that we use. See "—The Combined Network and systems depend on equipment and service suppliers that may discontinue their products or seek to charge us prices that are not competitive, either of which may adversely affect our business and profitability." Although other operators have commercially deployed VoIP telephony on a limited basis, it has yet to be used on a substantial scale and various difficulties have been encountered. Scalability, network compatibility or other practical problems may arise that could interfere with or delay our planned roll-out of VoIP telephony. We expect to begin conducting VoIP trials in the second quarter of 2004.

We are also conducting trials in anticipation of launching an interactive digital television ("iDTV") service in conjunction with certain broadcasters, the Flemish government and other potential partners. We face significant technological, operational and market risks that may limit a successful launch of iDTV in Flanders. It is difficult to predict how subscribers will respond to and how to price new interactive features and other products and services that can be offered with iDTV. The cost structure of an iDTV offering is also uncertain, particularly in terms of access to, and prices for, content. The commercial launch by us of any iDTV platform would require additional funding and is subject to the approval of two-thirds of the lenders under our senior credit facility, as it would involve capital expenditures on network equipment and set-top boxes. In addition, if we plan to offer iDTV to subscribers on the PICs Network, we will need to negotiate with the PICs the terms and conditions on which such services are supplied. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Expenditure." See "—Risks Relating to Our Financial Profile—Termination of our rights of usage of the cable network in Flanders owned by five pure intercommunales (the "PICs") may adversely affect our operations and substantially lower the value of our assets in case of a bankruptcy or liquidation."

The Combined Network and systems depend on equipment and service suppliers that may discontinue their products or seek to charge us prices that are not competitive, either of which may adversely affect our business and profitability.

We have important relationships with several suppliers of hardware and services that we use to operate the Combined Network and systems. In many cases, we have made substantial investments in the equipment or software of a particular supplier, making it difficult for us to change supply and maintenance relationships in the event that our initial supplier refuses to offer us favorable prices or ceases to produce equipment or provide the support that the Combined Network requires.

Approximately 60% of our residential telephony subscribers are served by Motorola modems that use a proprietary technology to communicate between the end user and our head end stations. Motorola has discontinued production of those telephony modems, depriving us of hardware that we will need to continue to grow our telephony subscriber base. Meanwhile, the principal supplier of our remaining residential telephony modems, Terayon, has ceased development activities with respect to these modems, although it has not discontinued production. In each case, in order to move to other modem suppliers, we need to install additional equipment in our head end stations. Although we have obtained additional Motorola modems from the excess inventory of other telephony service providers (for an aggregate per unit price exceeding the price we previously paid to Motorola, however) and are beginning to retrieve and recycle Motorola modems from subscribers who no longer use our telephony services, we anticipate that even with these alternative sources of supply, by the third quarter of 2004 we will no longer be able to connect new telephony subscribers in those areas served by Motorola modems. This supply shortfall would limit our ability to grow our telephony business.

By the fourth quarter of 2004, we expect to introduce VoIP technology based on an open standards platform that will significantly reduce our reliance on proprietary technologies. We may, however, experience difficulties or delays in introducing this technology, which would heighten the impact of the shortage of Motorola telephony modems and any future shortage of telephony modems provided by our other principal supplier. Although VoIP has been commercially deployed on a limited basis by a few operators, we may not be successful in deploying VoIP on time and at our expected cost. The operating results of our telephony business will likely be negatively impacted if VoIP is not successfully introduced within our projected timeframe.

Furthermore, we are also dependent on Motorola for a significant portion of our other equipment. Under a framework agreement with Motorola, we have designated Motorola as our preferred supplier of high-speed data modems, digital set top boxes and related head end equipment and we have agreed to purchase from Motorola on an annual basis at least 30%, and over the term of the framework agreement, at least 50%, of our requirements for modems (including VoIP modems) and any set top boxes required for iDTV until March 29, 2006. We cannot use digital set top boxes from any other vendor until at least six months after we have deployed Motorola's boxes. We have also agreed to deploy Motorola's proprietary conditional access system across the Combined Network. See "Business—Supply and Installation." If for any reason Motorola does not continue to supply such products or proprietary technology to us, we may have to find alternate suppliers, which could result in higher costs than those under our current arrangement with Motorola. Furthermore, Motorola's equipment, which we must purchase, may not be optimal for our purposes or may be more expensive than equipment available from other suppliers, which can put us at a competitive disadvantage and harm our business.

We may experience difficulties and higher costs as we complete the integration of our recently acquired cable television business into our operations.

Our ability to effectively integrate the cable television business into our operations is essential to our future success. We are focused on incorporating the customer service, maintenance, repair, installation, employee, financial control, information technology, know-how, subscriber data, billing and other aspects of MixtICS into our operations by the middle of 2004, in accordance with an integration plan that groups functions according to scheduled phase-in dates. In line with this plan, we are already managing the MixtICS business and have mostly integrated the network maintenance and repair functions and are in the process of integrating the remaining services in further stages. To date, most of the cable business services have been provided to us by Electrabel, the former operator of the MICs cable systems, pursuant to a services and transfer agreement between Electrabel and MixtICS. As we complete the integration of MixtICS, we anticipate incurring some additional costs as compared with expenses charged by Electrabel under the services and transfer agreement. The level of additional costs may be higher than we expect.

The outstanding tasks involved in the integration of MixtICS with our other operations remains a substantial undertaking, which may result in unexpected difficulties and cost more than we expect. In particular, the migration of subscriber data and billing for cable television services currently provided by Electrabel to us, and the combination of our subscriber data and billing systems into a uniform platform, may result in a loss of subscriber data, billing errors and delays, which could negatively impact our cash flows and customer relationships. The integration of financial control systems and the standardization of accounting practices between our business and that of MixtICS may present additional challenges.

Concurrently with the integration of MixtICS, we plan to migrate all of our businesses, including MixtICS, to an integrated data management and reporting platform using Oracle enterprise resource planning ("ERP") software. The initial introduction of an ERP system increases the potential for losses, errors and delays in our data collection and customer services, any of which could adversely affect our business.

Under the services and transfer agreement between Electrabel and MixtICS, the portion of Electrabel's existing employee base that was assigned to MixtICS is scheduled to be transferred to us during the first quarter of

2004, although we may seek to extend the transfer date to the start of the second quarter of 2004 based on operational considerations. Because these employees have been part of a different work culture, their continued integration into Telenet may present complications that affect our operations and will require us to incur additional training costs. Integration difficulties could have a material adverse effect on our business and on our ability to make payments on the Notes.

Failure to maintain and upgrade the Combined Network or make other network improvements, or the occurrence of events that result in damage to the Combined Network, could have a material adverse effect on our operations and impair our financial condition.

We and our local municipal partners recently upgraded the Combined Network to a hybrid fiber coaxial ("HFC") standard with bi-directional digital capabilities. In 2004, we anticipate capital expenditure of between € 140 million to €160 million. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Expenditure." Our assumptions regarding the costs associated with maintenance and upgrades of the Combined Network and our coaxial network may prove to be inaccurate, including if we are unable in the future to effectively reduce the number of homes served by each node in our network, which should enable us to relieve local network capacity constraints. If capital expenditure exceeds our projections or our operating cash flow is lower than expected, we may be required to seek additional financing. Our inability to secure additional financing may adversely affect capital expenditure and operational plans. As part of our upstream capacity upgrade, our subscribers will have to retune their television sets. Subscribers may have difficulty doing this, which could result in negative publicity and greater expense associated with the upgrade.

If any part of the Combined Network is subject to a flood, fire or other natural disaster, terrorism, a power loss, or other catastrophe, our operations and customer relations could be materially adversely affected. Although our network is built in resilient rings to ensure the continuity of network availability in the event of any damage to our 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 our business. Disaster recovery, security and service continuity protection measures that we have or may in the future undertake, and our monitoring of network performance from our network operating center in Mechelen, may be insufficient to prevent losses. In the event of a power outage or other shortage, we do not have a back-up or alternative supply source. A power outage in one segment of the network could cause the entire network to shut down. In addition, our business is dependent on certain sophisticated critical systems, including our switches, billing and customer service systems. The hardware supporting those 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 our business. We do not insure the coaxial portion of our network. Any catastrophe or other damage that affects our coaxial network could result in substantial uninsured losses.

Our pending acquisition of the Canal+ Assets and our acquisition of Codenet pose significant challenges, and difficulties integrating either acquisition may adversely affect our operating results.

Our pending acquisition of the Canal+ Assets and our recent acquisition of Codenet pose significant management and financial challenges. These include:

- integration of the acquired businesses in a cost-effective manner, including network infrastructure, management information and financial control systems, marketing, customer service and product offerings;
- outstanding or unforeseen legal, regulatory, contractual, labor or other issues arising from the acquisitions;
- retention of customers and maintenance of brand recognition;
- integration of different company and management cultures; and
- retention, hiring and training of key personnel, particularly because we may need to hire additional employees to help operate the Flemish Canal+ Assets (in addition to the Canal+ employees being transferred to Telenet).

These challenges could strain our management and financial resources. If we cannot successfully integrate these acquisitions on a timely and efficient basis and retain or hire key personnel, we may incur higher than expected costs and not realize all the benefits of these acquisitions. Integration or other acquisition difficulties could have a material adverse impact on our financial condition and results of operations. In addition, our operating margins will be lower following the completion of the acquisitions. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Current Developments."

Conditions imposed on the Canal+ Acquisition, a failure to complete the Canal+ Acquisition or the inability to ensure sufficient access to premium programming could have an adverse effect on our operating results.

Although the Belgian competition authority (*Raad voor de Mededinging*) has approved our acquisition of the Canal+ Assets (the "Canal+ Acquisition"), it has imposed several conditions on its implementation that require us, among other things, to grant other premium television service providers access to our network on commercially reasonable terms and to offer the Canal+ premium service to other television network operators which could be our competitors. We also cannot enter into contracts with broadcasters that make us the exclusive distributor of their signal. These requirements may constrain our ability to market the Canal+ offering and to maximize the use of our network by requiring us to devote bandwidth to services of competing providers. In addition, the decision of the Belgian competition authority authorizing our acquisition of the Canal+ Assets may be appealed within 30 days from the publication of the decision in the Belgian Official Gazette (*Belgisch Staatsblad*). Such an appeal, if successful, could increase the number of conditions to which we would be subject in connection with our operation of the Canal+ Assets, or could even disallow the acquisition altogether. See "Business—Our Products and Services—Cable Television—Premium Services."

Our acquisition of the Canal+ Assets is also subject to a number of contractual conditions, including the sale to other third parties of the assets of Canal+ in the French-speaking region of Belgium. In addition, we need to obtain consents from the relevant movie studios and certain other suppliers of programming rights to Canal+. These parties may not provide such consents, or may renegotiate the terms of the contracts in connection with granting the required consents. As our core business is content distribution and not content programming, in the longer term we may transfer the programming rights to a third party, although we would expect to retain access to the transferred content. Any such transfer would also require consent from the relevant movie studios and other suppliers of programming rights, as well as the consent of the Belgian competition authority.

A failure to complete the Canal+ Acquisition may adversely affect our business. For example, if the Canal+ Assets are sold to another party, that new owner could elect not to distribute Canal+'s premium channels to Telenet subscribers but instead distribute those channels to the subscribers of our competitors. Alternatively, the new owner could offer those channels to us at higher prices than we currently pay. In addition, if we do not acquire Canal+, we may not be able to offer digital television, as we would fail to regain and more efficiently allocate the nine channels of our network currently used by the Canal+ group, acquire certain digital equipment and gain access to Canal+ employees with digital expertise. Also, our pending dispute with Canal+ regarding the termination of our contractual arrangements would be less likely to be favorably resolved if the acquisition is not completed. See "Business—Legal Proceedings—Canal+ Litigation."

If the Canal+ Acquisition is successful, the renewal of Canal+'s programming contracts on favorable terms cannot be assured. Canal+ provides premium and pay-per-view programming to our subscribers but does not produce or own its own content, and we do not otherwise offer any such programming. A major factor in Canal+'s ability to attract and retain subscribers is its movie, sports and other programming, including the televising of the Belgian soccer premier league. Our inability to obtain enough attractively priced competitive programming to meet our needs, owing to the inability of Canal+ to renew programming contracts or otherwise, could reduce demand for our television services and adversely affect our operating results. In addition, some of the programming contracts require Canal+, and would require us upon completion of the Canal+ Acquisition, to pay prices for the programming based on a guaranteed minimum number of subscribers, notwithstanding a lower number of actual subscribers. Therefore, if Canal+ or we misjudge anticipated demand for the programming, the profitability of our service may be impaired.

Risks Relating to Our Management and Principal Shareholders

Our controlling shareholder, Cable Partners, is likely to undergo a restructuring, which may result in a change of ownership in the near future that could give a third party a significant degree of control over Telenet.

Pursuant to the shareholders' agreement among our shareholders, Cable Partners Europe, LLC ("Cable Partners") has the indirect right to appoint half the members of our board of principal directors and the board of directors of each of our subsidiaries. One of the directors appointed by Cable Partners is the chairman of each board of directors and has the casting vote on all matters. Consequently, Cable Partners has control at our board of directors and the boards of directors of our subsidiaries, subject to certain supermajority voting requirements. Cable Partners' right to appoint half of the board of directors will end on December 31, 2004 or earlier if any of the following events occur:

- the consortium led by Cable Partners (the "Cable Partners Consortium") (which includes Cable Partners, Evercore and CDPQ) ceases to own at least 17.2% of our shares; or

- a change of control of Cable Partners occurs and a majority of our shareholders decide to terminate Cable Partners' control of our board of directors.

A change of control of Cable Partners under the shareholders' agreement can arise if:

- Richard J. Callahan and Andrew J. Sukawaty both cease to be actively engaged in the management and leadership of Cable Partners;

- Cable Partners ceases to own and control 50.1% of the voting equity of Callahan Investco Belgium 1 S.à R.L. ("CAI Belgium"); or

- a competitive investor obtains control over Cable Partners.

Cable Partners' investment in us is indirect. Cable Partners owns all of Callahan Associates Holding Belgium LLC, which entity in turn owns approximately 66% of CAI Belgium and 82% of Callahan Investco Belgium 2 S.à R.L. ("Investco2"), both of which are direct investors in us and collectively own approximately 19% of our outstanding shares. Cable Partners pledged all of the shares of Callahan Associates Holdings Belgium ("CAMB") and CAMB pledged all the shares of CAI Belgium and Investco2 to Merrill Lynch as collateral for an approximately €70 million loan from Merrill Lynch Capital Corporation ("Merrill Lynch") that matures on February 9, 2004. An affiliate of Merrill Lynch is one of the initial purchasers of the Notes offered hereby and the Senior Discount Notes. Merrill Lynch recently sold the loan and related collateral, including the share pledges, to an affiliate of Liberty Media Corporation ("Liberty Media"). CAI Belgium has pledged certain of its shares in us to Motorola as collateral for an approximately €15 million loan to CAI Belgium that matures on February 9, 2004.

Cable Partners is actively attempting to restructure its debt and equity interests. The restructuring may be effected as soon as January 2004 and would likely involve Liberty Media and/or another third party acquiring a significant equity interest in CAMB, CAI Belgium and Investco2 or Cable Partners. It is currently anticipated that under the restructuring Mr. Callahan and Mr. Sukawaty would remain involved in the management and leadership of Cable Partners, and that CAI Belgium would retain its governance rights with respect to our group (which expire on December 31, 2004, at the latest). We have also received expressions of interest in acquiring a direct stake in our group, although we are not considering any such transactions currently.

Liberty Media will have the right to exercise the share pledge over CAMB and CAI Belgium and Investco2 beginning on February 9, 2004. If the share pledges are exercised, a change of control would be triggered under the shareholders' agreement and Cable Partners could lose its governance rights over our group. Alternatively, Liberty Media or any other entity could acquire control of Cable Partners and, depending on the terms of the acquisition, retain Cable Partners' governance rights with respect to our group. Motorola, a significant supplier to our group, may enforce its share pledge beginning on February 9, 2004, although the other investors in CAI Belgium have the right to repay this loan and retain ownership of the pledged Telenet shares.

The interests of Cable Partners, Liberty Media or any other third party who may become a party to the restructuring of Cable Partners may conflict with your interests. Whoever is controlling us might cause us to pursue business combinations, acquisitions, divestitures, financings and other transactions that could enhance the value of their equity investment, even though those transactions might involve risks to you as holders of the Notes. Certain decisions of our board of directors, including with respect to business combinations, acquisitions, debt financings and affiliate transactions, are subject to supermajority voting requirements, which means that some of our directors other than those appointed by Cable Partners must also vote in favor of such decisions. A restructuring of Cable Partners and related changes to our board of directors would not trigger the change of control repurchase obligation under the indenture governing the Notes. Likewise, a change of control under the shareholders' agreement would not necessarily constitute a change of control under the indenture.

See "Management and Governance—Shareholders' Agreement—Composition of the Boards of Directors—Governance Period," "Description of the Notes—Change of Control" and "Plan of Distribution."

We may have conflicts of interest with our principal shareholders, which could adversely affect our business and your investment in the Notes.

The principal shareholders of Telenet Group Holding, our parent company, are: the MICs, the Cable Partners Consortium, GIMV NV, a consortium of regional financial institutions (the "Financial Consortium"), the PICs/Interkabel CVBA and Electrabel, which own 33.3%, 21.6%, 15.1%, 15.1%, 9.3% and 4.9% of our shares, respectively. See "Principal Shareholders."

The Cable Partners Consortium will exercise significant control over the Board of Directors of all of the companies in our group until December 31, 2004, unless the Cable Partners Consortium ceases to own at least 17.2% in our parent company or certain other changes of control occur. Cable Partners has in the past acquired, and may in the future acquire, other cable television, Internet, data and telephony businesses, which may reduce the attention that directors appointed by Cable Partners can devote to our business and the level of management resources that Cable Partners can provide us. See "Certain Relationships and Related Transactions."

We may also have conflicts of interest if we engage in commercial transactions with other entities controlled by any of our principal shareholders or if there are business opportunities that both we and another entity controlled by a principal shareholder would like to pursue. Transactions that we enter into with these entities may not be the result of arm's length negotiations. Consequently, such agreements may be less favorable than agreements we otherwise would have entered into with unaffiliated third parties. In addition, our shareholders' agreement requires us to grant preferential treatment to shareholders who are party to the agreement when we contract out certain services provided that all agreements between us 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. We currently have management and technical service contracts with Cable Partners, Electrabel, Interkabel and the PICs or their affiliates. See "Certain Relationships and Related Transactions." Although we have implemented policies to prevent conflicts of interest from arising with our principal shareholders, we cannot guarantee that conflicts will not in some instances arise. If they do, your investment in the Notes may be adversely affected.

In addition, the principal shareholders of Telenet Group Holding have entered a shareholders' agreement that, among other things, imposes supermajority voting requirements for certain decisions of the boards of directors, including decisions to make certain acquisitions, approve (or make certain deviations from) our group's annual budget and to appoint or remove our chief executive officer. These voting requirements may allow directors appointed by minority shareholders to in effect block votes on certain matters that could impair our group's ability to operate. See "Management and Governance—Shareholders' Agreement—Votes of the Boards of Directors."

The loss of any of our key executives could adversely affect our ability to manage our business.

Our success is substantially dependent upon the retention and the continued performance of our key executives, including Duco Sickinghe, our Chief Executive Officer and Managing Director; Leo Steenbergen, our Chief Financial Officer; Paul Van Cotthem, our Senior Vice President—Residential Markets; and Jan Vorstermans, our Senior Vice President—Technology, Engineering and Network Operations. The loss of the services of any of our key executives could adversely affect our growth, financial condition and results of operations.

Risks Related to Regulatory and Legislative Matters

We are subject to significant government regulation, which could require us to make additional expenditures or limit our revenues.

Our activities as a cable television and telephony operator in Flanders are subject to extensive regulation and supervision by various regulatory bodies, including local, Flemish and national authorities and the European Union. These regulations may increase our administrative and operational expenses and limit our revenues. Our Internet and data businesses are not currently subject to extensive regulation, but could be in the future. You should review the information contained in "Regulation" carefully before deciding to invest in the Notes.

We are subject to, among other things:

- price regulation for certain services that we provide;
- rules governing the interconnection between different telephone networks and the interconnection rates that we can charge and that we pay;
- marketing restrictions that limit how we can sell, among other things, combined Internet and telephony products;
- requirements that, under specified circumstances, a cable system carry certain broadcast stations or obtain consent to carry a broadcast station;
- rules for license renewals and transfers;
- rules and regulations relating to subscriber privacy;
- taxes imposed on our public rights of way; and
- other requirements covering a variety of operational areas such as land use and environmental protection, equal employment opportunity, technical standards and subscriber service requirements.

Changes in applicable law, regulations or government policy (or in the interpretation of existing laws or regulations) could greatly influence our viability and how we operate our business and introduce new products and services. Our 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. Our ability to introduce new products and services may also be affected if we cannot predict how existing or future laws, regulations or policies would apply to such product or service.

Pending legislation may significantly alter the regulatory regime applicable to us, which could adversely affect our competitive position and profitability.

The Belgian government is currently considering significant changes to the current regulatory regime applicable to the provision of telephony, Internet and broadcasting services in order to implement the European Union's new Community Electronic Communications Regulatory Framework and the related Universal Service Directive, the Access Directive, the Authorization Directive and the Data Protection Directive (collectively, the "New Framework"). As explained in "Regulation—The New Framework," the New Framework is expected to replace our current telephony and broadcasting licenses with general authorizations and could impose pricing and service restrictions on entities deemed to have "significant market power" in any market in which they operate. See "—We may become subject to more extensive regulation if we are deemed to possess significant market power in any of the markets in which we operate." Although provisions of the New Framework will reduce the number of conditions with which we must currently comply under our licenses, other aspects of the New Framework may adversely affect us. See "Regulation—The New Framework." In addition, other provisions of relevant laws and regulations may be reviewed as the New Framework is implemented. Legislators could decide, for example, to allow local municipalities to tax the rights of way over which the Combined Network runs, as the municipalities have requested before. Such a tax liability could be substantial. These potential changes may have a material adverse effect on our business, prospects, results of operations and financial condition.

We may become subject to more extensive regulation if we are deemed to possess significant market power in any of the markets in which we operate.

The New Framework imposes pricing and service restrictions on entities deemed to have significant market power in any of the markets in which they operate. The European Commission has identified "wholesale broadband access" and "broadcasting transmission services to deliver broadcast content to end-users" as candidate markets. There is a risk that we could be found to have significant market power in these markets if Belgian authorities identify these areas as relevant markets in which there is not sufficient competition. Such a determination could require us to provide other service providers access to our network for purposes of providing competing broadband and broadcasting services at regulated prices, and impose other restrictions on how we operate the Combined Network and market our services. Granting such access would limit the bandwidth available for us to provide other products and services to the customers served by the Combined Network. Such regulation could:

- impair our ability to use our bandwidth in ways that would generate maximum revenue;
- create a shortage of capacity on the Combined Network, which could limit the types and variety of services we seek to provide our customers;
- strengthen our competitors by granting them access and lowering their costs to enter into our markets; and
- have a significant adverse impact on our profitability.

The European Commission has also identified the termination of calls from one telephony network to end users on another network as a market that may be regulated by the Belgian authorities. Under this defined market, whether a network operator would have significant market power 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. If we are found to have significant market power we may be required to reduce our interconnection termination rates.

We do not have complete control over the prices that we charge or the programming that we provide, which exposes us to third-party risks and may adversely affect our business and results of operations.

The Belgian Ministry for Economic Affairs and the regional program council must consent to any increase in the prices that we charge our subscribers for providing cable television. At the beginning of 2003, we received permission from these entities to increase our subscription fees by an average of approximately 25% (an average of approximately 15% in January 2003 and an additional 10% of the original price in July 2003). Prior to this increase, subscription prices for our overall cable television subscriber base had not changed since 1994. We may not receive approval for additional cable television subscription price increases in the future, which may have an adverse impact on our revenues, profitability of new products and services and ability to respond to market changes.

We are also required to carry certain broadcast and other channels on our cable system that we would not necessarily carry voluntarily. These "must carry" obligations currently apply to 15 of the television channels that we deliver to any specific end user. We 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 we are required to carry. The New Framework will permit these "must carry" obligations to remain in effect, and will allow Belgian authorities to set "appropriate remuneration" to cover the costs we incur as a result of being required to carry these channels. We cannot guarantee that the remuneration that we receive for providing these required channels will cover our actual costs of broadcasting these channels, or provide the return that we would otherwise receive if we were allowed to freely choose the programming we offer on our system. Under the "must carry" regulations currently in force, broadcasters can apply for "must carry" status, and it is possible that we may be required to carry additional channels in the future. Increasing the number of channels that we must carry on our network would use valuable network capacity that we could otherwise use to deliver alternative channels or services that may be profitable.

Litigation Risks

We face various litigation risks that could have a material adverse effect on our results of operations.

You should review "Business—Legal Proceedings" for a summary of some significant litigation and investigations that you should carefully consider before making a decision to invest in the Notes.

We are currently involved in a significant dispute with Belgacom relating to the price we charge competitors to interconnect to our telephony network, and an unfavorable outcome for us in this dispute would reduce the profitability of our telephony business.

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, over the protest of Belgacom, our request to increase the rates we charge other telephone operators to terminate domestic calls on the Combined Network. We then raised our interconnection termination rates and Belgacom appealed the BIPT's decision to the Council of State (*Raad van State*), the highest administrative court in Belgium. Separately, Belgacom has challenged the new rates before the commercial court (*Rechtbank van Koophandel*) of Mechelen, alleging that the new rates constitute abusive pricing. Although the case before the Council of State may not be decided for several years, we have been informed that the commercial court may issue a decision before the end of 2003, and we cannot ensure that the court will uphold our rate increases. An adverse decision from the commercial court may force us to reduce the interconnection rates we charge and could prevent us from raising our interconnection rates above their pre-August 2002 level altogether. If we cannot continue to charge our current interconnection rates, our revenues would decline, and our telephony operations could experience a significant decline in profitability. If the commercial or administrative courts were to require us to charge the original average interconnection termination rate of €0.009 per minute, we estimate that our annual revenues from interconnection would be reduced by approximately €20 million. In addition, if we are required to reduce our interconnection rates, we may be required to refund the excess amounts that we have collected since August 2002. See "Business—Legal Proceedings—Interconnection Litigation."

Failure to settle existing copyright claims of certain broadcasters and copyright collection agencies may have a material adverse effect on our cash flow and financial condition.

We, together with the other cable television operators in Belgium, have been engaged in extended litigation with copyright collection agencies and broadcasters regarding the fees we pay to transmit content over our cable networks. We have entered into settlement agreements with several of the copyright agencies and broadcasters pursuant to which we have had to pay additional amounts for the period from 1996-2002 and pursuant to which we will have to pay increased fees going forward. We have not yet entered into settlement agreements with several of the other copyright agencies and broadcasters.

The foreign public broadcasters have obtained a judgment of approximately €47.7 million against us and the other Belgian cable operators for additional copyright fees owed for the period from 1996-2001. The Belgian cable operators have appealed the judgment. We are jointly and severally liable for the full amount of the foreign public broadcasters judgment, which means that we may be liable for approximately €47.7 million if the other cable television operators do not pay their proportional share of the damages. Interest on outstanding amounts owed under the judgment will be payable from June 1, 2002 at the legal interest rate which is currently 7%. In addition to the litigation with the foreign public broadcasters, we together with the other Belgian cable companies are involved in ongoing litigation with other broadcasters and copyright collection agencies. We have set aside total provisions for copyright litigation in the amount of €43.3 million as of September 30, 2003. This amount includes €25.4 million for our share of the €47.7 million judgment relating to the foreign public broadcasters (and €22.2 million for other broadcasters and copyright collection agencies).

In order to meet the increased copyright fees that we will have to bear, we increased the copyright fees we charge our cable television subscribers in August 2003 from an average of €1.08 per month to an average of €1.81 per month. As part of the group of Belgian cable television operators, we plan to negotiate settlement agreements with the remaining copyright agencies and broadcasters. We cannot assure you, however, that we will be able to settle the outstanding case with the foreign public broadcasters and the other remaining parties, or that we will be able to spread the cost of the foreign public broadcasters judgment over future periods. A failure to achieve these objectives could have a substantial negative effect on our cash flows and results of operations. See "Business—Legal Proceedings—Copyright Litigation."

Risks Relating to the Issuer and the Intercompany Loans

The Issuer conducts no business operations of its own and will depend on payments from its subsidiaries to make payments on the Notes; the Issuer's subsidiaries will be subject to restrictions on making any such payments.

The Issuer's assets consist of shares in and loans to Telenet Bidco issued under the Bidco Proceeds Loan, the Existing Intercompany Loan and other intercompany loans. The Issuer conducts no business operations of its own and will have to rely on payments under these loans and dividends and other distributions from Telenet Bidco to pay the principal and interest due on the Notes. In addition, Telenet Bidco's assets consist of shares in and loans to its subsidiaries. Telenet Bidco conducts no business operations of its own and will have to rely on payments under these loans, including the Operaties Proceeds Loan, other loans, dividends and other distributions from its subsidiaries, to make payments on the Bidco Proceeds Loan and the Existing Intercompany Loan and to pay dividends and distributions to the Issuer. Telenet Operaties will rely in part on payments under the MixtICS Proceeds Loan and dividends and other distributions from MixtICS to make payments on the Operaties Proceeds Loan and to pay dividends and other distributions to Telenet Bidco. The Proceeds Loans and other intercompany loans among the Issuer and its subsidiaries are subordinated to the obligations of our subsidiaries to the lenders under the senior credit facility and may in the future be subordinated to other indebtedness of our subsidiaries. The terms of the senior credit facility and the Intercreditor Agreement and applicable law also restrict the ability of our subsidiaries to make payments and other distributions to the Issuer. Except for limited payments by Telenet Bidco under the Bidco Proceeds Loan and the Existing Intercompany Loan and for the Subsidiary Guarantees of the Subsidiary Guarantors, the Issuer's subsidiaries have no obligation to make payments to the Issuer to enable it to satisfy its obligations under the Notes or to make funds available for these payments, whether in the form of loans, dividends or otherwise. The Issuer is therefore subject to all risks to which our group is subject, to the extent such risks may affect the ability of its subsidiaries to make distributions to the Issuer.

If the subsidiaries of the Issuer are unable to distribute sufficient funds to it, the Issuer may not be able to make the required payments under the Notes when they become due. A default under the Notes would cause certain of our subsidiaries to be in default under the senior credit facility, which could materially adversely affect our growth, our financial condition and results of operations and result in our not having sufficient assets to make payments on the Notes. See "Description of Other Indebtedness."

Telenet Group Holding, the parent of the Issuer, has guaranteed the Notes on a senior basis although it is not subject to the covenants applicable to the Notes. Telenet Group Holding is a holding company and subject to risks similar to those identified above for the Issuer, which may affect the ability of Telenet Group Holding to make any payments that may become due and payable under its guarantee of the Notes.

The lenders under the Proceeds Loans may not be able to recover any amounts under the Proceeds Loans because of limitations on the lender's ability to receive payments thereunder.

The ability of the Issuer to take enforcement action against Telenet Bidco under the Bidco Proceeds Loan or the Existing Intercompany Loan is subject to significant restrictions imposed by the Intercreditor Agreement. In addition, in order to facilitate the consummation of an enforcement sale with respect to Telenet Bidco's shares by the security agent for the senior credit facility, all the Issuer's right, title and interest in the Bidco Proceeds Loan and the Existing Intercompany Loan, all of Telenet Bidco's right, title and interest in the Operaties Proceeds Loan and all of Telenet Operaties' right, title and interest in the MixtICS Proceeds Loan, have been pledged to the security agent on a first priority basis as security for the repayment in full of the senior credit facility. As a result of the foregoing:

- in the event of a liquidation, dissolution, bankruptcy, insolvency, moratorium or similar proceeding involving Telenet Bidco, Telenet Operaties or MixtICS, (i) the lenders under the senior credit facility will be entitled to payment in full of all amounts outstanding under the senior credit facility before the Issuer would be entitled to payments under the Bidco Proceeds Loan or the Existing Intercompany Loan and, as a result, before you would ultimately receive any payments on the Notes, and (ii) the Issuer will be required to turnover any amounts it receives under the Bidco Proceeds Loan or the

Existing Intercompany Loan, in each case, to the security agent for the senior credit facility until all amounts outstanding under the senior credit facility are paid in full;

- Telenet Bidco may not make payments in respect of the Bidco Proceeds Loans or the Existing Intercompany Loan in the event that any payment has not been made when due in respect of the senior credit facility, and this prohibition will continue until there is no outstanding payment default under the senior credit facility;

- the lenders under the senior credit facility may prevent Telenet Bidco from making payments to the Issuer (including in respect of the Bidco Proceeds Loan and the Existing Intercompany Loan) for a period of up to 179 days in the event that there exists any event of default under the senior credit facility;

- the Bidco Proceeds Loan and the Existing Intercompany Loan are subject to a 179-day standstill period on enforcement actions that could otherwise be taken if there is an event of default under the Notes;

- in the event that the lenders under the senior credit facility enforce their first priority pledge of receivables arising under the Bidco Proceeds Loan and the Existing Intercompany Loan, the Issuer's rights under the Bidco Proceeds Loan and the Existing Intercompany Loan may be assigned to a third party, and the Issuer would have no right, title or interest thereunder;

- in the event that the lenders under the senior credit facility enforce their first priority security interest with respect to the Operaties Proceeds Loan, Telenet Bidco's rights under the Operaties Proceeds Loan may be assigned to a third party, and Telenet Bidco would have no right, title or interest thereunder; and

- in the event that the lenders under the senior credit facility enforce their first priority security interest with respect to the MixtICS Proceeds Loan, Telenet Operaties' rights under the MixtICS Proceeds Loan may be assigned to a third party, and Telenet Operaties would have no right, title or interest thereunder.

Risks Related to the Subsidiary Guarantees, Pledges and Belgian Law

Your right to receive payment under the Subsidiary Guarantees will be junior in right of payment to other obligations of the Subsidiary Guarantors.

Telenet Bidco, Telenet Operaties, Telenet Holding and Telenet Vlaanderen will guarantee the Notes, jointly and severally, on a senior subordinated basis. Accordingly, to the extent that the Subsidiary Guarantees are enforceable, you would have a direct senior subordinated claim based on Subsidiary Guarantees against the Subsidiary Guarantors. However, the Subsidiary Guarantees are subject to subordination provisions similar to those described above with respect to the Bidco Proceeds Loan and the Existing Intercompany Loan and each subsidiary's guarantee will be junior in right of payment to the guarantee that subsidiary has given to the lenders under the senior credit facility and guarantees of other senior indebtedness of that subsidiary. As of September 30, 2003, after giving effect to the Refinancing, the Subsidiary Guarantors would have had approximately € 840 million of indebtedness outstanding under the senior credit facility that was senior in right of payment to the Subsidiary Guarantees (we estimate that approximately €701 million of indebtedness would have been guaranteed by MixtICS on a basis that is senior in right of payment to MixtICS's guarantee of the Operaties Proceeds Loan). As a result, you will not be able to collect under the Subsidiary Guarantees from the Subsidiary Guarantors until the guaranteed claims of the lenders under the senior credit facility and other senior indebtedness of that subsidiary have been satisfied in full. The subsidiaries granting these Subsidiary Guarantees may not have sufficient funds remaining to pay all amounts owing under the Subsidiary Guarantees after satisfying these more senior claims.

The Subsidiary Guarantees are subject to a standstill on enforcement and may be released in certain circumstances.

The Subsidiary Guarantees are subject to a 179-day standstill period in favor of the lenders under the senior credit facility, which may disadvantage you in the event that we are in financial difficulties and it would be advantageous to you to enforce the Subsidiary Guarantees immediately. The Subsidiary Guarantees may also be released in the event that the lenders under the senior credit facility enforce their security and sell one or more of our subsidiaries who granted a Subsidiary Guarantee or its parent, or in the event of certain disposals by our group. See "Description of the Notes—Subsidiary Guarantees." If this were to happen, you would not be entitled to enforce any Subsidiary Guarantee that had been released.

The guarantees of the Notes and the pledges may each be limited by applicable law or subject to certain limitations or defenses that limit the right to receive payment under the guarantees or to take enforcement action under the pledges.

The guarantees of the Notes by Telenet Group Holding and the Subsidiary Guarantors provide the holders of the Notes with a direct claim against the assets of the guarantors. Each of the guarantees, however, will be limited to the maximum amount that can be guaranteed by a particular guarantor without rendering the guarantee, as it relates to that guarantor, voidable or otherwise ineffective under applicable law. In addition, enforcement of any of these guarantees against any guarantor would be subject to certain defenses available to guarantors generally. These laws and defenses include those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose or benefit and regulations or defenses affecting the rights of creditors generally. If these laws and defenses are applicable, a guarantor may have no liability under its guarantee.

In particular, Belgian case law requires that a guarantee by a Belgian company of third-party obligations satisfy the following conditions: (i) it must be part of the corporate purposes of the guarantor, as provided for in its by-laws (*statuten*); (ii) the guarantor must derive an actual corporate benefit, consideration or advantage from the transaction secured by the guarantee, taken as a whole; and (iii) the guarantee must not be in an amount which is not commensurate with the financial capabilities of the company or its assets. The presence of an actual corporate benefit to a Belgian guarantor is a matter of fact and Belgian case law provides no clear definition of what constitutes an actual corporate benefit. The boards of directors of each of Telenet Group Holding and the Subsidiary Guarantors have resolved that the issuance of the Notes and its guarantee of the Notes confers an actual corporate benefit on themselves pursuant to the terms of their respective guarantees of the Notes. However, due to the absence of case law, we cannot assure you that a court in Belgium would agree with this determination. If a court in Belgium determined that actual corporate benefit is not established as to a guarantor, then the guarantee given by that guarantor could be declared void upon request of the guarantor (or its bankruptcy trustee). In addition, enforcement in Belgium of the guarantees is subject to authorization by the Belgian courts.

It is possible that a guarantor, a creditor of a guarantor or the bankruptcy trustee in the case of a bankruptcy of a guarantor, may contest the validity and enforceability of the guarantor's guarantee and that the applicable court may determine that the guarantee should be voided or declared unenforceable. For a description of the enforceability of obligations, including guarantees, in bankruptcy and judicial composition proceedings, see "—Belgian insolvency laws may adversely affect a recovery by the holders of the Notes."

The share charges and pledges of receivables are subject to similar limitations and defenses.

MixtICS has not directly guaranteed the Notes and the ability to recover on its guarantee of the Operaties Proceeds Loans is subject to significant limitations.

MixtICS, our cable television operating subsidiary, has not directly guaranteed the Notes, although MixtICS has guaranteed the obligations of Telenet Operaties under the Operaties Proceeds Loan and receivables arising under the MixtICS Proceeds Loan and the entire share capital of MixtICS have been pledged to secure the Notes. Accordingly, holders of the Notes will not have a direct contractual claim against MixtICS and the MixtICS Guarantee will be limited to the amount of the Operaties Proceeds Loan, which will be approximately €275 million. In addition, MixtICS's guarantee of the Operaties Proceeds Loan is subject to similar limitations on enforcement actions upon an event of default under the Notes as the Subsidiary Guarantees as well as similar subordination provisions.

The guarantee of MixtICS of the obligations of Telenet Operaties also will be subject to similar legal limitations as the guarantees of the Notes.

Your ability to recover under the share pledges and pledges of receivables under the Proceeds Loans is limited.

Under the share pledges, all the shares of Telenet Bidco, Telenet Operaties and MixtICS are pledged on a second priority basis to the Junior Security Agent for the Notes as joint creditor together with Holders to secure obligations under the Notes, the Subsidiary Guarantees and the indenture governing the Notes. Receivables arising under the Proceeds Loans will also be pledged on a second priority basis to the Junior Security Agent to secure the same obligations. The shares of each of these companies and all these receivables are pledged to secure obligations under the senior credit facility on a first priority basis. The priority of the share pledges is a function of their recording in the shareholders' register of the relevant company, and the priority of the receivables pledges is a function of when notice of the pledge is delivered to the debtor under the pledged receivable. These priorities are also contractually provided for in the Intercreditor Agreement. In addition, some claims (*voorrechten*) may rank by operation of law before any other claim that may be secured by the share pledges and pledges of receivables. These claims include, among others, court costs (*gerechtskosten*) and costs incurred for the preservation of the pledged assets.

You may not be able to recover on the share pledges or the pledges of receivables under the Proceeds Loans because the lenders under the senior credit facility will have a prior claim on all proceeds realized from any enforcement of these pledges and an enforcement sale with respect to the shares of any of Telenet Bidco, Telenet Operaties and MixtICS, which would be subject to compliance with certain provisions contained in the Intercreditor Agreement relating to procedures to be followed in connection with enforcement sales. If the proceeds realized from such sales of collateral exceed the amount owed under the senior credit facility, any excess amount of such proceeds will be paid to the Junior Security Agent for its own benefit and for benefit of owners of the Notes and other creditors permitted by the indenture governing the Notes to share in the collateral on an equal and ratable basis with the Notes. If there are no excess proceeds from sales of collateral, or if the amount of such excess proceeds is less than the aggregate amount of the obligations under the Notes and other obligations that share in the collateral on an equal and ratable basis with the Notes, you will not recover some or all of the amounts owed to you under the Notes. The Subsidiary Guarantees will be automatically released at the time of an enforcement sale with respect to Telenet Bidco shares, so the Trustee and the holders of the Notes will have no claims under the Subsidiary Guarantees following an enforcement sale. In addition, the Subsidiary Guarantee of Telenet Operaties and the guarantee of the Operaties Proceeds Loan by MixtICS will be automatically released at the time of an enforcement sale with respect to the shares of Telenet Operaties, and MixtICS will be automatically released from its guarantee of the Operaties Proceeds Loan at the time of an enforcement sale with respect to the shares of MixtICS. The ability of the holders of the Notes to require the security agent to take enforcement action under the share pledges or the pledges of receivables under the Proceeds Loans is subject to significant restrictions imposed by the Intercreditor Agreement. The Intercreditor Agreement provides for a 179-day standstill period on enforcement of the share pledges and the pledges of receivables under the Proceeds Loans after an event of default under the Notes.

The share pledges and pledges of receivables will not be granted directly to the holders of Notes.

The share pledges and pledges of receivables that will constitute security for obligations of the Issuer and the guarantors of the Notes, under the Notes and the indenture governing the Notes, will not be granted directly to the holders of the Notes but will be granted only in favor of the Junior Security Agent for the Notes, acting as joint creditor together with the holders of the Notes, of all such obligations. As a consequence, holders of the Notes will not have direct security and will not be entitled to take enforcement action in respect of the security for the Notes and the guarantees of the Notes, except through the Junior Security Agent for the Notes, which has agreed to apply any proceeds of enforcement on such security towards such obligations. The Junior Security Agent for the Notes will agree with the Trustee for the Notes that the Junior Security Agent will hold the security and any proceeds of the security in trust for the benefit of holders of the Notes and the trustee under the Notes. However, as the Junior Security Agent has, as joint creditor together with the holders of the Notes, a claim against the Issuer and the guarantors of the Notes for the full principal amount of the Notes, holders of the Notes bear some risks associated with a possible insolvency or bankruptcy of the Junior Security Agent. The indenture governing the Notes will provide that the Junior Security Agent will be replaced if it ceases to be rated at least "A" by Standard & Poor's Ratings Service or Moody's Investors Service Inc (or an equivalent rating). The Junior Security Agent for the Notes will agree that it will only proceed against the security with the approval of the trustee for the Notes and for the purpose of recovery against the pledged shares and receivables. Nonetheless, there can be no assurance that, in the event of an insolvency or bankruptcy of the Junior Security Agent, a trustee in bankruptcy, receiver or similar entity would not assert rights as a joint creditor for the full amount of the Notes.

Belgian fraudulent conveyance law may adversely affect the enforceability of the Notes, the guarantees of the

Notes, the MixtICS Guarantee, the share pledges and pledges of receivables under the Proceeds Loans.

The issuance of the Notes, the guarantees of the Notes, the guarantee by MixtICS of the Operaties Proceeds Loan, the pledges of the shares of Telenet Bidco, Telenet Operaties and MixtICS and the pledge of receivables arising under the Proceeds Loans may be subject to review under the Belgian fraudulent conveyance law (*actio pauliana*) enacted for the protection of creditors. Under the Belgian fraudulent conveyance law, a creditor could bring a claim and a court could declare the Notes or any of the guarantees or pledges ineffective (*niet-tegenstelbaar*) with respect to the creditor bringing the claim if the following conditions are met:

- the creditor's claim arose before the challenged transaction, commitment or agreement;
- the challenged transaction, commitment or agreement has caused a financial prejudice to the creditor or has a material adverse effect on the possibility that the creditor will recover its claim;
- the debtor entered into the transaction, commitment or agreement knowing that it would financially prejudice the creditor; and
- the party entering the challenged transaction, commitment or agreement with the debtor, knew or should have known, that the transaction was abnormal, causing a financial prejudice to other creditors of the debtor. In the case of gratuitous acts (such as, arguably, providing a guarantee or other security for third-party obligations), it has been held that this knowledge test does not apply.

When successful, the plaintiff-creditor will receive a court ruling holding that the challenged transaction, commitment or agreement is ineffective with respect to such plaintiff-creditor, the debtor and the beneficiary of the challenged transaction, commitment or agreement.

In insolvency proceedings, Belgian bankruptcy law has specific provisions relating to fraudulent conveyance and voidable preferences. See "—Belgian insolvency laws may adversely affect a recovery by the holders of the Notes."

If a court were to find that the issuance of the Notes, a guarantee of the Notes, the guarantee by MixtICS of the Operaties Proceeds Loan, a pledge of shares or a pledge of receivables was a fraudulent conveyance, the court could hold that the payment obligations under the Notes, such guarantee or such pledge are ineffective, or require the holders of the Notes to repay any amounts received with respect to the Notes or such guarantee. In the event of a finding that a fraudulent conveyance occurred, you may not receive any repayment on the Notes or the guarantees of the Notes.

Belgian insolvency laws may adversely affect a recovery by the holders of the Notes.

The Issuer of the Notes, the guarantors of the Notes and MixtICS are incorporated, and have their principal place of business, in Belgium and, consequently, may be subject to insolvency laws and proceedings in Belgium.

There are two types of insolvency procedures under Belgian law:

- the judicial composition (*gerechtelijk akkoord*) procedure; and
- the bankruptcy (*faillissement*) procedure.

Judicial Composition

A proceeding for a judicial composition may be commenced if either:

- the debtor is temporarily unable to meet its payment obligations; or
- if certain difficulties jeopardize the continuation of the debtor's business which could lead to cessation of payments in the short run. The continuation of the debtor's business is in any event deemed to be jeopardized if, as a result of losses, the debtor's net assets have declined to less than 50% of its stated

capital.

A debtor is only eligible for judicial composition if its financial position can be restructured and if economic recovery (*i.e.*, a continuation of the business in the long-term) is possible. A request for a judicial composition can be filed either on the initiative of the debtor (by a petition) or on the initiative of the public prosecutor. During an initial request period, the debtor cannot be dissolved and cannot be adjudicated into bankruptcy. The court can consider a preliminary suspension of payments during an initial period of six months, which can be extended by up to a maximum period of three months at the request of the company. As a rule, creditors cannot enforce their rights against the debtor's assets during the period of preliminary suspension of payments, except in the following circumstances:

- failure by the debtor to pay interest or charges falling due in the course of the preliminary suspension period; or

- failure by the debtor to pay any new debts (*i.e.*, debts which have arisen after the date of the judicial composition).

Creditors have to file their claims within the period indicated in the judgment.

During the preliminary suspension period, the debtor must draw up an installment plan or a reorganization plan which must be approved by a majority of its creditors (having filed their claims with the court), who were present at a meeting of creditors and whose aggregate claims represent over half of all outstanding claims of the debtor. This plan will be approved by the court provided it does not violate public policy and that the company's management offers sufficient guarantees of integrity. The plan will be binding on all creditors listed in the plan. The court can then award a final suspension of payments for a maximum period of 24 months as from the date of the judgment. This term can be extended by up to a maximum of 12 months. Enforcement rights of creditors whose claims are secured by an *in rem* right, such as a share pledge, are as a rule not bound by the plan. Such creditors may, as a result, enforce their security from the beginning of the final suspension period. Under certain conditions, enforcement by such creditors can be suspended for up to 18 months from the date that the court approves the plan.

Any provision providing that an agreement would be terminated as the result of a debtor entering a judicial composition is ineffective.

Bankruptcy

A company 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 company must file for bankruptcy. If the company is late in filing for bankruptcy, its directors could be held liable for damages to creditors as a result thereof. Bankruptcy procedures may also be initiated on the request of unpaid creditors or on the initiative of the public prosecutor.

Once the court decides that the requirements for bankruptcy are met, the court will establish a date before which claims for all unpaid debts must be filed by creditors. 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.

Payments or other transactions (as listed below) made by a company during a certain period of time prior to that company being declared bankrupt (the "suspect period") (*verdachte periode*) can be voided for the benefit of the creditors. The court will determine the date of commencement and the duration of the suspect period. This period starts on the date of sustained cessation of payment of debts by the debtor. Usually, the court will establish this date in a separate judgment after the bankruptcy judgment, but this date cannot be earlier than six months before the date of the bankruptcy judgment, unless a decision to dissolve the company was made more than six months before the date of the bankruptcy judgment, in which case the date could be the date of such decision to dissolve the company. Creditors can start proceedings to determine the date of commencement of the suspect period within six months following the bankruptcy judgment. The ruling determining the date of commencement of the suspect period or the bankruptcy judgment itself can be opposed by third parties, such as other creditors, within 15 days following the publication of that ruling in the Belgian Official Gazette.

The rules on transactions which can or must be voided for the benefit of the bankrupt estate in the event of bankruptcy are as follows:

- Any transaction entered into by a Belgian company during the suspect period is ineffective if the value given to such creditors significantly exceeded the value the company received in consideration.

- Any transaction entered into by a company which has stopped making payments may be voided upon the subsequent bankruptcy of such company if the counter party to the transaction was aware of the suspension of payments.

- Security interests granted during the suspect period must be declared ineffective if they intend to secure a debt which existed prior to the date on which the security interest was granted.

- Any payments (in whatever form, *i.e.* money or in kind or by way of set-off) made during the suspect period of any debt which was not yet due as well as all payments made during the suspect period other than with money or monetary instruments (checks, promissory notes, etc.) must be declared ineffective.

- Any transaction or payment effected with fraudulent intent will be set aside irrespective of its date.

Following a judgment commencing a bankruptcy proceeding, enforcement rights of individual creditors are suspended. Creditors secured by *in rem* rights, such as share pledges, will regain their ability to enforce their rights under the security after the bankruptcy trustee has verified the creditors claims.

It is possible that a court may apply voting and meeting provisions of Belgian law which are different than the requirements in the indenture which may prejudice your interests.

The terms of the indenture governing the Notes allow for amendments and modifications to certain terms of the Notes without the approval of the holders of Notes and require the approval of each holder of Notes affected by an amendment or modification for certain other terms. Under Belgian law, the minimum requirement for certain amendments or modifications to the terms of "bonds" (within the meaning of Article 568 of the Belgian Company Code) is the approval of holders of 75% in principal amount of the bonds held by holders present (in person or by proxy) at a duly convened bondholders' meeting. In addition, the precise scope of Article 568 of the Belgian Company Code, which specifies the amendments and modifications that are required to be approved at a bondholders' meeting, is not entirely clear. Although we believe that the provisions of the indenture governing the Notes that relate to amendments should apply, it is possible that a court might apply Belgian law and recognize amendments or modifications to the terms of the Notes, including changes related to interest rates and the maturity date of the Notes, adopted in accordance with Belgian law even if the terms of the indenture governing the Notes require approval by a majority in aggregate principal amount of the Notes outstanding or the consent of each affected holder of Notes.

Risks Related to the Offering

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

We are offering the Notes in reliance upon exemptions from registration under the 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 Securities Act and all applicable state securities laws. You should read the discussions under "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.

We cannot assure you that an active trading market will develop for the Notes.

Prior to the offering, there was no market for the Notes. Although we have applied for listing of the Notes on the Luxembourg Stock Exchange, we cannot assure you that the Notes will be or will remain listed on that stock exchange or that active trading markets will develop for the Notes. The initial purchasers have informed the Issuer that they intend to make a market in the Notes after the offering is completed. The initial purchasers, however, may cease their market-making at any time without notice. The price at which the Notes may trade will depend on many factors, including, but not limited to, prevailing interest rates, general economic conditions, our performance and financial results and markets for similar securities. Historically, the markets for non-investment grade debt such as the Notes have been subject to disruptions that have caused substantial volatility in their prices. The market, if any, for the Notes may be subject to similar disruptions which may have an adverse effect on the holders of the Notes.

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

Unless and until Definitive Registered Notes are issued in exchange for book-entry interests in the Notes, owners of the book-entry interests may not in all cases be considered owners or holders of Notes. The person shown in the records of the NBB or the direct or indirect participants in the clearing system operated by the NBB (the "X/N System") as the holder of a particular principal amount at maturity of the Global Notes will for all purposes be treated by the Issuer and any paying agent as the holder of such principal amount of Global Notes other than with respect to the payment of principal, premium (if any), interest on such Global Notes, the right to which will be vested, as against the Issuer and the Trustee, solely in the person shown in the records of NBB as the holder of such principal amount at maturity of the Global Notes. Under Belgian law, holders of book-entry interests in the Global Notes through the X/N System will have a co-ownership right in the Global Notes held in custody by the NBB. Holders of book-entry interests with Euroclear and Clearstream, Luxembourg will have a co-ownership right in the Notes credited to Euroclear or Clearstream, Luxembourg participants in the X/N System.

Payments of principal, interest and other amounts owing on or in respect of the Notes in global form will be made to a Belgian paying agent, which will make payments to direct participants in the X/N System, including Euroclear and Clearstream, Luxembourg. Thereafter, payments will be made by Euroclear and Clearstream, Luxembourg to their accountholders. None of the Issuer nor any of its affiliates or subsidiaries, or the Trustee, will have any responsibility or liability for any aspect of the records relating to, or payments of interest, principal or other amounts to, the X/N System or its participants, including Euroclear and Clearstream, Luxembourg, or to owners of book-entry interests.

Depending upon who is deemed to be the holder of the Notes for the purposes of consents and waivers, which may depend upon whether New York, Belgian or other law is applicable, and, in practice, upon who is able to obtain a holder certificate in accordance with the provisions in the Indenture for meetings holders of Notes or is otherwise able to obtain a certificate or certify that it is the holder of the Notes to the satisfaction of the Trustee, owners of book-entry interests may not have the direct right to act upon solicitations of proxies for meetings of holders of Notes or, in certain circumstances, for consents from or requests for waivers by holders of the Notes. Instead, they may be able to act only to the extent their instructions are given effect by direct and indirect participants in the X/N System, including Euroclear and Clearstream, Luxembourg. We cannot assure you that procedures implemented for giving effect to such instructions will be sufficient to enable you to vote on any requested actions on a timely basis.

You may have difficulty enforcing your rights against us, our directors and certain members of our senior management.

The Issuer, the Subsidiary Guarantors, MixtICS and Telenet Group Holding are limited liability companies organized under the laws of Belgium. Most of our directors and members of our senior management entrusted with the day-to-day management of our group ("executive officers"), are non-residents of the United States and substantially all our assets and the assets of our directors and executive officers are located outside of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon us and most of our directors and executive officers, or to enforce against us or them judgments obtained in U.S. courts predicated upon civil liability provisions of the federal securities laws of the United States.

Furthermore, we have been advised by our Belgian counsel that the United States is not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, in civil and commercial matters with Belgium. Therefore, enforcement in Belgium of any judgment obtained in a New York court based on civil liabilities, whether or not predicated solely upon the U.S. Federal securities laws, will be subject to certain conditions.

There is also doubt whether a Belgian court would have the requisite power or authority to grant remedies sought in an original action brought in Belgium on the basis of violations of the U.S. securities laws. See "Service of Process and Enforcement of Liabilities."

The Issuer may not be able to obtain enough funds to repurchase your Notes if a change of control takes place.

Upon a change of control (as defined in the indenture governing the Notes), you may require the Issuer to purchase all or part of the Notes then outstanding at 101% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, as applicable, to the date of repurchase. If a change of control were to occur, we cannot assure you that we would have sufficient funds to pay the purchase price of the outstanding Notes, and we expect that we would require third-party financing to do so. We cannot assure you that we would be able to obtain this financing on favorable terms, if at all. In addition, the senior credit facility imposes restrictions on distributions from our subsidiaries that will restrict our ability to repurchase the Notes, including pursuant to an offer in connection with a change of control. A change of control may result in an event of default under the senior credit facility and may cause the acceleration of other indebtedness which may be senior to, or rank equally with, the Notes. Our future indebtedness may also contain restrictions on repayment requirements with respect to certain events or transactions that could constitute a change of control under the indenture. The inability to repay senior indebtedness, if accelerated, and to purchase the tendered Notes, would each constitute an event of default under the indenture. See "Description of Other Indebtedness—Senior Credit Facility" and "Description of the Notes—Change of Control."

EXCHANGE RATE INFORMATION

Fluctuations in the exchange rate between the euro and other currencies may affect our business. The following chart shows for the period from January 1, 1999 through December 15, 2003, the period end, average, high and low noon buying rates in The City of New York for cable transfers of euro as certified for customs purposes by the Federal Reserve Bank of New York expressed as U.S. dollars per €1.00. The euro did not exist as a currency prior to January 1, 1999. The rates below may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this offering memorandum. Our inclusion of these exchange rates does not mean that the euro amounts actually represent such U.S. dollar amounts or that such amounts could have been converted into U.S. dollars at any particular rate, if at all. The noon buying rate of the euro on December 15, 2003 was U.S.$1.23 = €1.00.

The exchange rates between the euro and the U.S. dollar for 1998 is derived from the exchange rate between the Belgian Franc and the U.S. dollar, based on the noon buying rate in The City of New York for cable transfers of Belgian Franc as certified for customs purposes by the Federal Reserve Bank of New York for the applicable period, translated into euro at the fixed conversion rate of BEF40.3399 = €1.00.

	U.S. dollars per €1.00			
	High	Low	Period average[(1)]	Period end
Year				
1998	1.2154	1.0478	1.1056	1.1740
1999	1.1812	1.0016	1.0588	1.0070
2000	1.0335	0.8270	0.9207	0.9388
2001	0.9535	0.8370	0.8909	0.8901
2002	1.0485	0.8594	0.9495	1.0485

	U.S. dollars per €1.00			
	High	Low	Period average	Period end
Month				
January 2003	1.0861	1.0361	1.0622	1.0739
February 2003	1.0875	1.0708	1.0785	1.0779
March 2003	1.1062	1.0545	1.0797	1.0900
April 2003	1.1180	1.0621	1.0862	1.1180
May 2003	1.1853	1.1200	1.1556	1.1766
June 2003	1.1870	1.1423	1.1674	1.1502
July 2003	1.1513	1.1164	1.1346	1.1231
August 2003	1.1390	1.0871	1.1155	1.0986
September 2003	1.1650	1.0845	1.1267	1.1650
October 2003	1.1833	1.1596	1.1714	1.1609
November 2003	1.1995	1.1417	1.1710	1.1995
December 2003 (through December 15, 2003)	1.2290	1.1956	1.2161	1.2290

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(1) The average of the noon buying rates on the last day of each month during the relevant period.

OUR HISTORY

In September 1996, Telenet Holding NV ("Telenet Holding") was incorporated to deliver telephony and, later, Internet services to residential subscribers in Flanders. Its operating subsidiaries included Telenet Operaties NV ("Telenet Operaties") and Telenet Vlaanderen NV ("Telenet Vlaanderen"). Telenet Holding's original shareholders were:

- the mixed intercommunales ("MICs") in Flanders, which are utility companies that are owned by both municipalities and Electrabel, the former operator of the MICs cable systems;
- a consortium of regional financial institutions (the "Financial Consortium");
- GIMV NV ("GIMV"), a publicly listed company, of which a majority is owned by the Flemish government;
- six (now five) pure intercommunales ("PICs") in Flanders, utility companies wholly owned by municipalities that hold their interest through Interkabel Vlaanderen CVBA ("Interkabel"); and
- US West International Holdings, Inc. (which was subsequently renamed MediaOne International Holdings, Inc.).

In July 1997, Telenet Holding and its subsidiaries completed construction of their fiber backbone in Flanders. In order for Telenet Holding to be able to deliver services to its subscribers, it needed access to the "local loop" coaxial network of the MICs and PICs, which connect Telenet's fiber network to homes and businesses in Flanders. The MICs granted Telenet Vlaanderen a co-ownership right in their local loops, which allowed Telenet to provide certain point-to-point telecommunications, video and multimedia services to its subscribers. The PICs granted co-ownership rights in their local loops to Interkabel and Interkabel in turn granted to us rights to use the PICs' local loops to provide certain point-to-point telecommunications, video and multimedia services pursuant to a contribution deed dated September 23, 1996 (the "Interkabel Contribution Deed"). These usage rights continue for a period of 50-years, of which 43 years remain, and are automatically renewable for successive 15-year periods unless terminated with ten years prior notice. See "Business—The Combined Network—Our Usage Rights on the PICs Network." In January 1998, the Telenet Holding group began providing Internet and telephony services to the public.

The Telenet group found a new strategic partner in 2001 when Callahan Investco Belgium 1 S.à R.L. ("CAI Belgium"), a subsidiary of Callahan Associates International LLC ("CAI"), led a consortium of investors (the "Cable Partners Consortium") to acquire a controlling interest in the Telenet group. The Cable Partners Consortium acquired a controlling interest in Telenet Holding through Telenet Bidco NV ("Telenet Bidco"), which acquired its interest in Telenet Holding in exchange for a mixture of cash, equity and debt. CAI subsequently changed its name to Cable Partners Europe, LLC.

MixtICS Acquisition

In August 2002, the Telenet group acquired the cable television business of the MICs (the "MixtICS Acquisition"). Each of the ten MICs contributed their cable television businesses, including their network assets and subscribers, to a newly created vehicle, Mixt NV (which subsequently changed its name to MixtICS NV ("MixtICS")). Telenet Bidco acquired the shares of MixtICS in exchange for a mixture of cash, debt, certain deferred payment and other subordinated shareholder obligations and newly issued shares and warrants of certain members of the Telenet group. As part of the acquisition, Telenet Vlaanderen also assumed the obligation to pay the MICs certain deferred costs related to the upgrade of the MICs network. See "—Network Upgrade." Two new entities were also involved in the closing process, Telenet Group Holding NV ("Telenet Group Holding") (the current parent company of our group) and Telenet Holdco NV (now known as Telenet Communications NV, the "Issuer"). Telenet Group Holding owns all of the shares of the Issuer, which in turn owns all of the shares of Telenet Bidco.

As a result of the MixtICS Acquisition, the MICs' interest in our group increased significantly. After the closing of the acquisition, the principal shareholders of Telenet Group Holding were as follows: the MICs, 33.3%; Cable Partners Consortium, 21.6%; GIMV, 15.1%; the Financial Consortium, 15.1%; Interkabel, 9.3%; and Electrabel, 4.9%. The Cable Partners Consortium retained certain governance and control rights with respect to the Telenet group.

We plan to use a portion of proceeds from this offering to repay certain of the deferred payment and other subordinated shareholder obligations incurred in connection with the MixtICS Acquisition. The remaining subordinated obligations will be repaid from the proceeds of the issuance of the Senior Discount Notes. See "Use of Proceeds" and "Capitalization."

Network Upgrade

Our access agreements with the MICs and the PICs provided for an upgrade of their networks to a hybrid fiber coaxial ("HFC") standard with bi-directional digital transmission capabilities. This upgrade was substantially completed by June 2002. See "Business—The Combined Network—HFC Upgrade."

The PICs prefinanced the full amount required to upgrade their networks and the MICs prefinanced 40% of the amount required to upgrade their networks. The payments made pursuant to clientele agreements dated September 23, 1996 (the "Clientele Agreements"), were intended to enable the MICs and PICs to recover approximately 40% of these upgrade costs in exchange for access to their cable network subscriber databases (which represented all the amounts prefinanced by the MICs). Our obligations under our Clientele Agreement with the MICs expired after the MixtICS Acquisition, but our obligations to make payments to the PICs continue to exist. As part of the Interkabel Contribution Deed we agreed to pay an annuity fee to the PICs (such agreement to pay such fee, the "Annuity Agreement"), pursuant to which we agreed to reimburse the remaining 60% of the cost of the HFC upgrade for the PICs through repayments made over a ten or 20 year period depending on the useful life of the underlying assets that make up the HFC upgrade incurred by the PICs. Our outstanding obligations under the Clientele Agreements and the Annuity Agreement equaled approximately €92.2 million as of September 30, 2003. See "Description of Other Indebtedness."

In addition to the payments under the Clientele Agreements and Annuity Agreement we also agreed to pay the remaining 60% of the cost of the HFC upgrade to the MICs, which had not been prefinanced. These amounts were invoiced by Electrabel, which performed the work associated with the HFC upgrade, to the MICs, who in turn passed them to us. As of the closing of the MixtICS Acquisition, we had €81.0 million of these deferred payment obligations (the "HFC Deferrals"). A portion of the proceeds of this offering will be used to repay the HFC Deferrals.

Recent and Pending Acquisitions

We have entered into an agreement to acquire certain assets of the Canal+ group through our newly created subsidiary PayTVCo NV ("PayTVCo"). The proposed acquisition has been approved, subject to conditions, by the Belgian competition authority, although the decision is subject to appeal. We intend to complete the Canal+ Acquisition at the end of December 2003, with financial effect from December 1, 2003. If we are able to complete the acquisition, we intend to use the acquired assets to provide analog and digital premium programming directly to both our cable television subscribers and those of the PICs. In the longer term, we may transfer the movie studio and other programming contracts that we would acquire from this acquisition from the Canal+ group, although we would expect to continue to have access to content generated under those contracts.

On December 9, 2003, we acquired all of the outstanding shares of Codenet NV ("Codenet"), a provider of broadband Internet, data and voice services to business customers. This acquisition provides us with access to a network throughout Belgium and will enable us to provide our business customers a more comprehensive range of products and services. The acquisition has been approved by the Belgian competition authority, although that decision may be appealed within 30 days of the publication of the decision in the Belgian Official Gazette (*Belgisch Staatsblad*).

For more information on the Canal+ and Codenet acquisitions, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Current Developments."

Our Operating Subsidiaries

Under our current structure, Telenet Operaties provides the commercial services, marketing, customer service and network management for our broadband Internet and data and telephony services. We provide analog cable television service to the former cable subscribers of the MICs through our MixtICS subsidiary. Telenet Vlaanderen holds a 50-year right to use the PICs Network, of which 43 years remain and which is automatically renewable for successive 15-year periods unless terminated with ten years' prior notice. Telenet Vlaanderen has licensed this right to Telenet Operaties, providing Telenet Operaties access to the PICs Network to provide certain point-to-point telecommunications, video and multimedia services.

PayTVCo has been formed to acquire certain assets, subscribers and employees of the Canal+ group. If the acquisition of the assets is consummated, PayTVCo would hold a separate license for the provision of premium pay television services. Codenet, together with its Luxembourg subsidiary, will provide business services to our small and medium size and corporate, carrier and institutional customers. Codenet's other subsidiary, Phone-Plus SPRL, offers residential telephony using a carrier preselection service.

USE OF PROCEEDS

We estimate that the net proceeds from the sale of the Notes offered hereby will be approximately €470.0 million (after deducting the initial purchasers' discounts and estimated expenses incurred in connection with this offering).

We intend to use €155.0 million of the proceeds to reduce existing indebtedness under tranche A and tranche B of our senior credit facility, which, as of September 30, 2003, bore a blended interest rate of approximately 6% and on which payments of principal and interest are paid on a quarterly basis, with the final payment due on December 31, 2009. The initial purchasers or their affiliates are mandated lead arrangers, principal lenders and agents under this facility. We plan to use an additional €205.0 million to repay outstanding deferred payment obligations and subordinated shareholder loans owed to certain shareholders of Telenet Group Holding. As of September 30, 2003, these deferred payment obligations and loans bore interest rates of between 13% and 14% and matured no later than December 31, 2015. Interest on the deferred payment obligations and loans is paid in kind by adding to the principal amount of the obligations. The senior credit facility borrowings and deferred payment obligations (other than the HFC Deferrals) were undertaken in connection with the MixtICS Acquisition.

This offering is part of a larger Refinancing, which also includes:

- the drawdown of €20 million under tranche C-2 of our senior credit facility to pay certain deferred payment obligations;
- the drawdown of a new, non-amortizing €300 million tranche E under our senior credit facility to pay down amortizing tranches A and B under our senior credit facility; and
- the issuance of U.S. dollar denominated Senior Discount Notes, resulting in net proceeds in cash of €239.4 million (based on an exchange rate of $1.2382 = €1.00) to repay the remainder of our deferred payment obligations and subordinated shareholder loans owed to certain shareholders of Telenet Group Holding.

The following chart summarizes our expected sources and uses from the Refinancing:

Sources	**Amount** (euro in millions)	**Uses**	**Amount** (euro in millions)
Funding under senior credit facility[1]	320.0	Senior credit facility[1]	455.0
Notes offered hereby	500.0	Deferred payment obligations and subordinated shareholder loans[3]	455.2
Senior Discount Notes	258.2[2]	General corporate purposes[4]	110.0
		Estimated fees and expenses[5]	58.0
Total	1,078.2	**Total**	1,078.2

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(1) Includes the €20 million that we intend to draw under tranche C-2 of our senior credit facility concurrently with the closing of this offering and the creation of a new, non-amortizing tranche E under the senior credit facility which we intend to fully draw concurrently with the closing of this offering and which will provide €300 million to pay down amortizing tranches A and B under our senior credit facility. Excludes €140 million of additional available borrowing capacity under our senior credit facility.

(2) Telenet Group Holding's Senior Discount Notes will be denominated in U.S. dollars and the amount of proceeds received therefrom will be converted to euro at an exchange rate of U.S.$1.2382 = €1.00.

(3) €455.2 million includes the impact of accrued interest and deferred charges of approximately €20.0 million on the deferred payment

obligations and subordinated shareholder loans subsequent to September 30, 2003. We expect that €205 million of the deferred payment obligations will be paid through the proceeds of this offering with a further €20 million repaid from amounts drawn under our senior credit facility. The remainder of the deferred payment obligations, together with the subordinated shareholder loans, will be repaid from the proceeds of the issuance of the Senior Discount Notes.

(4) We intend to apply €100 million of the net cash proceeds of the Notes offered hereby to reduce our cash pay debt. To the extent that we do not use those proceeds to repay bank debt within 120 days after the completion of this offering, we will be obliged to offer to purchase the Notes at 100% of their principal amount, plus accrued and unpaid interest to the date of purchase. See "Description of the Notes—Par Offer."

(5) Includes approximately €30 million of estimated fees and expenses related to this offering, approximately €18.8 million of estimated fees and expenses related to the offering of the Senior Discount Notes and a redemption premium of approximately €9.2 million paid upon repayment of certain of the subordinated shareholder loans and deferred payment obligations.

CAPITALIZATION

The following table sets forth the historical cash and cash equivalents, and the capitalization, of Telenet Group Holding as of September 30, 2003, (i) as adjusted to reflect the net additional €20 million that was drawn under our senior credit facility on November 3, 2003, which was used to repay certain deferred payment obligations, and (ii) as further adjusted to reflect the Refinancing. The adjustments to reflect the Refinancing include:

- the €320 million that we intend to draw under non-amortizing tranches of our senior credit facility;
- the issuance of €500 million of Notes offered hereby;
- the issuance of U.S. dollar denominated Senior Discount Notes by Telenet Group Holding, resulting in net proceeds in cash of € 239.4 million, based on an exchange rate of $1.2382 = €1.00;
- the repayment of €455 million of amortizing debt outstanding under our senior credit facility, €300 million of proceeds from tranche E of our senior credit facility and €155 million from the proceeds of this offering; and
- the repayment of all existing deferred payment obligations and subordinated shareholder loans of Telenet Group Holding and its subsidiaries.

This table should be read in conjunction with our financial statements included elsewhere in this offering memorandum.

	As of September 30, 2003		
	Actual	As adjusted	As further adjusted for the Refinancing
	(euro in millions)		
Cash and cash equivalents(2)	53.7	53.7	163.7
Debt:			
Senior credit facility(3)	955.0	975.0	840.0
Notes offered hereby	-	-	500.0
Other long-term obligations(4)	119.6	119.6	119.6
Total cash pay debt	1,074.6	1,094.6	1,459.6
Subordinated shareholder funding(5)	455.2	435.2	—
Senior Discount Notes(6)(7)	—	—	258.2
Total debt(8)	1,529.8	1,529.8	1,717.8
Equity:			
Contributed capital	2,296.6	2,296.6	2,296.6
Accumulated deficit	(1,578.2)	(1,578.2)	(1,578.2)
Total shareholders' equity	718.4	718.4	718.4
Total capitalization	2,248.2	2,248.2	2,436.2

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(1) Includes €40 million that was drawn under tranche C-2 of the senior credit facility on November 3, 2003, €20 million of which was used to repay tranche C-1 of our senior credit facility and € 20 million of which was used to repay certain deferred payment obligations. These balances have not been adjusted for interest accruals subsequent to September 30, 2003.

(2) We intend to apply €100 million of the net cash proceeds of the Notes offered hereby to reduce our cash pay debt. To the extent that we do not use those proceeds to repay bank debt within 120 days after the completion of this offering, we will be obligated to offer to

purchase Notes at 100% of their principal amount, plus accrued and unpaid interest to the date of purchase. See "Description of the Notes—Par Offer."

(3) Excludes €100 million and €40 million of unused capacity under the revolving tranche and tranche C-2 of our senior credit facility, respectively.

(4) Includes €27.4 million capital lease obligations, and €42.0 million and €50.1 million due under the Clientele Agreements and the Annuity Agreement, respectively.

(5) Actual and as adjusted reflect mezzanine subordinated bonds, gap filling bonds and deferred payment obligations as of September 30, 2003. As further adjusted for the Refinancing reflects the repayment of all these obligations.

(6) The balance of the Senior Discount Notes includes the impact of accrued interest and deferred charges on the deferred payment obligations and subordinated shareholder loans subsequent to September 30, 2003, which will be repaid with the proceeds of the Senior Discount Notes.

(7) The Senior Discount Notes will be denominated in U.S. dollars and the amount of proceeds received therefrom will be converted to euro at an exchange rate of U.S.$1.2382 = €1.00.

(8) Amounts presented represent the principal balances of debts outstanding. Such amounts differ from the balances reflected in our balance sheet under U.S. GAAP, which are offset by the balance of unamortized discounts arising on issuance.

Except as noted above there has been no material change in our capitalization since September 30, 2003

ISSUER, PARENT GUARANTOR AND SUBSIDIARY GUARANTOR STAND-ALONE CAPITALIZATION

The following tables, prepared in accordance with generally accepted accounting principles in Belgium, set forth the capitalization of Telenet Group Holding, Telenet Communications, Telenet Bidco, Telenet Holding, Telenet Operaties and Telenet Vlaanderen as of September 30, 2003. These tables should be read in conjunction with the financial statements of each of the aforementioned companies prepared for Belgian legal and statutory purposes in accordance with generally accepted accounting principles in Belgium that have been deposited with the Luxembourg paying agent and incorporated by reference herein. See "Incorporation by Reference" for a list of the financial statements incorporated by reference into these listing particulars and information on how you may obtain copies of these financial statements.

Telenet Group Holding

	As of September 30, 2003		
	Actual	**As adjusted**[1]	**As further adjusted for the Refinancing**
	(euro in millions)		
Debt:			
Senior credit facility	-	-	-
Notes offered hereby	-	-	-
Other long-term obligations	-	-	-
Total cash pay debt (excluding subordinated obligations)	-	-	-
Subordinated Shareholder Funding[2]	355.8	355.8	-
Senior Discount Notes	-	-	258.2
Total inter company debt	-	-	-
Total debt	355.8	355.8	258.2
Equity:			
Ordinary shares	1,420.0	1,420.0	1,420.0
Accumulated deficit	-	-	-
Total shareholders' equity	1,420.0	1,420.0	1,420.0
Total capitalization	1,775.8	1,775.8	1,678.2

(1) Includes €40 million that was drawn under tranche C-2 of the senior credit facility on November 3, 2003, €20 million of which was used to repay tranche C-1of the senior credit facility and €20 million of which was used to repay certain deferred payment obligations. These balances have not been adjusted for interest accruals subsequent to September 30, 2003.

(2) Actual and as adjusted reflect mezzanine subordinated bonds, gap filling bonds and deferred payment obligations as of September 30, 2003. As further adjusted for the Refinancing reflects new subordinated shareholder bonds that are non-cash pay obligations of Telenet Group Holding. The balance of the subordinated shareholder funding reflects the exchange of the remaining subordinated shareholder funding after giving effect to the repayment of €20 million on November 3, 2003 and the repayment of €225 million. The balance excludes the impact of accrued interest and deferred charges subsequent to September 30, 2003, which will be reflected in the principal amount of the new subordinated shareholder bonds.

Except as disclosed above, there has been no material change to the capitalization of Telenet Group Holding since September 30, 2003. It is expected that fourth quarter performance will be in line with third quarter performance.

Telenet Communications

	As of September 30, 2003		
	Actual	As adjusted[1]	As further adjusted for the Refinancing
	(euro in millions)		
Debt:			
Senior credit facility	-	-	-
Notes offered hereby	-	-	500.0
Other long-term obligations	-	-	-
Total cash pay debt	-	-	500.0
Subordinated shareholder funding	-	-	-
Senior Discount Notes	-	-	-
Total inter company debt	357.8	374.1	292.2
Total debt	357.8	374.1	792.2
Equity:			
Ordinary shares	1,419.0	1,419.0	1,419.0
Accumulated deficit	-	-	-
Total shareholders' equity	1,419.0	1,419.0	1,419.0
Total capitalization	1,776.8	1,793.1	2,211.2

(1) Includes €40 million that was drawn under tranche C-2 of the senior credit facility on November 3, 2003, €20 million of which was used to repay tranche C-1of the senior credit facility and €20 million of which was used to repay certain deferred payment obligations. These balances have not been adjusted for interest accruals subsequent to September 30, 2003.

Except as disclosed above, there has been no material change to the capitalization of Telenet Communications since September 30, 2003. It is expected that fourth quarter performance will be in line with third quarter performance.

Telenet Bidco

	As of September 30, 2003		
	Actual	As adjusted(1)	As further adjusted for the Refinancing
	(euro in millions)		
Debt:			
Senior credit facility(2)	271.0	291.0	139.0
Notes offered hereby	-	-	-
Other long-term obligations	-	-	-
Total cash pay debt	271.0	291.0	139.0
Subordinated shareholder funding	-	-	-
Senior Discount Notes	-	-	-
Total inter company debt	1,261.6	1,261.6	1,659.0
Total debt	1,532.6	1,552.6	1,798.0
Equity:			
Ordinary shares	2,156.8	2,156.8	2,156.8
Accumulated deficit	-881.1	-881.1	-881.1
Total shareholders' equity	1,275.7	1,275.7	1,275.7
Total capitalization	2,808.3	2,828.3	3,073.7

(1) Includes €40 million that was drawn under tranche C-2 of the senior credit facility on November 3, 2003, €20 million of which was used to repay tranche C-1of the senior credit facility and €20 million of which was used to repay certain deferred payment obligations. These balances have not been adjusted for interest accruals subsequent to September 30, 2003.

(2) Excludes €100 million and €40 million of unused capacity under the revolving tranche and tranche C-2 of the senior credit facility.

Except as disclosed above, there has been no material change to the capitalization of Telenet Bidco since September 30, 2003. It is expected that fourth quarter performance will be in line with third quarter performance.

Telenet Holding

	As of September 30, 2003		
	Actual	As adjusted(1)	As further adjusted for the Refinancing
		(euro in millions)	
Debt:			
Senior credit facility	-	-	-
Notes offered hereby	-	-	-
Other long-term obligations	-	-	-
Total cash pay debt	-	-	-
Subordinated shareholder funding	-	-	-
Senior Discount Notes	-	-	-
Total inter company debt	-	-	-
Total debt	-	-	-
Equity:			
Ordinary shares	400.1	400.1	400.1
Accumulated deficit	-1.9	-1.9	-1.9
Total shareholders' equity	398.2	398.2	398.2
Total capitalization	398.2	398.2	398.2

(1) Includes €40 million that was drawn under tranche C-2 of the senior credit facility on November 3, 2003, €20 million of which was used to repay tranche C-1of the senior credit facility and €20 million of which was used to repay certain deferred payment obligations. These balances have not been adjusted for interest accruals subsequent to September 30, 2003.

Except as disclosed above, there has been no material change to the capitalization of Telenet Holding since September 30, 2003. It is expected that fourth quarter performance will be in line with third quarter performance.

Telenet Operaties

	As of September 30, 2003		
	Actual	**As adjusted[1]**	**As further adjusted for the Refinancing**
		(euro in millions)	
Debt:			
Senior credit facility[2]	684.0	684.0	701.0
Notes offered hereby	-	-	-
Other long-term obligations[3]	56.7	56.7	56.7
Total cash pay debt	740.7	740.7	757.7
Subordinated shareholder funding	-	-	-
Senior Discount Notes	-	-	-
Total inter company debt	111.4	111.4	323.8
Total debt	852.1	852.1	1,081.5
Equity:			
Ordinary shares	314.9	314.9	314.9
Accumulated deficit	-696.3	-696.3	-696.3
Total shareholders' equity	-381.4	-381.4	-381.4
Total capitalization	470.7	470.7	700.1

(1) Includes €40 million that was drawn under tranche C-2 of the senior credit facility on November 3, 2003, €20 million of which was used to repay tranche C-1of the senior credit facility and €20 million of which was used to repay certain deferred payment obligations. These balances have not been adjusted for interest accruals subsequent to September 30, 2003.

(2) Excludes €100 million and €40 million of unused capacity under the revolving tranche and tranche C-2 of the senior credit facility.

(3) Includes €6.4 million capital lease obligations and €50.3 million due under the Clientele Agreement with the PICs.

Except as disclosed above, there has been no material change to the capitalization of Telenet Operaties since September 30, 2003. It is expected that fourth quarter performance will be in line with third quarter performance.

Telenet Vlaanderen

	As of September 30, 2003		
	Actual	As adjusted[(1)]	As further adjusted for the Refinancing
	(euro in millions)		
Debt:			
Senior credit facility	-	-	-
Notes offered hereby	-	-	-
Other long-term obligations[(2)]	50.2	50.2	50.2
Total cash pay debt	50.2	50.2	50.2
Subordinated shareholder funding	-	-	-
Senior Discount Notes	-	-	-
Total inter company debt	-	-	-
Total debt	50.2	50.2	50.2
Equity:			
Ordinary shares	71.6	71.6	71.6
Accumulated deficit	-	-	-
Total shareholders' equity	71.6	71.6	71.6
Total capitalization	121.8	121.8	121.8

(1) Includes €40 million that was drawn under tranche C-2 of the senior credit facility on November 3, 2003, €20 million of which was used to repay tranche C-1of the senior credit facility and €20 million of which was used to repay certain deferred payment obligations. These balances have not been adjusted for interest accruals subsequent to September 30, 2003.

(2) Includes €50.2 million due under the Annuity Agreement with the PICs.

Except as disclosed above, there has been no material change to the capitalization of Telenet Vlaanderen since September 30, 2003. It is expected that fourth quarter performance will be in line with third quarter performance.

SELECTED HISTORICAL FINANCIAL INFORMATION

The following table sets forth our selected historical consolidated financial data as of each date and for each of the periods indicated. Certain of such data have been extracted or derived from, and are qualified in their entirety by reference to, our consolidated financial statements contained elsewhere in this offering memorandum. Such data should be read in conjunction with the financial statements and the notes thereto. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Introduction."

Statement of Operations Information

(Euro in millions)	For the year ended December 31, 2000 (Predecessor) (Unaudited)	For the period from January 1 to March 30, 2001 (Predecessor) (Audited)	For the year ended December 31, 2001 (Successor) (Audited)	For the year ended December 31, 2002 (Successor) (Audited)	For the nine months ended September 30, 2002 (Unaudited)	For the nine months ended September 30, 2003 (Unaudited)
Revenues						
Cable television	-	-	-	64.2	25.4	137.0
Residential broadband Internet	-	14.7	51.0	101.1	71.5	105.9
Residential telephony[3]	-	17.0	65.5	112.4	81.3	91.5
Business services	-	5.0	19.1	29.4	21.4	24.7
Total	89.3	36.7	135.6	307.1	199.5	359.1
Expenses						
Operating costs and expenses (excl. depreciation and amortization)	(85.1)	(29.0)	(78.2)	(133.0)	(97.9)	(117.7)
Selling, general and administrative	(68.7)	(16.6)	(67.1)	(91.5)	(65.1)	(74.1)
Depreciation	(46.2)	(14.9)	(53.0)	(109.4)	(76.7)	(106.3)
Amortization	(16.1)	(6.6)	(107.9)	(36.5)	(29.0)	(357.9)
Operating loss	(126.7)	(30.4)	(170.6)	(63.3)	(69.2)	(297.1)
Interest expense, net	(26.2)	(13.0)	(112.5)	(134.2)	(94.0)	(133.5)
Foreign exchange gain (loss), net	(1.0)	(0.7)	(0.2)	0.7	-	-
Other income (expense), net	(27.2)	14.0	(112.7)	(133.5)	(94.0)	(133.4)
Income tax benefit (expense)[4]	-	-	-	-	-	-
Net loss before cumulative effect of accounting change	(153.9)	(44.4)	(283.3)	(196.8)	(163.1)	(430.4)
Cumulative effect of accounting change	-	-	-	(667.6)	(667.6)	-
Net loss	(153.9)	(44.4)	(283.3)	(864.4)	(830.7)	(430.4)

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(1) Telenet Holding is the predecessor company, Telenet Bidco is the successor company for the year ended December 31, 2001 (reflecting

Telenet Bidco's acquisition of Telenet Holding in March 2001) and Telenet Group Holding is the successor company for the year ended December 31, 2002.

(2) Financial information for the combined Telenet Holding and Telenet Bidco entity as of and for the year ended December 31, 2001 can be calculated by adding the relevant amount under the column "For the period from January 1 to March 30, 2001" and the corresponding amount under the column "For the year ended December 31, 2001."

(3) Includes interconnection fees generated by residential and business customers.

(4) Income tax expense was nil for the years ended December 31, 2000 and December 31, 2001 and the nine months ended September 30, 2002, €6,000 for the year ended December 31, 2002 and €26,000 for the nine months ended September 31, 2003.

Other Financial Information

(Euro in millions except percentages)	For the year ended December 31, 2000 (Predecessor) (Unaudited)	For January 1 to March 30, 2001 (Predecessor) (Audited)	For the year ended December 31, 2001 (Successor) (Audited)	For the year ended December 31, 2002 (Successor) (Audited)	For the nine months ended September 30, 2002 (Unaudited)	For the nine months ended September 30, 2003 (Unaudited)
EBITDA	(64.4)	(8.9)	(9.7)	82.6	36.5	167.2
EBITDA margin (%)	(72.1)%	(24.2)%	(7.2)%	26.9%	18.3%	46.6%
Capital expenditure(3)	-	53.2	147.3	67.4	43.4	73.5
Cash flow from (used in) operations	-	(23.9)	(11.7)	11.1	5.8	115.7

Balance Sheet Information

(Euro in millions)	As of December 31, 2001 (Predecessor & Successor) (Audited)	As of December 31, 2002 (Successor) (Audited)	As of September 30, 2003 (Unaudited)
Cash and cash equivalents	10.0	18.3	53.7
Current assets, excluding cash and cash equivalents	33.1	90.1	81.0
Property and equipment, net	542.0	1,012.9	970.4
Total assets	2,397.3	2,803.3	2,471.6
Trade payables	186.9	112.1	82.1
Total cash pay debt	649.8	997.1	1,074.6
Deferred payment obligations and subordinated shareholder loans	878.7	357.5	455.2
Shareholders' equity	640.3	1,148.0	718.4

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(1) Telenet Holding is the predecessor company, Telenet Bidco is the successor company for the year ended December 31, 2001 (reflecting Telenet Bidco's acquisition of Telenet Holding in March 2001) and Telenet Group Holding is the successor company for the year ended December 31, 2002.

(2) Financial information for the combined Telenet Holding and Telenet Bidco entity as of and for the year ended December 31, 2001 can be calculated by adding the relevant amount under the column "For January 1 to March 30, 2001" and the corresponding amount under the column "For the year ended December 31, 2001."

(3) Capital expenditure as presented here includes purchases of property and equipment, intangibles, and other investments, but excludes the acquisition of network user rights under the Clientele Agreements and Annuity Agreement. See "Management's Discussion and Analysis of Financial Condition and Results of Operation—Liquidity and Capital Resources."

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

Introduction

The following discussion and analysis is based on the (i) audited consolidated annual financial statements and unaudited condensed consolidated interim financial statements of Telenet Group Holding as of and for the year ended December 31, 2002 and the nine months ended September 30, 2003 and September 30, 2002, in each case prepared in accordance with U.S. GAAP, (ii) audited consolidated annual financial statements of Telenet Bidco as of and for the year ended December 31, 2001 prepared in accordance with U.S. GAAP (comprised of results for successor and predecessor periods reflecting Telenet Bidco's acquisition of Telenet Holding, the previous parent company of our group, in March 2001) and (iii) unaudited U.S. GAAP information of Telenet Holding as of and for the year ended December 31, 2000. Telenet Bidco is now a direct subsidiary of the Issuer, which itself is a direct subsidiary of Telenet Group Holding. We have included the financial statements of Telenet Group Holding as of and for all relevant periods, and Telenet Bidco as of and for the year ended December 31, 2001, elsewhere in this offering memorandum. You should read these financial statements, including the notes thereto, together with the following discussion and analysis. A summary of the critical accounting policies that have been applied to these financial statements is set forth below in "—Critical Accounting Policies."

Telenet Group Holding and Telenet Bidco are holding companies that do not conduct any business operations of their own. Substantially all the assets of Telenet Group Holding consist of shares of the Issuer and intercompany loans originally made to the Issuer in connection with the acquisition of our cable network from the MICs in August 2002. These intercompany loans bear interest at a rate that is substantially similar to the rate at which debt incurred by Telenet Group Holding bears interest (historically the shareholder funded debt incurred in connection with the MixtICS Acquisition in 2002). Except for the impact of presenting as equity detachable warrants issued by Telenet Group Holding, the financial position and results of operations of Telenet Group Holding is substantially the same as the financial position and results of operations of the Issuer for relevant periods.

Due to the MixtICS Acquisition, the financial position and results of operations of Telenet Group Holding and Telenet Bidco as of and for the years ended December 31, 2002 and December 31, 2001, respectively, are not directly comparable. Likewise, the financial positions and results of operations of Telenet Group Holding as of and for the nine months ended September 30, 2003 and September 30, 2002 are not directly comparable. See "—Our History" and "—Factors Affecting Results of Operations."

Our results of operations for the year ended December 31, 2002 are also not comparable with those for the year ended December 31, 2001, because, upon the adoption of SFAS No. 142, we recognized a goodwill impairment of €667.6 million for the year ended December 31, 2002. The impairment is presented as a cumulative effect of accounting change.

We also recognized a goodwill impairment of €336.0 million for the nine months ended September 30, 2003, which is included in amortization expense. Accordingly, our results of operations for the nine months ended September 30, 2003 are not comparable to our results of operations for the nine months ended September 30, 2002.

The following discussion and analysis of our financial condition and results of operations contains forward-looking statements. Our actual results could differ materially from those that we discuss in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this offering memorandum, particularly under "Risk Factors" and "Information Regarding Forward-Looking Statements."

Our History

We are the largest provider of broadband cable services in Belgium. We were incorporated in September 1996 to provide telecommunications services to residential customers in Flanders. From August 1997 to August 2002 we offered broadband Internet and telephony services only. On August 9, 2002, we acquired our cable television business from the MICs. Our broadband network passes approximately 1.7 million homes and businesses in Flanders, to which we are able to offer cable television, broadband Internet and telephony services. In addition, we have access to the PICs Network, for no ongoing charge, pursuant to 50-year usage rights, of which 43 years remain and which are automatically renewable for successive 15-year periods unless terminated with ten years prior notice. The PICs Network passes an additional 800,000 homes and businesses, to which we have exclusive rights to offer broadband Internet and telephony services. The Combined Network, consisting of our owned network and the PICs Network, was recently upgraded to an HFC standard that provides bi-directional digital transmission capabilities. Work on the upgrade started in 1996 and was substantially completed by June 2002. See "Our History."

Prior to the MixtICS Acquisition, each of the ten MICs independently owned a cable television system which Electrabel operated on their behalf. Accordingly, we have not presented MixtICS historical results on a combined basis or provided *pro forma* financial statements for the acquisition of MixtICS. The MixtICS Acquisition introduced the operations of a significant new group of businesses into our company effective August 9, 2002. As a result, the consolidated annual financial statements of Telenet Group Holding as of and for the year ended December 31, 2002 are not directly comparable to the consolidated annual financial statements of Telenet Bidco as of and for the year ended December 31, 2001. Furthermore, the condensed consolidated interim financial statements of Telenet Group Holding as of and for the nine months ended September 30, 2003 are not directly comparable to the condensed consolidated interim financial statements of Telenet Group Holding as of and for the nine months ended September 30, 2002. Furthermore, none of these financial statements necessarily reflects what our financial results and condition may be in the future given, among other things, our rapid growth to date, the on-going integration of MixtICS (including the related transfer of certain personnel of Electrabel to MixtICS in the near future) and our recent and pending acquisitions. See "—Current Developments."

Factors Affecting Results of Operations

Revenues

Our revenues consist of cable television revenue, residential broadband Internet revenue, residential telephony revenue and business services revenue. Approximately 93.5% of our consolidated revenues for the three months ended September 30, 2003 was derived from our residential business, including interconnection fees generated by both residential subscribers and business customers. The remaining 6.5% of our consolidated revenues for the three months ended September 30, 2003 was derived from our provision of business services. Our residential subscribers include individuals and families, as well as small businesses with between one and four employees ("SoHos") that receive our services through a coaxial connection.

Cable Television

Our cable television business generated approximately 39.5% of our consolidated revenues for the three months ended September 30, 2003. We derive the majority of our cable television revenues from fixed subscription fees, most of which are paid annually in advance by residential subscribers throughout the year. Subscription fees were responsible for 78.8% of our cable television revenues for the three months ended September 30, 2003. In the future, we may seek periodic increases in subscription fees for basic television services in line with cost inflation and other factors. All subscribers to our cable television services also pay a separate copyright fee for the content that they view, which was responsible for 14.8% of our cable television revenues for the three months ended September 30, 2003. We earn carriage fees, paid by broadcasters, to carry certain programs over our network. These fees were responsible for 6.4% of our cable television revenues for the three months ended September 30, 2003. See "Business—Our Products and Services—Cable Television—Programming."

Our cable television business has generated a stable revenue stream as the Belgian cable television market has been characterized by high and steady penetration rates, limited competition and low subscriber turnover (with most turnover and new subscriber additions resulting from house moves). As of September 30, 2003, cable television was available to approximately 95% of all television households across Belgium. We had approximately 1.6 million subscribers and a 94% penetration rate with respect to households passed by our network as of that date.

We expect that our cable television revenue will expand upon the successful completion of the Canal+ Acquisition. See "—Current Developments—Canal+ Acquisition."

Residential Broadband Internet

Our residential broadband Internet business generated approximately 29.9% of our consolidated revenues for the three months ended September 30, 2003. This business generates revenue primarily from fixed monthly subscription fees paid by subscribers. We generate limited additional fees for multiple connections, add-on services and late payments. We may also earn installation revenue, although we have to date typically promoted our residential broadband Internet service by offering discounted installation charges or waiving installation charges altogether. See "Business—Our Products and Services—Residential Broadband Internet" for a detailed description of our residential broadband Internet fee structure.

Revenue growth from our residential broadband Internet business is driven primarily by net subscriber growth, which in turn is a function of gross subscriber additions and churn. We define churn as the total number of subscribers disconnected during a relevant period, divided by the average number of subscribers during that period.

As of September 30, 2003, we had approximately 368,000 residential broadband Internet subscribers, which contributed to our estimated market share of 53% and penetration rate of 15.5% in Flanders.

Residential Telephony

Our residential telephony business represented approximately 24.1% of our consolidated revenues for the three months ended September 30, 2003. Our residential telephony business generates revenue from a combination of fixed monthly line rental and usage fees (consisting of fixed call-set up fees and per-minute tariffs) and interconnection fees. We charge additional monthly fees for value-added features. Line rental and usage fees were responsible for approximately 78.4% of our residential telephony and interconnection revenues for the three months ended September 30, 2003. See "Business—Our Products and Services—Residential Telephony" for a detailed description of our residential telephony tariff and pricing options. We earn interconnection revenue from other network operators, including fixed line and mobile operators, for the termination of inbound calls to subscribers on the Combined Network, whether residential or business. We typically do not charge subscribers an installation fee to receive residential telephony services.

Our increase in interconnection rates that we charge for the termination of calls on the Combined Network is currently the subject of regulatory and court proceedings with Belgacom. See "Business—Legal Proceedings—Interconnection Litigation" and "Risk Factors—Litigation Risks—We are currently involved in a significant dispute with Belgacom relating to the price we charge competitors to interconnect to our telephony network, and an unfavorable outcome for us in this dispute would reduce the profitability of our telephony business."

Revenue growth from line rental and usage fees in our residential telephony business is driven primarily by net subscriber growth, which in turn is a function of gross subscriber additions and churn.

As of September 30, 2003, we had approximately 241,000 residential telephony subscribers, which contributed to an estimated market share of 10% in Flanders (based on number of lines) and a penetration rate of 9.8%.

Motorola has historically supplied a majority of our telephony modems. Motorola has ceased production of these modems and we are now faced with a supply shortage. See "Risk Factors—Risks Related to Our Business—The Combined Network and systems depend on equipment and service suppliers that may discontinue their products or seek to charge us prices that are not competitive, either of which may adversely affect our business and profitability."

Business Services

Sales of business services generated approximately 6.5% of our consolidated revenues for the three months ended September 30, 2003. We generate revenue from these services primarily from fees paid by customers for Internet, data and voice services, pursuant to standard conditions with smaller businesses (with fees typically generated on a usage basis) and individually negotiated contracts with larger businesses. We expect revenues in this business to increase with our recent acquisition of Codenet. See "—Current Developments—Codenet Acquisition" and "Business—Our Products and Services—Business Services."

Expenses

Our principal expenses consist of operating expenses, selling, general and administrative expenses and depreciation and amortization expenses.

Operating Expenses

Our operating expenses consist of interconnection costs, network operating and maintenance and repair costs, cable programming costs and payroll expenses for operational staff. We present depreciation and amortization separately from our operating expenses and capitalize most of our installation costs, including labor costs. See "—Depreciation and Amortization Expenses."

Interconnection fees for calls made by our residential subscribers and business customers that terminate outside the Combined Network constitute the majority of our operating expenses. Interconnection rates for calls made to mobile networks are significantly higher than rates for calls that terminate on fixed lines. We expect interconnection fees for calls made to mobile networks to increase in the future as our customer base grows and a greater proportion of calls are terminated on mobile networks.

Network operating costs consist of infrastructure costs (including information technology, network and supplier maintenance costs, payments under network operating agreements with the PICs, costs to supply electricity to our network and internet connectivity costs), building costs, expenses associated with disconnecting cable television services and pole rental fees paid to Electrabel. In addition, we incur expense for network repair and maintenance. We also include bad debt expense within operating expenses.

Cable programming costs consist primarily of copyright fees paid to copyright beneficiaries and their agents. Copyright fees were responsible for a substantial portion of our cable programming costs for the three months ended September 30, 2003. The basis for our calculation of these fees is currently the subject of litigation. See "Business—Legal Proceedings." Cable programming costs also consist of carriage fees paid to some commercial broadcasters to distribute their cable television content. Our cable programming costs will increase, and our margins will be lower, upon the successful completion of the Canal+ Acquisition. See "—Current Developments—Canal+ Acquisition."

Selling, General and Administrative Expenses

Our selling, general and administrative expenses consist of payroll expenses for non-operational staff, advertising, marketing, office, transport and external services costs (including management fees paid to Cable Partners LLC and audit, legal and insurance fees). Selling, general and administrative costs also include sales commissions payable to our retail and door-to-door salesforces and customer billing and administration costs. We expect selling, general and administrative expenses to increase in the future as a consequence of subscriber growth.

Depreciation and Amortization Expenses

Depreciation and amortization expense is principally related to the depreciation of our broadband network and capitalized installation, modem and network interface unit costs, and amortization of intangible assets. We capitalize installation costs associated with the addition of new subscribers. Costs associated with subsequent installations of additional services are capitalized to the extent that they are incremental and directly attributable to the installation of expanded services. Installation costs include direct labor costs. We depreciate capitalized installation costs on a straight-line basis over five to 20 year periods.

We compute depreciation on a straight-line basis using estimated useful lives of 33 years (for buildings and improvements), three to 20 years (for operating facilities) and three to ten years (for other equipment). We amortize intangible assets with a finite life (comprised primarily of network user rights, software development and acquisition costs, customer lists and trademarks) on a straight-line basis over their estimated useful lives, which range from three to 20 years.

For our residential broadband Internet and telephony businesses, we incur capital expenditure for Internet and telephony modems and network interface units. We retain ownership of modems and network interface units and do not charge customers rental fees for them. See "—Liquidity and Capital Resources—Capital Expenditure."

We expect to introduce VoIP telephony by the fourth quarter of 2004. Among other things, VoIP offers the potential for cost savings because it can be offered using significantly less expensive telephony modems than those we currently use and it gives us the ability to install, where appropriate, a single modem for both Internet and telephony service. The deployment of VoIP would also help address our current shortage of Motorola telephony modems although problems may arise that could interfere with its planned roll-out. See "Risk Factors—Risks Related to Our Business—If we fail to successfully introduce new technologies or services, such as VoIP telephony, or to respond to technological developments, our business and level of revenues may be adversely affected" and "Risks Related to Our Business—The Combined Network and systems depend on equipment and service suppliers that may discontinue their products or seek to charge us prices that are not competitive, either of which may adversely affect our business and profitability."

We anticipate increases in depreciation and amortization expense in line with subscriber growth and following currently planned capital expenditure related to subscriber growth, the upgrade of the upstream capacity of our coaxial network and other network and information technology investments. See "—Liquidity and Capital Resources" and "Business—The Combined Network—HFC Upgrade."

Other Income (Expense)

Other income (expense) consists of interest income (expense) and foreign exchange gain (loss). Interest income is generated by cash balances and short-term liquid investments. Interest expense represents amounts payable on our various debt obligations including, primarily, variable interest payments under our senior credit facility and on certain deferred payment obligations incurred in connection with our acquisition of MixtICS. See note 7 to our annual financial statements, "Our History—MixtICS Acquisition" and "Description of Other Indebtedness." Interest expense also includes the interest portion of payments to Interkabel under the Clientele Agreements and Annuity Agreement (and to the MICs under the Clientele Agreement prior to August 2002), the magnitude of which increased as the completion of the upgrade of the PICs Network to the HFC standard progressed. As we substantially completed the HFC upgrade in June 2002, we expect Clientele Agreement and Annuity Agreement interest expense to remain stable in the future. However, the interest component of such agreements is, to an extent, variable depending upon levels of inflation. See "Our History—Network Upgrade."

Our primary source of foreign exchange exposure has historically been vendor supply contracts denominated in U.S. dollars, although over time we have been successful in reducing this exposure. We expect to experience greater exposure to fluctuations in the U.S. dollar/euro exchange rate following the offering of Notes (as a consequence of Telenet Group Holding's obligations under the Senior Discount Notes) and upon the successful completion of the Canal+ Acquisition (as most of Canal+'s programming contracts require payments in U.S. dollars).

Following the completion of the Refinancing, overall interest expense will decrease, although the cash portion of our interest expense will increase substantially. Giving effect to the Refinancing, we estimate that we would have paid additional cash interest (excluding withholding tax, commitment fees, currency hedging costs and other borrowing expenses and interest income generated on the incremental cash balance resulting from the Refinancing) of approximately €29 million for the nine months ended September 30, 2003. This is because certain of our deferred obligations that we intend to repay in connection with the Notes offered hereby and the related Refinancing provide for in kind, and not cash, interest payments. This calculation assumes that interest payments on principal amounts under the senior credit facility would have been payable at applicable margins and EURIBOR rates existing under the facility for the nine months ended September 30, 2003. See "Description of Other Indebtedness" and " —Quantitative and Qualitative Disclosures About Market Risk—Interest Rate and Related Risk." We incurred €42.6 million in cash interest payable to our lenders under the senior credit facility for the nine months ended September 30, 2003.

Current Developments

Canal+ Acquisition

Canal+ currently provides a choice of analog and digital premium movie, sports and other programming to approximately 102,000 of our cable subscribers on our network, as well as approximately 44,000 subscribers on the PICs Network, through a proprietary set top box connected to their televisions. Canal+ directly bills the cable users who subscribe to its service and pays the PICs and us carriage fees equal to half of the profits generated by the relevant subscriber base. See "Business—Our Products and Services—Cable Television."

We have entered an agreement to acquire the Canal+ Assets. The Belgian competition authorities have approved the acquisition subject to certain conditions, including the sale to other third parties of the assets of Canal+ in the French-speaking region of Belgium and receipt of consents from the movie studios that supply programming to Canal+. We intend to complete the Canal+ Acquisition at the end of December 2003, with financial effect from December 1, 2003. See "Business—Our Products and Services—Cable Television—Premium Services" and "Business—Legal Proceedings—Canal+ Litigation."

Upon completion, the Canal+ Acquisition will enable us to provide the same analog and digital premium programming to our cable television subscribers as Canal+ has traditionally provided under our contractual arrangements. We will also be able to offer such programming to cable television subscribers of the PICs with whom we will seek to have direct relationships, in return for paying a carriage fee to the PICs to access their network. As our core business is distribution, in the longer term we may transfer to a third party the programming contracts we will acquire from Canal+. Once the acquisition is completed, we will become subject to the programming contracts to which Canal+ is currently subject, obligating us to pay studios and others for content rights on a minimum guaranteed subscriber basis irrespective of the actual numbers of subscribers purchasing content.

Our cable television revenue base will expand with sales of Canal+ premium movie, sports and other content to our subscribers and those of the PICs. These revenues will be partially offset by the loss of the carriage fees we currently receive from Canal+. We will also incur significant additional cable programming costs associated with the acquired content rights and our margins will be negatively affected.

In addition, we anticipate that a successful completion of the Canal+ Acquisition will allow us to resolve existing litigation with Canal+ concerning our termination of our contractual arrangements. See "Business—Legal Proceedings—Canal+ Litigation." Because our ability to use nine 8 MHz channels provided to Canal+ under the contractual arrangements that we have terminated would then be undisputed, we would not expect to incur in the foreseeable future the capital expenditure that would otherwise be necessary to increase the downstream capacity of our network for iDTV services.

Codenet Acquisition

On December 9, 2003, we acquired Codenet, a broadband Internet, data and voice provider operating primarily in the business market throughout Belgium. The completion of this acquisition has been approved by the Belgian competition authorities, subject to a possible appeal of the authority's decision within 30 days from publication of the decision in the Belgian Official Gazette (*Belgisch Staatsblad*). This acquisition expands our backbone network across all of Belgium and parts of Luxembourg, allowing us to directly provide business services throughout Belgium. We expect that the transaction will further increase our ability to offer our business customers comprehensive product sets, including leased lines and voice and data packages. Codenet's ATM network capabilities, for example, permit the offering of frame relay technology, which businesses commonly use as a secure means of data transport. The acquisition is therefore expected to allow us to more efficiently market to a broader base of small and medium sized enterprises ("SMEs") and to companies operating on a national level with an enhanced product set and geographic coverage. See "Business—Our Products and Services—Business Services—Codenet Acquisition."

We anticipate that the Codenet acquisition will allow us to generate additional customer revenue. However, Codenet has lower operating margins than Telenet because of, among other things, Codenet's use of leased lines provided by Belgacom. Over time, we expect to replace Belgacom as Codenet's provider of leased lines in Flanders, to the extent possible.

In connection with the Canal+ Acquisition and our recent acquisition of Codenet, we have agreed to pay combined purchase prices of approximately €45 million in cash, including transaction expenses, and the acquired business will have a negative cash impact on our financial position during the next two years. See "—Liquidity and Capital Resources."

MixtICS Integration

Under a services and transfer agreement entered into by Electrabel and MixtICS at the time of the MixtICS Acquisition (the "Services and Transfer Agreement"), to be amended as of the closing of the offering, Electrabel agreed to provide MixtICS with operational services following the acquisition. We subsequently have integrated many of these services into our business (including network maintenance and repair) and are in the process of integrating the remaining services (including network installation, payroll, billing, financial control and logistics). We plan to complete this integration by the middle of 2004. As we continue to migrate the cable television functions from Electrabel, we expect some increases in expenses for certain services as compared with fees charged by Electrabel for the relevant services under the Services and Transfer Agreement. We also expect increased education and training costs associated with the transfer of approximately 400 employees from Electrabel. See note 14 to our annual financial statements. Management expects to offset the additional costs, in part, by improved efficiencies in network maintenance and repair and employee utilization rates.

Concurrently with the integration of MixtICS, we plan to migrate all of our businesses, including MixtICS, to an integrated data management and reporting platform using an Oracle enterprise resource planning ("ERP") system, for which we expect to incur limited capital expenditure and which could initially result in difficulties in our data collection and customer service.

Four Most Recent Quarters

The financial information for the three month periods ended December 31, 2002, March 31, 2003, June 30, 2003 and September 30, 2003 (the "Quarterly Periods") is for informational purposes only and should not be considered a substitute for the detailed discussion and analysis of Telenet Group Holding's and Telenet Holding's results of operations set forth elsewhere in this "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The following table sets forth certain summary financial and operating information as at and for the periods indicated:

	As at and for the three months ended			
	December 31, 2002	March 31, 2003	June 30, 2003	September 30, 2003
		(unaudited)		
RGUs (in thousands)[1]				
Cable television	1,564	1,568	1,573	1,575
Residential broadband Internet[2]	287	319	341	368
Residential telephony[2][3]	220	225	232	241
Business services[4]	17	19	20	21
Total	2,087	2,131	2,166	2,205
Revenue (euro in millions)				
Cable television	38.8	43.6	43.4	50.0
Residential broadband Internet	29.6	32.2	35.7	37.9
Residential telephony[5]	31.1	30.2	30.6	30.6
Business services	8.0	8.1	8.4	8.2
Total	107.5	114.2	118.1	126.7
EBITDA (euro in millions)[6]	46.0	49.3	54.8	63.2
EBITDA Margin	42.8%	43.2%	46.4%	49.8%
Average monthly revenue per subscriber (in euro)[7]				
Cable television[8]	8.3	9.3	9.2	10.6
Residential broadband Internet	34.7	34.5	35.6	34.7
Residential telephony[9]	36.1	35.7	35.6	33.9
Churn (annualized)[10]				

Residential broadband Internet(11)	10.0%	7.7%	7.0%	7.6%
Residential telephony(12)	15.9%	10.3%	9.0%	9.4%
Penetration(13)				
Cable television(14)	92.9%	93.2%	93.5%	93.6%
Residential broadband Internet(15)	12.2%	13.6%	14.4%	15.5%
Residential telephony(15)	9.1%	9.3%	9.5%	9.8%

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(1) Each subscriber is counted as a revenue generating unit, or "RGU," for each service subscribed. Thus, a subscriber who receives from us cable television, broadband Internet and residential telephony services (regardless of its number of telephony access lines) would be counted as three RGUs. RGUs are presented as at the relevant period end date.

(2) Includes households and SoHos that receive our broadband Internet and telephony services through a coaxial connection.

(3) These statistics also include approximately 35,000, 33,000, 32,000 and 29,000 RGUs who used our carrier preselection services at December 31, 2002, March 31, 2003, June 30, 2003 and September 30, 2003, respectively.

(4) Consists of SME RGUs that receive our broadband Internet and telephony services through a coaxial connection. We had approximately 14,000, 15,000, 16,000 and 17,000 of such SME broadband Internet customers, and 3,000, 4,000, 4,000 and 4,000 of such SME telephony customers, respectively, at December 31, 2002, March 31, 2003, June 30, 2003 and September 30, 2003, respectively. We also provide business services to SME and corporate RGUs that receive our services using a fiber connection, which RGUs are not included in the above RGU calculations.

(5) Includes interconnection fees generated by residential and business customers.

(6) Defined as operating income before depreciation and amortization.

(7) Revenue earned for the period divided by the number of months in the period and divided by the average number of RGUs for the period (which average number of RGUs may vary from the number of RGUs presented above at the period end date).

(8) Average monthly revenue per subscriber includes copyright fees and other revenue earned from carriage fees.

(9) Average monthly revenue per subscriber excludes interconnection revenue and installation fees, but includes revenue generated by RGUs who use our carrier preselection services. See footnote 3. Average monthly revenue per subscriber excluding RGUs who use our carrier preselection services was €38.2, €38.1, €37.8 and €35.9 for the three months ended December 31, 2002, March 31, 2003, June 30, 2003 and September 30, 2003, respectively.

(10) Total number of RGUs disconnected during the period divided by the average number of RGUs for the period, multiplied by four.

(11) Includes SMEs that receive our services through a coaxial connection.

(12) Excludes RGUs who use our carrier preselection services and includes SMEs that receive our services through a coaxial connection. See footnote 3. We exclude RGUs who use our carrier preselection services from our residential telephony churn statistics because, for the most part, these customers subscribe to our direct access telephony services upon ceasing to subscribe to our carrier preselection services.

(13) Number of RGUs at the end of the relevant period as a percentage of the number of homes and businesses, as applicable, passed by our network at the end of the relevant period (in the case of cable television) or by the Combined Network as of September 30, 2003 (in the case of residential broadband Internet and telephony).

(14) Penetration rates estimated where limited data available.

(15) Includes SMEs that receive our broadband Internet and telephony services through a coaxial connection.

Our consolidated revenue and EBITDA increase during the Quarterly Periods reflects price increases in our cable television business and subscriber growth across our residential broadband Internet and, to a lesser extent residential telephony, businesses.

Growth in our cable television revenues primarily reflects the recent increase in our cable television subscription fees pursuant to an approval we received from the Pricing Commission of the Belgian Ministry of Economic Affairs in response to cost inflation since the MICs' prior subscription fee increase in 1994. We increased subscription fees, which we charge on a twelve-month rolling basis, by an average of 15% in January 2003 (from €6.67 to €7.67, excluding VAT and copyright fees, as measured on a monthly basis) and by a further 10% of the original amount in July 2003 (to €8.34, excluding VAT and copyright fees, as measured on a monthly basis). Cable television revenues also increased following our August 2003 increase in monthly copyright fees by €0.73 per subscriber (to € 1.81 per subscriber).

During the Quarterly Periods, we experienced steady net growth in our residential broadband Internet subscriber base, from approximately 253,000 residential broadband Internet subscribers at September 30, 2002 to approximately 368,000 residential broadband Internet subscribers at September 30, 2003. ARPU fluctuations are mostly the result of promotions that impact revenue, such as the provision of limited periods of free residential broadband Internet service. In part because of the scheduling of many marketing promotions in the fourth quarter of the year and in part because of seasonal trends, commitments to purchase residential broadband Internet service by new subscribers tend to be highest during the fourth quarter, and lowest during the second and third quarters, of each year. We experienced a churn rate of 8.1% between September 30, 2002 and September 30, 2003, with churn increasing in the fourth quarter of 2002 as we enhanced collection procedures (following interruptions in connection with the implementation of our OASIS information technology platform during 2002) and measures to terminate services of non-paying customers.

Our residential telephony subscriber base also grew during the Quarterly Periods, from approximately 221,000 subscribers at September 30, 2002 to approximately 241,000 subscribers at September 30, 2003. ARPU fluctuations are the result of promotions that impact revenue (such as the provision of free telephony minutes and limited periods of reduced monthly line rentals) as well as differences in usage-related fees generated by our residential telephony business, which tend to be highest during the fourth quarter of the year and lowest in the summer months during the third quarter. Usage-related fees also vary according to the number of business days in a particular month. ARPU declined during the Quarterly Periods as a result of the impact of fixed to mobile telephony substitution on usage fees, and promotional activities relating to the re-launch of our telephony product in the first quarter of 2003. Revenue was basically steady during the Quarterly Periods as a result of the foregoing factors and the growth in our subscriber base. We experienced a churn rate of 10.8% between September 30, 2002 and September 30, 2003, with churn increasing in the fourth quarter of 2002 as a result of enhanced collection procedures (following interruptions in connection with the implementation of our OASIS information technology platform during 2002) and measures to terminate services of non-paying customers.

EBITDA during the Quarterly Periods was positively impacted by the growth of our customer base, as described above. This subscriber growth, together with the fixed nature of many of our operating and selling, general and administrative expenses and implementation of cost savings initiatives beginning in the first quarter of 2003, led to an improvement in our profitability. Our EBITDA margin increased from 42.8% for the three months ended December 31, 2002 to 49.8% for the three months ended September 30, 2003. Beginning with the three months ended December 31, 2003, our EBITDA and EBITDA margin could be adversely affected by fluctuations in expenses related to our acquisition of Codenet and our pending acquisition of the Canal+ Assets.

Results of Operation

The following table sets forth certain summary operating information as of and for the periods indicated:

	For the year ended December 31,			**For the year ended December 31,**			**For the nine months ended September 30,**		
	2000 (unaudited)	**2001**	**% change**	**2001 (unaudited)**	**2002**	**% change**	**2002 (unaudited)**	**2003**	**% change**
RGUs[(1)] (in thousands)									
Cable television*	1,532	1,544	1%	1,544	1,564	1%	1,559	1,575	1%

Residential broadband Internet(2)	85	195	130%	195	287	47%	253	368	45%
Residential telephony(2)(3)	107	201	89%	201	220	9%	221	241	9%
Business(4)	6	6	-	6	17	183%	8	21	148%
Total	1,730	1,947	13%	1,947	2,087	7%	2,041	2,205	8%
Average monthly revenue per subscriber (in euro)(5)									
Cable television(6)	-	-		-	-		-	9.7	
Residential broadband Internet	29.3	31.0		31.0	33.5		34.1	35.1	
Residential telephony(7)	37.1	40.7		40.7	38.5		38.6	34.9	
Churn (annualized)(8)									
Residential broadband Internet(9)	6.0%	6.8%		6.8%	8.2%		7.9%	7.5%	
Residential telephony(10)	15.4%	14.8%		14.8%	11.2%		9.4%	9.5%	
Penetration(11)									
Cable television(12)	92.9%	92.7%		92.7%	92.9%		92.8%	93.6%	
Residential broadband Internet(13)	3.5%	8.2%		8.2%	12.2%		10.6%	15.5%	
Residential telephony(13)	4.5%	8.2%		8.2%	9.1%		9.1%	9.8%	

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* Includes historic statistics for MixtICS prior to the MixtICS Acquisition in August 2002.

(1) Each subscriber is counted as a revenue generating unit, or "RGU," for each service subscribed. Thus, a subscriber or customer who receives from us cable television, broadband Internet and residential telephony services (regardless of its number of telephony access lines) would be counted as three RGUs. RGUs are presented as of the relevant period end date.

(2) Includes households and SoHos that receive our broadband Internet and telephony services through a coaxial connection.

(3) These statistics also include approximately 7,000, 21,000 and 35,000 RGUs who used our carrier preselection services at December 31, 2000, December 31, 2001 and December 31, 2002, respectively. These amounts also include approximately 32,000 and 29,000 RGUs who used our carrier preselection services at September 30, 2002 and September 30, 2003, respectively.

(4) Consists of SME RGUs that receive our broadband Internet and telephony services through a coaxial connection. We had approximately 1,000, 5,000 and 14,000 SME broadband Internet customers, and 5,000, 1,000 and 3,000 SME telephony customers, respectively, at December 31, 2000, December 31, 2001 and December 31, 2002, respectively. We also had approximately 7,000 and 17,000 SME broadband Internet customers, and 2,000 and 4,000 SME telephony customers, at September 30, 2002 and September 30, 2003, respectively. We also provide business services to SME and corporate RGUs that receive our services using a fiber connection, which RGUs are not included in the above RGU calculations.

(5) Revenue earned for the period divided by the number of months in the period and divided by the average number of RGUs for the period (which average number of RGUs may vary from the number of RGUs presented above at the period end date).

(6) Average monthly revenue per subscriber includes copyright fees and other revenue earned from carriage fees.

(7) Average monthly revenue per subscriber excludes interconnection revenue and installation fees but includes revenue generated by RGUs who use our carrier preselection services. See footnote 3. Average monthly revenue per subscriber excluding RGUs who use our carrier preselection services was €37.8, €38.9 and €40.0 for the years December 31, 2000, December 31, 2001 and December 31, 2002, and €39.9 and €36.9 for the nine months ended September 30, 2002 and September 30, 2003, respectively.

(8) Total number of RGUs disconnected during the period divided by the average number of RGUs for the period (multiplied by four-thirds, in the case of the information presented for the nine months ended September 30, 2002 and September 30, 2003).

(9) Includes SMEs that receive our services through a coaxial connection.

(10) Excludes RGUs who use our carrier preselection services and includes SMEs that receive our services through a coaxial connection. See footnote 3. We exclude RGUs who use our carrier preselection services from our residential telephony churn statistics because, for the most part, these customers subscribe to our direct access telephony services upon ceasing to subscribe to our carrier preselection services.

(11) Number of RGUs at the end of the relevant period as a percentage of the number of homes and businesses, as applicable, passed by our network at the end of the relevant period (in the case of cable television) or by the Combined Network as of September 30, 2003 (in the case of residential broadband Internet and telephony).

(12) Penetration rates estimated where limited data available.

(13) Includes SMEs that receive our broadband Internet and telephony services through a coaxial connection.

The following table sets forth certain summary financial information for the periods indicated:

	For the year ended December 31,			For the nine months ended September 30,	
	2000	2001	2002	2002	2003
(Euro in millions, except percentages)	(Predecessor)[1]	(Predecessor & Successor)[1]	(Successor)[1]		
	(unaudited)	(audited)		(unaudited)	
Revenues[2]					
Cable television	-	-	64.2	25.4	137.0
Residential broadband Internet	-	65.7	101.1	71.5	105.9
Residential telephony	-	82.5	112.4	81.3	91.5
Business services	-	24.1	29.4	21.4	24.7
Total	89.3	172.3	307.1	199.5	359.1
Expenses					
Operating expenses (excluding depreciation and amortization)	(85.1)	(107.2)	(133.0)	(97.9)	(117.7)
Selling general and administrative expenses	(68.7)	(83.7)	(91.5)	(65.1)	(74.1)
Depreciation	(46.2)	(67.9)	(109.4)	(76.7)	(106.3)
Amortization	(16.1)	(114.5)	(36.5)	(29.0)	(357.9)
Operating loss	(126.7)	(201.1)	(63.3)	(69.2)	(297.1)
Interest expense, net	(26.2)	(125.8)	(134.2)	(94.0)	(133.5)
Foreign exchange gain (loss), net	(1.0)	(0.9)	(0.7)	-	-
Other income (expense)	(27.20)	(126.7)	(133.5)	(94.0)	(133.4)
Income tax expense[3]	-	-	-	-	-
Net loss before cumulative effect of accounting change	(153.9)	(327.8)	(196.8)	(163.1)	(430.4)
Cumulative effect of accounting change	-	-	(667.6)	(667.6)	-
Net loss	(153.9)	(327.8)	(864.4)	(830.7)	(430.4)
EBITDA	(64.4)	(18.6)	82.6	36.5	167.2
EBITDA margin	(72.1)%	(10.8)%	26.9%	18.3%	46.6%

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(1) Telenet Holding is the predecessor company, Telenet Bidco is the successor company for the year ended December 31, 2001 (reflecting Telenet Bidco's acquisition of Telenet Holding in March 2001) and Telenet Group Holding is the successor company for the year

ended December 31, 2002.

(2) We do not separately present revenue data for our residential broadband Internet, residential telephony and business services operations for the year ended December 31, 2000 because we have not historically presented such a breakdown for financial reporting purposes.

(3) Income tax expense was nil for the years ended December 31, 2000 and December 31, 2001 and the nine months ended September 30, 2002, €6,000 for the year ended December 31, 2002 and € 26,000 for the nine months ended September 30, 2003.

The following table sets forth summary financial information as a percentage of revenues for the periods indicated:

	For the year ended December 31,			For the nine months ended September 30,	
	2000	2001	2002	2002	2003
	(Predecessor)[1]	(Predecessor & Successor)[1]	(Successor)[1]		
	(unaudited)	(audited)		(unaudited)	
Revenues[2]					
Cable television	-	-	20.9%	12.7%	38.2%
Residential broadband Internet	-	38.1%	32.9%	35.8%	29.5%
Residential telephony	-	47.9%	36.6%	40.7%	25.5%
Business services	-	14.0%	9.6%	10.7%	6.9%
Total	-	100.0%	100.0%	100.0%	100.0%
Expenses					
Operating expenses (excluding depreciation and amortization)	95.2%	62.2%	43.3%	49.1%	32.8%
Selling general and administrative expenses	76.9%	48.6%	29.8%	32.6%	20.6%
Depreciation	51.7%	39.4%	35.6%	38.4%	29.6%
Amortization	18.0%	66.5%	11.9%	14.5%	99.7%
Interest expense, net	29.4%	73.0%	43.7%	47.1%	37.2%

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(1) Telenet Holding is the predecessor company, Telenet Bidco is the successor company for the year ended December 31, 2001 (reflecting Telenet Bidco's acquisition of Telenet Holding in March 2001) and Telenet Group Holding is the successor company for the year ended December 31, 2002.

(2) We do not present revenue data for our residential broadband Internet, residential telephony and business services operations for the year ended December 31, 2000 because we have not historically presented such a breakdown for financial reporting purposes.

Nine Months Ended September 30, 2002 Compared to Nine Months Ended September 30, 2003

The financial information for the nine months ended September 30, 2002 and September 30, 2003 included in the discussion set forth below is derived from Telenet Group Holding's unaudited financial statements for the periods.

Revenues

Revenues increased by €159.6 million, or 79.9%, from € 199.5 million for the nine months ended September 30, 2002 to € 359.1 million for the nine months ended September 30, 2003. Our cable television business, which we acquired from the MICs and began operating in August 2002, generated €137.0 million, or 38.2%, of our consolidated revenues for the nine months ended September 30, 2003, while our residential broadband Internet and telephony businesses generated €105.9 million and €91.5 million, or 29.5% and 25.5%, of our consolidated revenues for the nine months ended September 30, 2003, respectively. Sales of business services were €24.7 million, or 6.9% of our consolidated revenues, for the nine months ended September 30, 2003.

Cable Television

Following the acquisition of our cable television business in August 2002, we generated €137.0 million of cable television revenues for the nine months ended September 30, 2003, compared with €25.4 million for the nine months ended September 30, 2002. During that period, we increased our cable television subscription fees (by an average of 15% in January 2003 and a further 10% of the original amount in July 2003). We also increased copyright fees in August 2003.

Residential Broadband Internet

Revenues generated by our residential broadband Internet business continued to grow, by 48.1%, from €71.5 million for the nine months ended September 30, 2002 to €105.9 million for the nine months ended September 30, 2003. Increased residential broadband Internet revenues were primarily the result of net growth, at 45%, of residential broadband Internet subscribers for the nine months ended September 30, 2003. ARPU remained static as a result of increased promotional activities being offset by increased sales of value-added services.

Residential Telephony

Residential telephony revenue (including interconnection revenue for both residential subscribers and business customers) increased for the nine months ended September 30, 2003, by 12.5%, from €81.3 million for the nine months ended September 30, 2002 to €91.5 million for the nine months ended September 30, 2003. This increase was primarily due to our August 2002 increase in interconnection fees and subscriber growth, at 9%, for the nine months ended September 30, 2003. The fee increase is the subject of litigation. See "Business—Legal Proceedings—Interconnection Litigation."

In the first half of 2002, management decided to de-emphasize marketing telephony during a period of limited cash expenditure prior to the MixtICS Acquisition. We re-launched our residential telephony product in early 2003. The promotions we employed as part of the re-launch, such as the provision of free telephony minutes and limited periods of reduced monthly line rentals, and differences in usage-related fees, had a negative impact on ARPU. ARPU was also reduced by the effects of fixed to mobile telephony substitution on call usage revenues.

Management believes that revenues were negatively affected by tromboning, a practice whereby certain telephony operators divert abroad calls that originate in Belgium and then route the calls back to Belgium in order to qualify for reduced international interconnection fees.

Business Services

Business services revenues increased by 15.6%, from €21.3 million for the nine months ended September 30, 2002 to €24.7 million for the nine months ended September 30, 2003. This increase reflects a balanced contribution from growth in our business customer base and the reallocation of revenues generated by SME residential subscribers that receive services through a coaxial connection to our business services operations.

Expenses

Operating Expenses

Operating expenses increased by €19.8 million, or 20.2%, from € 97.9 million for the nine months ended September 30, 2002 to € 117.7 million for the nine months ended September 30, 2003. For the nine months ended September 30, 2003, operating expenses increased primarily as a result of the inclusion of cable programming costs in our results of operations following the August 2002 MixtICS Acquisition. As a percentage of revenues, operating expenses were 49.1% for the nine months ended September 30, 2002 and 32.8% for the nine months ended September 30, 2003.

Bad debt expense decreased substantially for the nine months ended September 30, 2003, as compared with higher amounts for the nine months ended September 30, 2002, following collection interruptions in connection with our implementation of our OASIS information technology platform during 2002. We took steps to reduce bad debt in the last quarter of 2002, including enhanced collection procedures and measures to terminate services of non-paying customers beginning in the last quarter of 2002. On a per subscriber basis, operating costs improved for the nine months ended September 30, 2003 as a result of increased efficiencies in subcontractor costs and reduced equipment fault rates, among other factors.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by €9.0 million, or 13.9%, from €65.1 million for the nine months ended September 30, 2002 to €74.1 million for the nine months ended September 30, 2003. Expenses increased due to our acquisition of our cable television business from the MICs and increased marketing and advertising expenditure in line with revenue growth partially offset by certain cost savings initiatives.

Our EBITDA margin increased from 18.3% for the nine months ended September 30, 2002 to 46.6% for the nine months ended September 30, 2003.

Depreciation and Amortization Expense

Depreciation expense increased by €29.6 million, from €76.7 million for the nine months ended September 30, 2002 to €106.3 million for the nine months ended September 30, 2003, following the August 2002 MixtICS Acquisition, growth in our subscriber base and subscriber related capital expenditure. As a percentage of revenues, depreciation expenses were 38.4% for the nine months ended September 30, 2002 and 29.6% for the nine months ended September 30, 2003.

Amortization expense increased by €328.9 million, from € 29.0 million for the nine months ended September 30, 2002 to € 357.9 million for the nine months ended September 30, 2003. This increase was caused primarily by a €336 million impairment of our goodwill relating to an impairment analysis under SFAS No. 142 performed in the third quarter of 2003. In addition, as of August 2002 we eliminated amortization of network user rights relating to our prior co-ownership of the MICs cable television network. See note 6 to our interim financial statements.

Operating Loss

Operating loss increased by €227.8 million, from €69.2 million for the nine months ended September 30, 2002 to €297.0 million for the nine months ended September 30, 2003, as a result of the factors described above.

Other Income (Expense)

Interest Income (Expense)

Net interest expense increased significantly, from €94.0 million for the nine months ended September 30, 2002 to €133.5 million for the nine months ended September 30, 2003, primarily due to our increased debt level following the completion of the MixtICS Acquisition in August 2002 and, to a lesser extent, more interest paid to Interkabel under the Clientele and Annuity Agreements as fees payable increased in proportion to costs related to our HFC network upgrade. This was partially offset by the termination of the interest component of payments to the MICs under the Clientele Agreement following our acquisition of MixtICS. See "Our History—MixtICS Acquisition" and "Description of Other Indebtedness." As a percentage of revenues, net interest expense was 47.1% for the nine months ended September 30, 2002 and 37.2% for the nine months ended September 30, 2003.

Foreign Exchange Income (Expense)

Net foreign exchange gain increased from approximately €36,000 for the nine months ended September 30, 2002 to approximately €45,000 for the nine months ended September 30, 2003, as we reduced our exposure to foreign currency fluctuations and as the euro appreciated relative to the U.S. dollar.

Cumulative Effect of Accounting Change, Net of Taxes

We did not record any cumulative effect of a change in accounting principle for the nine months ended September 30, 2003. In connection with our adoption of SFAS No. 142 in 2002, we determined that goodwill was impaired and recorded a cumulative effect of a change in accounting principle of € 668 million (net of taxes). See note 6 to our annual financial statements.

Net Loss

Net loss decreased by €400.3 million, from €830.7 million for the nine months ended September 30, 2002 to €430.4 million for the nine months ended September 30, 2003, as a result of the factors described above.

Year Ended December 31, 2001 Compared to Year Ended December 31, 2002

The financial information included in the discussion set forth below is derived from Telenet Bidco's audited financial statements for the year ended December 31, 2001 and Telenet Group Holding's audited financial statements for the year ended December 31, 2002.

Revenues

Revenues increased in 2002 by €134.8 million, or 78.2%, from € 172.3 million for the year ended December 31, 2001 to € 307.1 million for the year ended December 31, 2002. Our cable television business, which we acquired from the MICs and began operating in August 2002, generated €64.2 million, or 20.9%, of our consolidated revenues for the year ended December 31, 2002, while our residential broadband Internet and telephony businesses generated € 101.1 million and €112.4 million, or 32.9% and 36.6%, respectively, of our consolidated revenues for the year ended December 31, 2002. Sales of business services represented €29.4 million, or 9.6%, of our consolidated revenues for the year ended December 31, 2002.

Cable Television

We acquired our cable television business in August 2002. We did not generate any cable television revenue for the year ended December 31, 2001 or any other preceding period. Revenues for the year ended December 31, 2002 included cable television revenue from August 9, 2002.

Residential Broadband Internet

Revenues generated by our residential broadband Internet business grew significantly for the year ended December 31, 2002, by 54.0%, from € 65.7 million for the year ended December 31, 2001 to € 101.1 million for the year ended December 31, 2002. This growth was primarily a result of growth, at 47%, of residential broadband Internet subscribers for the year ended December 31, 2002 and an increase in subscription fees in February 2002. ARPU increased for the year ended December 31, 2002, primarily as a result of this subscription fee increase. Churn increased for the year ended December 31, 2002 as we enhanced our collection procedures and measures to terminate services of non-paying customers.

Residential Telephony

Residential telephony revenue (including interconnection revenue for both residential subscribers and business customers) increased by 36.3%, from €82.5 million for the year ended December 31, 2001 to € 112.4 million for the year ended December 31, 2002. This increase was attributable to 37% growth in average subscriptions for 2002 as compared to 2001, an increase in subscription fees in February 2002 and our August 2002 increase in interconnection fees. Our interconnection fee increase is the subject of litigation. See "Business—Legal Proceedings—Interconnection Litigation." ARPU decreased, however, because of the effects of fixed to mobile telephony substitution on call usage revenues. This decrease was partially offset by the increase in our interconnection and subscription fees. For the year ended December 31, 2002, management believes that revenues were negatively impacted by tromboning. Churn decreased for the year ended December 31, 2002 owing to improved customer care.

Business Services

Business services revenues increased by 21.8%, from €24.1 million for the year ended December 31, 2001 to

€29.4 million for the year ended December 31, 2002. This increase was driven primarily by growth in our business customer base.

Expenses

Operating Expenses

Operating expenses increased by €25.8 million, or 24.1%, from € 107.2 million for the year ended December 31, 2001 to €133.0 million for the year ended December 31, 2002. As a percentage of revenues, operating expenses were 62.2% for the year ended December 31, 2001 and 43.3% for the year ended December 31, 2002.

For the year ended December 31, 2002, we incurred higher bad debt expense and provisioning following collection interruptions in connection with the implementation of our OASIS information technology platform during 2002. In addition, cable programming costs were included in our results of operations following the August 2002 MixtICS Acquisition. Although we experienced higher interconnection fees as our residential telephony subscriber base grew, interconnection expense was negatively impacted by decreased interconnection rates.

Network repair and maintenance expenses were higher for the year ended December 31, 2002 compared to the year ended December 31, 2001, primarily as a result of the impact of the acquisition of our cable television business from the MICs.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by €7.8 million, or 9.3%, from €83.7 million for the year ended December 31, 2001 to €91.5 million for the year ended December 31, 2002. This growth was primarily the result of increased payroll, marketing and advertising expenditure, in line with revenue growth during the year ended December 31, 2002, together with costs associated with headcount reductions in 2002, offset by lower payroll expenses following those headcount reductions.

Our EBITDA margin improved from (10.8)% for the year ended December 31, 2001 to 26.9% for the year ended December 31, 2002.

Depreciation and Amortization Expense

Depreciation expense increased by €41.5 million, or 61.1%, from € 67.9 million for the year ended December 31, 2001 to €109.4 million for the year ended December 31, 2002, following the August 2002 acquisition of our network from the MICs and growth in our subscriber base and subscriber related capital expenditure. As a percentage of revenues, depreciation expense was 39.4% for the year ended December 31, 2001 and 35.6% for the year ended December 31, 2002.

Amortization expense decreased by €78.1 million, or 68.2%, from €114.5 million for the year ended December 31, 2001 to € 36.5 million for the year ended December 31, 2002. This decrease was caused primarily by the elimination, as of August 2002, of amortization of network user rights relating to our prior co-ownership of the MICs cable television network and amortization of goodwill, following our adoption of SFAS No. 142 in January 2002. See note 6 to our annual financial statements.

Operating Loss

Operating loss decreased by €137.8 million, from € 201.1 million for the year ended December 31, 2001 to €63.3 million for the year ended December 31, 2002, as a result of the factors described above.

Other Income (Expense)

Interest Income (Expense)

Net interest expense increased by 6.7%, from €125.8 million for the year ended December 31, 2001 to €134.2 million for the year ended December 31, 2002, primarily due to our increased debt level following the completion of the MixtICS Acquisition and, to a lesser extent, more interest paid to Interkabel and the MICs (until August 2002) under the Clientele Agreements and Annuity Agreement as fees payable increased in proportion to costs related to our HFC network upgrade. As a percentage of revenues, net interest expense was 73.0% for the year ended December 31, 2001 and 43.7% for the year ended December 31, 2002.

Foreign Exchange Income (Expense)

For the year ended December 31, 2001, we had net foreign exchange loss of €921,000, compared to net foreign exchange gain of approximately €722,000 for the year ended December 31, 2002, as we reduced our exposure to foreign currency fluctuations, and as the euro appreciated relative to the U.S. dollar.

Cumulative Effect of Accounting Change, Net of Taxes

In connection with our adoption of SFAS No. 142 in 2002, we determined that goodwill was impaired and recorded the cumulative effect of a change in accounting principle of €667.6 million (net of taxes). See note 6 to our annual financial statements.

Net Loss

Net loss increased by €536.7 million, from €327.8 million for the year ended December 31, 2001 to €864.4 million for the year ended December 31, 2002, as a result of the factors described above.

Year Ended December 31, 2000 Compared to Year Ended December 31, 2001

The financial information for the years ended December 31, 2000 and December 31, 2001 included in the discussion set forth below is derived from unaudited financial information of Telenet Holding for the year ended December 31, 2000 and Telenet Bidco's audited financial statements for the year ended December 31, 2001.

Revenues

Revenues increased by €83.0 million, or 93.0%, from €89.3 million for the year ended December 31, 2000 to €172.3 million for the year ended December 31, 2001. Our residential broadband Internet and telephony businesses generated €65.7 million and € 82.5 million, or 38.1% and 47.9%, respectively, of our consolidated revenues for the year ended December 31, 2001. Sales of business services represented €24.1 million, or 14.0%, of our consolidated revenues for the year ended December 31, 2001. Revenues generated by our residential broadband Internet and telephony businesses increased for the year ended December 31, 2001 as a result of growth of these subscriber bases, at 130% and 89%, respectively. In our residential telephony business, this growth was partially offset by 26.8% lower interconnection revenues for the year ended December 31, 2001, as interconnection rates declined. Revenues generated by our business services increased for the year ended December 31, 2001 primarily as a result of modest growth in our business customer base.

Expenses

Operating Expenses

Operating expenses increased by €22.1 million, or 26.0%, from € 85.1 million for the year ended December 31, 2000 to €107.2 million for the year ended December 31, 2001. As a percentage of revenues, operating expenses were 95.2% for the year ended December 31, 2000 and 62.2% for the year ended December 31, 2001.

For the year ended December 31, 2001, we experienced higher interconnection fees as our residential telephony subscriber base grew and a greater proportion of telephone calls were terminated on mobile networks, with higher associated termination fees. Interconnection fees increased by 83.6%, from €22.4 million for the year ended December 31, 2000 to €41.2 million for the year ended December 31, 2001.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by €15.0 million, or 21.8%, from €68.7 million for the year ended December 31, 2000 to €83.7 million for the year ended December 31, 2001 as a result of increased payroll, advertising and marketing fees, and as we began to pay management fees to CAI.

Our EBITDA margin improved from (72.1)% for the year ended December 31, 2000 to (10.8)% for the year ended December 31, 2001.

Depreciation and Amortization Expense

Depreciation expense increased by €21.7 million, or 47.0%, from € 46.2 million for the year ended December 31, 2000 to €67.9 million for the year ended December 31, 2001, in line with growth in our subscriber base and subscriber related capital expenditure. As a percentage of revenues, depreciation expense was 51.7% for the year ended December 31, 2000 and 39.4% for the year ended December 31, 2001.

Amortization expense increased by €98.4 million, from €16.1 million for the year ended December 31, 2000 to € 114.5 million for the year ended December 31, 2001. Amortization of installation costs increased in line with growth in our subscriber base during the period. Amortization expense also increased beginning with the acquisition of our group by Cable Partners Europe, LLC in March 2001 due to the allocation to goodwill of the excess of the purchase price over the carrying value of acquired net assets.

Operating Loss

Operating loss increased by €74.4 million, from €126.7 million for the year ended December 31, 2000 to €201.1 million for the year ended December 31, 2001, as a result of the factors described above.

Other Income (Expense)

Interest Income (Expense)

Net interest expense increased from €26.2 million for the year ended December 31, 2000 to €125.8 million for the year ended December 31, 2001, primarily due to payments on debt incurred in conjunction with the acquisition of our group by CAI in March 2001 and senior debt borrowings to fund our operating cash flow needs. As a percentage of revenues, net interest expense was 29.4% for the year ended December 31, 2000 and 73.0% for the year ended December 31, 2001.

Foreign Exchange Income (Expense)

For the year ended December 31, 2000, we had net foreign exchange loss of approximately €956,000 compared to net foreign exchange loss of approximately €921,000 for the year ended December 31, 2001.

Net Loss

Net loss increased by €173.9 million, from €153.9 million for the year ended December 31, 2000 to €327.8 million for the year ended December 31, 2001, as a result of the factors described above.

Liquidity and Capital Resources

Historical Cash Flows

Because the closing of the MixtICS Acquisition introduced the operations of a substantial new business to our group effective August 9, 2002, our consolidated statements of cash flows for the nine months ended September 30, 2003 and for the year ended December 31, 2002 are not directly comparable to our consolidated statements of cash flows for the nine months ended September 30, 2002 and for the year ended December 31, 2001.

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

(Euro in millions)	For the year ended December 31, 2001 (audited)	December 31, 2002 (audited)	For the nine months ended September 30, 2002 (unaudited)	September 30, 2003 (unaudited)
Cash flows from (used in) operating activities...	(35.6)	11.1	5.8	115.7
Cash flows from (used in) investing activities ...	(230.2)	(457.6)	(433.6)	(73.5)
Cash flows from (used in) by financing activities..	232.7	454.7	453.6	(6.7)
Net (increase) decrease in cash and cash equivalents	(33.1)	8.3	25.8	35.4

Cash Flows From (Used in) Operating Activities

Net cash from operating activities increased from €5.8 million for the nine months ended September 30, 2002 to €115.7 million for the nine months ended September 30, 2003. This increase reflects the August 2002 acquisition of our cable television business, as enhanced by increases in subscription fees paid by our cable television subscribers and interconnection fees paid by users of our residential telephony services network and growth in our subscriber base during the period, together with the impact of cost savings initiatives.

Net cash from operating activities was €11.1 million for the year ended December 31, 2002 compared with net cash used in operating activities of €35.4 million for the year ended December 31, 2001, as our operating margins improved and the MixtICS Acquisition was successfully completed.

Cash Flows From (Used in) Investing Activities

Net cash from investing activities decreased by 83.0%, from €433.6 million for the nine months ended September 30, 2002 to €73.5 million for the nine months ended September 30, 2003. This decrease primarily reflects the August 2002 acquisition of our cable television business and the additional capital expenditure we incurred during the period in related network maintenance.

Net cash used in investing activities was €230.2 million for the year ended December 31, 2001 and €457.6 million for the year ended December 31, 2002, reflecting the acquisition of our cable television business in 2002. For the year ended December 31, 2002, cash used in investing activities, excluding acquisitions, was €65.4 million compared to €200.5 million for the year ended December 31, 2001, as a result of slower growth in our residential telephony business and reduced expenditure prior to the MixtICS Acquisition.

Cash Flows From (Used in) Financing Activities

Net cash provided by financing activities was €453.6 million for the nine months ended September 30, 2002 while net cash used in financing activities was €6.7 million for the nine months ended September 30, 2003. This movement primarily reflects cash provided in connection with the financing of the cable television acquisition in August 2002 and cash used to service that debt for the nine months ended September 30, 2003.

Net cash from financing activities was €232.7 million for the year ended December 31, 2001 and €454.7 million for the year ended December 31, 2002, reflecting our financing of the acquisition of our cable television business in 2002 and cash used to service that debt for the year ended December 31, 2002. In the first half of 2002, we experienced a period of limited cash expenditure which lasted until the closing of our purchase of MixtICS in August 2002 and related increase in our cash flows from operations.

Capital Expenditure

Our business is highly capital intensive. We incurred capital expenditure of €200.5 million and €67.4 million, respectively, for the years ended December 31, 2001 and December 31, 2002. Management estimates that subscriber-related costs represented approximately 53% and 75% of these amounts, respectively. Capital expenditure was €43.4 million for the nine months ended September 30, 2002 and € 73.5 million for the nine months ended September 30, 2003. Management estimates that subscriber-related costs represented approximately 95% and 53% of these amounts, respectively. For the nine months ended September 30, 2003, our capital expenditure was funded primarily from cash flows from operating activities. For previous periods, we funded capital expenditure from drawings under our senior credit facility.

A substantial portion of our capital expenditure is variable, being directly related to subscriber growth or related to the general increasing capacity requirements that accompany subscriber growth. In addition, a portion of our capital expenditure consists of specific non-recurring projects. The remainder is capital expenditure that we are not contractually committed to incur, but which we believe is appropriate for network quality reasons or in respect of new home builds. In 2004, we anticipate capital expenditure of between €140 million and €160 million. Of this amount, approximately 40% is for capital expenditure related to subscriber growth (including for modems, labor and other installation costs), while approximately 30% is for network and other infrastructure investments, which is also related to subscriber growth (including for voicemail, e-mail mailboxes, backbone capacity and user licenses, which grow with our subscriber base). The remaining 30% is for the funding of network maintenance, replacement and extensions, office and administration costs, product development and testing and information technology costs. In the short term, we believe we could defer a significant portion of these remaining costs if liquidity were limited before significant network performance issues would arise. In the longer term, we would need to continue such investment to maintain the level of service and performance we seek to offer our customers.

Our anticipated capital expenditure for 2004 includes specific costs relating to the integration of Codenet, a billing systems upgrade, up-front costs for the deployment of VoIP, the upstream upgrade of our network and our ExpressNet™ high speed Internet product. These specific projects represent an estimated €30 million of our anticipated capital expenditure in 2004. We have not formulated a plan to install our iDTV platform. We believe that the installation of an iDTV platform would require additional capital expenditure of between €30 million and €35 million, excluding set-top boxes (the cost of which we anticipate passing on to subscribers), as well as subscriber acquisition and content costs. See "Risk Factors—Risks Relating to Our Financial Profile—We are contractually obligated to launch a digital television platform by March 2005, and our financial condition and cash flows may be impaired by our efforts to launch digital television and any liability we incur if we fail to launch digital television."

Our assumptions regarding the costs associated with maintenance and upgrades of the Combined Network and our coaxial network may prove to be inaccurate, including if we are unable in the future to effectively reduce the number of homes served by each node in our network, which should enable us to relieve local network capacity constraints.

If we are not successful in launching VoIP by the third quarter of 2004 we will no longer be able to connect new telephony subscribers in those areas served by Motorola modems. This supply shortfall would require us to incur additional capital expenditure to grow our telephony business. In addition, if we are not successful in acquiring Canal+, we would face further capital expenditure costs to provide digital television as it would necessitate a downstream network upgrade.

For purposes of the foregoing discussion, we have excluded from capital expenditure the cost of the acquisition of network user rights under the Clientele Agreements and Annuity Agreement and acquisitions of property and equipment utilizing capital leases. See "—Contractual Obligations."

Available Liquidity

We maintain cash and cash equivalents to fund the day-to-day cash requirements of our business. We hold cash primarily in euros. We held € 18.3 million of cash and cash equivalents as of December 31, 2002, as compared with €53.7 million as of September 30, 2003. Giving effect to the Refinancing, and €40 million drawn under tranche C-2 of the senior credit facility on November 3, 2003, we would have had € 163.7 million of cash and cash equivalents. See "Description of Other Indebtedness."

Giving effect to the Refinancing, tranche D of the senior credit facility, which is a €100 million undrawn revolving credit facility, would be available to us subject to our being in compliance with certain financial covenants and other conditions. See "Description of Other Indebtedness." In addition, giving effect to the Refinancing and the €40 million drawing under tranche C-2 of the senior credit facility on November 3, 2003, an additional €40 million would be available under tranche C-2 of the facility for general corporate purposes, subject to such covenants and conditions. The senior credit facility is discussed in greater detail in "Description of Other Indebtedness" and note 7 to our annual financial statements.

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, our shortage of Motorola telephony modems and roll-out of VoIP and potentially adverse outcomes with respect to our interconnection dispute that is currently the subject of litigation. See "Business—Legal Proceedings—Interconnection Litigation." Our ability to service our debt (including payments on the Notes) and to fund our ongoing operations will depend on our ability to generate cash. We have not made a profit since the Telenet group was formed in 1996 and have a history of negative net cash flows after deducting interest and taxes. Although we expect to continue to report losses in the foreseeable future, we anticipate generating positive cash flow after deducting interest and taxes, but cannot assure you that this will be the case. See "Risk Factors—Risks Relating to Our Financial Profile—We may not generate sufficient cash flow to fund our capital expenditures, ongoing operations and debt obligations, including our obligations under the Notes."

The Issuer is a holding company with no source of operating income. It is therefore dependent on capital raising abilities and dividend payments from subsidiaries to generate funds. The terms of the senior credit facility, our other outstanding debt and the indenture governing the Notes 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 and incur additional debt and grant guarantees. See "Risk Factors—Risks Relating to Our Financial Profile—The agreements and instruments governing our debt contain restrictions and limitations that could adversely affect our ability to operate our business and repay the Notes," "Description of Other Indebtedness" and "Description of the Notes." Furthermore, the ability of the Issuer's subsidiaries to pay dividends and make other payments to the Issuer may be restricted by, among other things, other agreements and legal prohibitions on such payments.

We anticipate that the cash portion of our interest expense will increase substantially following the Refinancing. See "—Factors Affecting Results of Operations—Other Income (Expense)." We believe that our cash flow from operations and our existing cash resources, together with available borrowings under the senior credit facility, will be sufficient to fund our currently anticipated working capital needs, capital expenditures and debt service requirements, although we cannot assure you that this will be the case.

In connection with the pending Canal+ Acquisition and our acquisition of Codenet, we have agreed to pay combined purchase prices, including transaction expenses and integration costs, of approximately €45 million, and anticipate experiencing an additional €10 million to €15 million negative cash impact during the first two years following completion of the acquisitions.

Contractual Obligations

Our aggregate contractual obligations as at September 30, 2003, excluding purchase commitments, were as follows (unaudited):

		Payments due by period (euro in millions)			
Contractual obligations	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Long-term debt(1)	1,502.4	14.3	290.2	487.1	710.7
Capital lease obligations	27.4	1.1	1.8	2.9	21.6
Operating lease obligations	6.3	4.7	1.6	11.0	—
Total contractual obligations	1,536.1	20.1	293.6	501.0	732.3

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(1) In connection with the HFC upgrade, we entered into the Clientele Agreements and Annuity Agreement. See "Our History—Network Upgrade." Fees payable under these agreements, which we account for as long-term debt, include an interest and principal component.

With respect to the principal component, we capitalize the present value of fees paid under the Clientele Agreements (over the first 20 years of the agreement in line with the life of the longest lived assets that form part of the HFC upgrade) as network user rights. Likewise, we capitalize the present value of fees paid under the Annuity Agreement (which are due over periods of ten or 20 years) as network user rights. We amortize network user rights over ten or 20 year periods. We account for payments of the interest component under these agreements as interest expense. See "—Factors Affecting Results of Operations—Other Income (Expense)."

Contingent Liabilities and Commitments

For a discussion of our contingent liabilities and commitments, some of which are significant, see "Business—Legal Proceedings," "Risk Factors—Risks Related to Our Financial Profile—We are contractually obligated to commercially launch a digital television platform by March 2005, and our financial condition and cash flows may be impaired by our efforts to launch digital television and any liability we incur if we fail to launch digital television" and "Business—The Combined Network." See also note 14 to our annual financial statements. In connection with litigation concerning the basis for our computation of copyright fees, as of September 30, 2003 we had accrued a liability of approximately €43.3 million. See "Business—Legal Proceedings."

Off-Balance Sheet Arrangements

Historically, we have not used special-purposes vehicles or similar financing arrangements. In addition, we do not have any off-balance sheet financing arrangements with any of our affiliates or with any unconsolidated entities.

Lack of Tax Consolidation

To the extent mismatches between taxable income and deductible expenses occur within the Telenet group, our ability to generate cash flow could be adversely affected (because Belgian tax law does not provide for group-wide consolidation). See "Risk Factors—Risks Relating to our Financial Profile—We may not generate sufficient cash flow to fund our capital expenditures, ongoing operations and debt obligations, including our obligations under the Notes."

Critical Accounting Policies

Our financial statements and the accompanying notes contain information that is pertinent to this discussion and analysis of our financial position and results of operations. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the related disclosure of contingent assets and liabilities. Estimates are evaluated based on available information and experience. Actual results could differ from those estimates under different assumptions or conditions. We believe that, in particular, the critical accounting policies and estimates discussed below involve significant management judgment due to the sensitivity of the methods and assumptions necessary in determining the related asset, liability, revenue and expense amounts. For a detailed description of our significant accounting policies, see note 2 to our annual financial statements.

Property and Equipment

Property and equipment make up a significant portion of our total assets, as we have been investing significant amounts for our network and other operating facilities during recent years. The annual depreciation charge depends primarily on the estimated lives we allocate to each type of asset. Depreciable lives are as follows: buildings and improvements: 33 years, operating facilities: 3-20 years and other equipment: 3-10 years.

Changes in asset lives can have a significant impact on our depreciation charge for the year. We regularly review the depreciable lives and change them as necessary to reflect our current thinking on their remaining lives in light of numerous assumptions and estimates, including with respect to technological change, prospective economic utilization and physical condition of the assets concerned.

Goodwill and Intangible Assets

In connection with the adoption of SFAS No. 142, *Goodwill and Other Intangible Assets* ("SFAS No. 142"), we completed a transitional impairment test of goodwill in 2002 and performed an annual review for impairment during the third quarter of 2003. Goodwill was computed based on one reporting unit.

Fair value was determined based on discounted cash flows using reasonable and appropriate assumptions that are consistent with internal forecasts and based on management's best estimates and judgments. Upon implementation of SFAS No. 142, we determined that goodwill was impaired and recorded the cumulative effect of a change in accounting principle of €667.6 million in 2002. Our earnings forecast was revised in 2003 mainly to reflect changes in the Flemish markets for telephony and internet services. As a result, we recognized an impairment of €336.0 million in the third quarter of 2003 as a component of amortization of intangible assets in the accompanying statement of operations. The tax impact recorded on these impairments is nil as a full valuation allowance is applied against all net deferred tax assets.

We test on an annual basis reported goodwill for impairment by means of discounted cash flows based on significant management estimates and judgments. The key variables which management must estimate in determining expected future cash flows include subscriber and usage levels, prices, churn and penetration rates, operating and other costs, capital expenditures and other factors, many of which are outside of their control. Such estimates are inherently uncertain. Management periodically evaluates and updates the estimates based on the conditions that influence the variables. If the goodwill is considered impaired, it is written down to fair value as appropriate. Different assumptions regarding these internal forecasts could significantly affect our evaluations regarding goodwill impairment.

Apart from goodwill, we report the following finite-life intangible assets, which are stated at cost less accumulated amortization, computed using the straight-line method over the estimated useful lives: (i) network user rights: ten to 20 years, (ii) customer lists: 15 years, (iii) trademarks: 15 years and (iv) software development costs: three years (but not exceeding expected life). Estimating the useful lives of such assets involves a number of uncertainties and assumptions, which are subject to change from time to time. Any such change can have a material effect on the length of the estimated life and lead to impairment charges.

Network user rights relate to the Clientele Agreements and Annuity Agreement. In 1996, we entered into the Clientele Agreements with the MICs and the PICs and into the Annuity Agreement with the PICs. We pay clientele fees under the Clientele Agreements in return for access to the cable network customer database owned and controlled by the MICs and PICs. The clientele fee is payable as long as we maintain usage rights to the cable network. Such payments allow the MICs and the PICs to recover part of their historical HFC upgrade investment.

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 amortized over ten or 20 years depending on the useful life of the underlying assets that make up the HFC upgrade.

In connection with the MixtICS Acquisition, we acquired full control of the portion of the HFC upgrade previously owned by the MICs. Consequently, from the MixtICS Acquisition onwards, network user rights only relate to the access to the cable network of the PICs and the relating balance of the clientele fee payable reflects solely our outstanding obligation to the PICs.

In accordance with the terms of the Annuity Agreement, the PICs charge us an annuity fee, which in substance covers the remaining 60% of the cost of the HFC upgrade incurred by the PICs. Payments under the Annuity Agreement are due over a period of ten 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 has been capitalized as network user rights under intangible assets, and is amortized over ten or 20 years depending on the useful life of the underlying assets that make up the HFC upgrade.

Warrants

Detachable warrants written in connection with debt issuance are accounted for under APB Opinion No. 14, *Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants* ("APB Opinion No. 14").

According to APB Opinion No. 14, the portion of the proceeds of debt securities issued with detachable stock purchase warrants which is allocable to the warrants should be accounted for as paid-in capital. The allocation should be based on the relative fair values of the two securities at time of issuance. Any resulting discount or premium on the debt securities should be accounted for as such. We calculate the fair value of warrants issued using the Black Scholes model, making certain assumptions on the fair value of the underlying shares, dividend yield, volatility and a risk free rate of return. Such assumptions are inherently uncertain, and changes in the assumptions would impact the fair value of warrants issued and ultimately the allocation of the proceeds of debt issued.

We account for freestanding warrants in accordance with Emerging Issues Task Force ("EITF") Issue No. 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock* as interpreted by EITF Issue No. 01-6, *The Meaning of "Indexed to a Company's Own Stock."* Accordingly, we assess whether these warrants are classified within shareholder's equity or as an asset or liability. Warrants accounted for as permanent equity are recorded at their initial fair value and subsequent changes in fair value are not recognized unless a change in the warrants classification occurs. Warrants not qualifying for permanent equity accounting are recorded at fair value as an asset or liability with subsequent changes in fair value recognized through the statement of operations.

Revenue Recognition

We account for the revenue, costs and expenses related to cable television, Internet and telephony services as the related services are performed in accordance with SFAS No. 51, *Financial Reporting by Cable Television Companies* ("SFAS No. 51").

Installation revenue for cable television, Internet and telephony services is recognized to the extent of direct selling costs incurred. The remainder is deferred and amortized to income over the estimated average period that subscribers are expected to remain connected to the system. Based on a review of historical data, the average subscriber period for cable television customers is currently estimated as being 10 years. Direct selling costs have exceeded installation revenue in all reported periods for internet and telephony services. As a result, installation revenue was recognized as new subscribers were connected to the Combined Network.

In compliance with SFAS No. 51, we capitalize initial subscriber installation costs. These installation costs are depreciated over a period no longer than the period used for the network. Installation costs relating to our broadband Internet and telephony business are depreciated over a period of five years. Installation costs relating to the cable television are depreciated over 20 years, which is in line with the depreciation of the cable television plant.

Financial Instruments

We account for derivative instruments in accordance with the provisions of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS No. 133") and related interpretations and amendments. SFAS No. 133 requires the recognition of derivatives on the balance sheet and the measurement of those instruments at fair value. Changes in the fair value of derivatives are recorded in earnings, unless (i) the normal purchase or sale exception or (ii) hedge, other than fair value hedges, accounting is elected. We determined that all derivative instruments that we have used so far do not qualify for normal purchase and sale exception or hedge accounting, and therefore all changes in the fair value of these instruments are recognized as a gain or loss within the statement of operations.

Moreover, SFAS No. 133 also requires certain embedded derivatives to be separated from the host contracts and recorded on the balance sheet as either an asset or a liability measured at fair value. Specifically, if the economic characteristics of an embedded derivative instrument and its host contract are not clearly and closely related, SFAS No. 133 requires that the embedded derivative instrument be separated (bifurcated) and accounted for as a stand-alone derivative instrument. We have determined that we have no embedded derivative instruments that are to be bifurcated and measured at fair value.

Provisions for Litigations and Regulatory Proceedings and Other Contingencies and Commitments

We are involved in significant litigation and regulatory proceedings and have other material outstanding contingencies and commitments. We assess on a periodic basis our liabilities in respect of such litigation and other contingencies and commitments, following the guidance set out in FAS No. 5, *Contingent Liabilities*, and SOP 94-6, *Disclosure of Certain Significant Rules and Uncertainties*. Determining the appropriate level of reserves or provisions requires management to make a number of significant judgments and estimates, including with respect the degree of probability of an unfavourable outcome, the size and timing of such an outcome, the amount of potential loss and any offsetting benefits. We have established a significant provision with respect to our outstanding copyright fee litigation. We have not established any provisions or reserves for our other outstanding litigation, commitments and contingencies, either because management believes they were not estimatable or were not probable. As new facts or circumstances unfold, management will reassess the level of provisioning, and changes thereto may materially affect our financial results and position.

Recent Accounting Pronouncements

In June 2001, the FASB issued SFAS No. 143, *Accounting for Asset Retirement Obligations* ("SFAS No. 143"). SFAS No. 143 establishes accounting standards for recognition and measurement of a liability at fair value for an asset retirement obligation and an addition to the associated asset retirement cost. The accretion of interest expense each period is subsequently recorded as an operating expense and added to the liability. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. We adopted SFAS No. 143 on January 1, 2003 and it had no material impact on our results of operations and financial position.

In April 2002, the FASB issued SFAS No. 145, *Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections* ("SFAS No. 145"). SFAS No. 145 rescinds SFAS No. 4, Reporting Gains and Losses from Extinguishment of Debt, which required all gains and losses from extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of related income tax effect. SFAS No. 145, which is effective in periods beginning after May 15, 2002, requires that gains or losses from extinguishment of debt be classified as extraordinary items only if they meet the criteria of APB Opinion No. 30. We adopted the provisions of SFAS No. 145 on January 1, 2003, which had no material effect on our consolidated financial statements.

In June 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* ("SFAS No. 146"). This statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)* ("EITF Issue No. 94-3"). SFAS No. 146 eliminates the definition and requirements for recognition of exit costs in EITF Issue No. 94-3. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF Issue No. 94-3, a liability for an exit cost was recognized at the date of an entity's commitment to an exit plan. Under SFAS No. 146, an entity's commitment to a plan, by itself, does not create a present obligation to others that meets the definition of a liability. SFAS No. 146 establishes that fair value is the objective for initial measurement of the liability. SFAS No. 146 is effective for all exit or disposal activities initiated after December 31, 2002. We adopted SFAS No. 146 on January 1, 2003. The adoption of SFAS No. 146 had no impact on our results of operations and financial position.

In November 2002, the EITF reached a final consensus related to *Revenue Arrangement with Multiple Deliverables* ("EITF Issue No. 00-21"). The consensus requires that revenue arrangements with multiple deliverables should be divided into separate units of accounting if (i) a delivered item has value to the customer on a stand alone basis, (ii) there is objective and reliable evidence of the fair value of the undelivered item and (iii) if the arrangement includes a general right of return, delivery or performance of the undelivered items is considered probable and substantially in the control of the vendor. Arrangement consideration should be allocated among the separate units of accounting based on their relative fair value and appropriate revenue recognition criteria would be applied to each separate unit of accounting. The EITF agreed the effective date for the consensus will be for all revenue arrangements entered into in fiscal periods beginning after June 15, 2003, with early adoption permitted. We are still evaluating the impact of this EITF on our financial statements. This EITF will be effective for us for revenue arrangements entered into after January 1, 2004.

In November 2002, the FASB issued interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* ("FIN No. 45"). FIN No. 45 requires certain guarantees to be recorded at fair value, which is different from current practice, which is generally to record a liability only when a loss is probable and reasonably estimable. FIN No. 45 also requires a guarantor to make significant new disclosures, even when the likelihood of making any payments under the guarantee is remote. The disclosure provisions of FIN No. 45 were effective immediately in 2002. We are required to adopt the recognition and measurement provisions of FIN No. 45 on a prospective basis with respect to guarantees issued or modified after December 31, 2002. We do not believe the adoption of the recognition and measurement provisions of FIN No. 45 will have a material effect on our consolidated financial statements. We adopted the initial recognition and initial measurement provisions of FIN No. 45 on January 1, 2003 and it had no material impact on our results of operations and financial positions.

In December 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation, Transition and Disclosure* ("SFAS No. 148"). SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. SFAS No. 148 also requires that disclosures of the *pro forma* effect of using the fair value method of accounting for stock-based employee compensation be displayed more prominently and in a tabular format. Additionally, SFAS No. 148 requires disclosure of the *pro forma* effect in interim financial statements. The transition and annual disclosure requirements of SFAS No. 148 are effective for fiscal years ended after December 15, 2002. The interim disclosure requirements of SFAS No. 148 are effective for interim periods beginning after December 15, 2002. We adopted SFAS No. 148 in the year ended December 31, 2002 and it had no material impact on our results of operations and financial position as we continue to apply the provisions in APB Opinion No. 25.

In January 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities* ("FIN No. 46") which interprets Accounting Research Bulletin (ARB) 51, *Consolidated Financial Statements* ("ARB 51"). FIN No. 46 clarifies the application of ARB 51 with respect to the consolidation of certain entities (variable interest entities, or "VIEs") to which the usual condition for consolidation described in ARB 51 does not apply because the controlling financial interest in VIEs may be achieved through arrangements that do not involve voting interests. In addition, FIN No. 46 requires the primary beneficiary of VIEs and the holder of a significant variable interest in VIEs to disclose certain information relating to their involvement with the VIEs. The provisions of FIN No. 46 apply immediately to VIEs created after January 31, 2003, and to VIEs in which an enterprise obtains an interest after that date. FIN No. 46 applies in the first fiscal year beginning after June 15, 2003, to VIEs in which an enterprise holds a variable interest that it acquired before February 1, 2003. We do not believe that the impact of the adoption of FIN No. 46 will have a material effect on our financial statements.

In April 2003 the FASB issued SFAS No. 149, *Amendment of SFAS No. 133 on Derivative Instruments and Hedging Activities* ("SFAS No. 149"). The statement amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. In particular, it (i) clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative as discussed in SFAS No. 133, (ii) clarifies when a derivative contains a financing component, (iii) amends the definition of an underlying to conform it to the language used in FIN No. 45 and (iv) amends certain other existing pronouncements. Most of the provisions of SFAS No. 149 are effective for contracts entered into or modified after June 30, 2003. We do not expect that the adoption of this statement will have a material impact on our results of operations and financial position.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity* ("SFAS No. 150"). SFAS No. 150 establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. In accordance with SFAS No. 150, certain financial instruments that embody obligations of the issuer are required to be classified as liabilities. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise shall be effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS No. 150 in the third quarter of fiscal 2003 is not expected to have a material impact on our financial condition or results of operations.

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks relating to fluctuations in interest rates and foreign exchange rates, primarily as between the U.S. dollar and euro, and use financial instruments to manage our exposure to interest rate and foreign exchange rate fluctuations.

Interest Rate and Related Risk

We are exposed to changes in interest rates because a large portion of our borrowings are variable rate debts. See "Description of Other Indebtedness." Accordingly, our debt service obligations under such indebtedness fluctuate as interest rates change. In order to mitigate this exposure, we have entered into interest rate swap agreements, caps and best of cap/swap combination agreements. Pursuant to interest rate swap agreements, at specified intervals, we pay a fixed interest rate and receive a variable interest rate calculated by reference to an agreed-upon notional principal amount. As of September 30, 2003, we had entered into interest rate swap agreements for a notional principal amount of €380.9 million, and we paid fixed interest at a blended rate of 4.24%, 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 our exposure to, and to derive benefits from, interest rate fluctuations on variable rate debt within a certain range of rates. As of September 30, 2003, we had entered into cap agreements for a notional principal amount of €560.7 million and an average cap interest rate of 4.1%. As of September 30, 2003, these cap agreements did not impact our cash interest expense. As of September 30, 2003 we had also entered into best of cap/swap combination agreements for a notional principal amount of € 284.2 million and a pay interest rate ranging from 4.5% to 6.1%. The respective best of cap/swap combination agreements have not impacted our cash interest expense as of September 30, 2003. Interest rate risk management agreements are not held or issued for speculative or trading purposes. None of these derivative instruments is a qualifying hedge for purposes of SFAS No. 133.

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. We have entered into transactions to hedge our risk for the principal amount of all such debt.

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. At September 30, 2003, we had outstanding fixed rate debt and other obligations of €574.8 million. On a *pro forma* basis to reflect the Refinancing, at September 30, 2003 we would have had outstanding fixed rate debt and other obligations of €877.8 million.

Under the terms of our senior credit facility, we are required, among other things, to make gross up payments to nonresident lenders for interest payments made under the facility that are subject to Belgian withholding tax. Withholding taxation rates vary between 0 and 15% (the highest withholding rate currently applicable under Belgian law) depending upon the tax country of residence of the relevant lender and whether that country is party to a double taxation treaty with Belgium. For the nine months ended September 30, 2003, we paid approximately €2 million in such gross up payments; for that period, only 32.2% of the aggregate interest payable under the terms of our senior credit facility was held by nonresident lenders. If we had been required to make gross up payments on interest paid to all of the lenders under our senior credit facility (which does not restrict transfers of interests in the facility to nonresidents of Belgium) at the 15% withholding taxation rate, we would have had to make payments of approximately €8 million for the nine months ended September 30, 2003. On a *pro forma* basis to reflect the Refinancing and such payments at the 15% withholding taxation rate, we would have had to make payments of approximately €7 million for the nine months ended September 30, 2003.

Foreign Currency Risk

Our reporting currency is the euro. However, we conduct, and will continue to conduct, transactions in currencies other than the euro, particularly the U.S. dollar. Approximately 6.2% of our costs of operations (primarily the costs of network hardware and software equipment and management expenses under our strategic services agreement with Cable Partners) for the nine months ended September 30, 2003 were denominated in U.S. dollars, while all of our revenues were generated in euros. Decreases in the value of the euro relative to the U.S. dollar would increase the cost in euro of our 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, 2003, the euro had appreciated approximately 11.1% against the U.S. dollar since January 1, 2003.

We have historically hedged a portion of our U.S. dollar cash outflows arising on anticipated and committed purchases through the use of foreign exchange derivative instruments. 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 our financial condition and results of operations. Beginning in 2009, Telenet Group Holding will be required to make cash interest payments in U.S. dollars on the Senior Discount Notes and we will be required to make payments in U.S. dollars on a subordinated loan from Telenet Group Holding. We intend to enter into hedging arrangements as necessary to mitigate our exposure to fluctuations in the U.S. dollar/euro exchange rate with respect to interest payments and repayments of principal upon maturity or earlier upon a redemption. Our current intention is initially to hedge our exposure in respect of the accreted principal amount of the Senior Discount Notes as at the fifth anniversary of their issuance and review at a later stage our hedging strategy with respect to cash interest and principal payments payable after that date.

Overview

We are the largest provider of broadband cable services in Belgium. Through our broadband network in Flanders, we offer analog cable television, broadband Internet and telephony services, primarily to residential subscribers.

- ***Cable Television***. Cable television is the principal medium for the provision of television services in Flanders, and there is currently limited competition from satellite or terrestrial transmission of television signals in Flanders or elsewhere in Belgium. Approximately 95% of television households in Belgium are passed by a cable network. As of September 30, 2003, we had approximately 1.6 million subscribers to our analog cable television service, representing a penetration rate of approximately 94% of the homes and businesses in Flanders passed by our network. As a result of our high penetration, our cable television business has been stable and has provided us with a predictable source of revenues and cash flow.

- ***Broadband Internet***. We are the leading provider of residential broadband Internet services in Flanders. As of September 30, 2003, we had approximately 368,000 residential broadband Internet subscribers, which contributed to our estimated market share of 53% in Flanders and to a penetration rate of approximately 15.5%. We have grown from approximately 253,000 subscribers, which contributed to a penetration rate of 10.6% as of September 30, 2002. Through our HFC-upgraded network we offer our residential subscribers an "always on" high-speed broadband Internet service to residential subscribers at downstream data transfer speeds of up to 4 megabits per second, which is among the fastest speeds available to residential customers in western Europe. We believe that the combination of the speed, stability and pricing of our Internet offering has enabled us to grow faster than our competitors in Flanders.

- ***Telephony***. We offer our residential subscribers local, national and international long distance telephony services as well as a variety of other related value-added services. As of September 30, 2003, we had approximately 241,000 residential subscribers, which contributed to an estimated market share of 10% in Flanders (based on number of lines) and a penetration rate of 9.8%. These results compared to approximately 221,000 residential subscribers as of September 30, 2002, which contributed to a penetration rate of 9.1% as of September 30, 2002. We believe that we are currently the largest competitor to Belgacom, the Belgian incumbent, in Flanders.

For the three months ended September 30, 2003, our residential analog cable, broadband Internet and telephony services (including interconnection revenues relating to both residential and business customers) accounted for approximately 39%, 30% and 24%, respectively, of our consolidated revenues. In addition, we offer our business customers a range of Internet, data and voice services, which accounted for approximately 7% of our consolidated revenues for the three months ended September 30, 2003.

For the three months ended September 30, 2003, we generated annualized consolidated revenues and EBITDA of €506.8 million and €252.8 million, respectively. See "Summary Financial Information and Operating Data."

Our broadband network passes approximately 1.7 million homes and businesses in Flanders. We are able to offer cable television, broadband Internet and telephony services to subscribers whose homes are passed by our network. In addition, we are also able to offer broadband Internet and telephony services to subscribers whose homes are passed by the PICs Network, pursuant to 50-year usage rights, of which 43 years remain and which are automatically renewable for successive 15-year periods unless terminated with ten years prior notice. The PICs Network passes approximately 800,000 additional homes and businesses. Our network covers approximately 68% of homes and businesses passed by the Combined Network in Flanders. We, in cooperation with our local municipal partners, recently completed the upgrade of the Combined Network to the HFC standard that provides bi-directional capability, enabling us to transmit and receive digital signals.

Our high performance optical fiber network extends over 10,000 kilometers and the coaxial local loops of the Combined Network reach over 52,000 kilometers throughout Flanders. We use our network to transmit television signals and the Combined Network to carry telephony and Internet traffic to and from end users. We believe that we have significant unutilized backbone capacity.

Our Strengths

- ***High Penetration of Cable Television***. Following an early introduction in the 1960s and 1970s, cable television enjoys broad acceptance in Belgium. Approximately 95% of television households across Belgium are passed by a cable network, compared to an average of approximately 43% of all television households across the European Union. As of September 30, 2003, we provided cable television to approximately 94% of the homes and businesses in Flanders passed by our network. These high penetration rates have allowed our cable television business to generate relatively stable and predictable cash flows. Our cable television revenues have been enhanced by recent increases in the subscription fee charged to our subscribers. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Results of Operations—Revenues—Cable Television" and "—Our Products and Services—Cable Television—Basic Services."

- ***Leader in Broadband Internet***. We are the leading provider of residential broadband Internet services in Flanders. As of September 30, 2003, we had approximately 368,000 residential subscribers, which contributed to our estimated market share of 53% of all broadband Internet subscribers in Flanders. During the three months ended September 30, 2003, we increased our market position by adding more than 26,000 net new subscribers. We currently provide broadband Internet subscribers a downstream data transfer speed of up to 4 megabits per second for a price of approximately €42 per month (including VAT). We believe that the combination of speed, stability and pricing of our Internet offering compares favorably to other broadband Internet products such as digital subscriber lines, or "DSL."

- ***Fully Built-out and Recently Upgraded Network***. The Combined Network has an extensive reach in Flanders, passing approximately 2.5 million, or 94%, of homes and businesses in Flanders. The Combined Network includes our 10,000 kilometer high-capacity fiber backbone that spans Flanders. This backbone is linked via head end stations and nodes to end users by local loops owned by us and the PICs that consist of 52,000 kilometers of coaxial cable. The Combined Network has been upgraded to an HFC standard capable of transmitting bi-directional digital data and offering a minimum capacity of 450MHz.

- ***Strong Brand Recognition***. Telenet is a well-recognized brand in Flanders. Third-party research commissioned by us indicates that consumers had over 95% aided brand awareness in 2003 of Telenet as a provider of Internet and fixed telephony services, and unaided brand awareness that varied between 60% and 80% depending on the level of Telenet's promotional activities. A third-party customer survey that we paid for also indicated that customers recognize us for the quality of the products we offer.

- ***Strong Management Team***. Our management team has extensive experience in managing technology businesses in competitive markets. Management is supported by a diverse group of shareholders, which bring a combination of international telecommunications experience and local relationships to our operations. Our shareholders include 15 Flemish intercommunales that have experience running local cable television networks, have strong local relationships and an understanding of the Belgian regulatory environment.

Our Strategy

We seek to build on the existing reach of our cable television network and to increase the penetration rates of our broadband Internet and telephony services. Our strategy is to continue to add value for our end users by providing high quality products and superior levels of customer service. We aim to increase our operating cash flow by increasing our customer base and the amount of revenue generated by each customer and by implementing cost-saving initiatives. To achieve these objectives, we are pursuing the following strategies:

- ***Continue to Grow our Subscriber Base***. We aim to maintain our strong presence in cable television and continue to increase our subscriber base and expand our market share in broadband Internet and telephony services. We are especially focused on the residential broadband Internet market, which contributes incremental revenues while generating low incremental costs. We utilize a range of promotions and brand marketing activities to attract new subscribers.

- ***Prudent Deployment of Capital***. We seek to make prudent capital expenditures and to deploy proven technologies. The Combined Network has recently been upgraded to an HFC standard with bi-directional digital capability and passes approximately 2.5 million homes and businesses in Flanders. We believe that the HFC upgrade and the reach of the Combined Network should limit the need for a significant amount of capital expenditure for future upgrades. In addition, to reduce the risks frequently associated with new product launches, we seek to invest in proven products and technologies. We aim to use technologies that operate on "open standards" in order to increase the compatibility of various network components. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Expenditure."

- ***Improve Cash Flow and EBITDA Margin***. We seek to improve our cash flow and EBITDA margin primarily by growing our subscriber base and maximizing the amount of revenue generated by each subscriber. In addition, we continue to focus on reducing our operating costs. During 2002 we increased our revenues while restricting the growth of our selling, general and administrative expenses. We measure our EBITDA margin as revenues net of operating expenses (excluding depreciation and amortization) and selling, general and administrative expenses taken as a percentage of gross revenues. Our EBITDA margin increased from 18.3% for the nine months ended September 30, 2002, to 46.6% for the nine months ended September 30, 2003. We have reduced the amount of our bad debts, lowered network repair and maintenance expenses and controlled the growth of our workforce. In the future, we plan to improve our EBITDA margin by lowering the cost of customer acquisitions and customer service.

- ***Continue to Focus on Quality and Customer Service***. We view customer satisfaction as essential to the maintenance of our existing subscriber base and pricing levels and our future prospects. We rely on a number of metrics to evaluate the level of our customer service. One key factor is the average time that our residential Internet and telephony subscribers wait to have their calls answered, which was an average of approximately 30 seconds for the three months ended September 30, 2003. In order to continue to reduce churn and enhance the quality of services we provide our subscribers, we have customer retention teams that assist in the resolution of subscriber problems. We also intend to introduce programs such as Telenet EasyCare™, which is a subscriber care computer program designed to help subscribers find answers to certain common questions more quickly without having to seek help from our call center. In addition, we regularly conduct customer surveys using internal and third-party research organizations and continuously monitor competitor activity. We continuously invest in product development to make our products and services more attractive. For example, we are in the process of developing ExpressNet™, a high-speed broadband Internet product that we anticipate will permit access to the Internet at speeds significantly faster than we currently offer.

Our Products and Services

We provide customers with video, data and voice services in Flanders. We offer our residential subscribers cable television, broadband Internet and telephony services and our business customers broadband Internet, data and voice services. We offer all of our products and services through our network, which covers approximately 68% of the homes and businesses passed by the Combined Network in Flanders. We are able to offer broadband Internet and telephony services to the remaining 32% of homes and businesses passed by the Combined Network in Flanders through our 50-year right to use the PICs Network, of which 43 years remain and which are renewable for successive 15-year periods unless terminated with ten years prior notice.

Our residential subscribers include individuals and families living in homes and apartments as well as SoHos that receive our services through a coaxial connection. Residential subscribers access our services from a node on our fiber network that links via a coaxial connection to their home or business.

Cable Television

The following chart sets forth certain information related to our cable television operations as of and for the periods indicated:

	For the three months ended			
	December 31, 2002	March 31, 2003	June 30, 2003	September 30, 2003
Homes passed (in thousands)(1)	1,683	1,683	1,683	1,683
RGUs (in thousands)(2)	1,564	1,568	1,573	1,575
Penetration rate(3)	92.9%	93.2%	93.5%	93.6%
Average monthly revenue per user (in euro)(4)	8.3	9.3	9.2	10.6

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

(2) Each subscriber is counted as a revenue generating unit, or "RGU," for each service subscribed. Thus, a subscriber who receives from us cable television, broadband Internet and telephony services (regardless of their number of telephony access lines) would be counted as three RGUs. RGUs are presented as at the relevant period end date.

(3) Number of RGUs at the end of the relevant period as a percentage of the number of homes passed by our network at the end of the relevant period. Penetration rate estimated where limited data available.

(4) Revenue earned for the period divided by the number of months in the period and divided by the average number of RGUs for the period (which average number of RGUs may vary from the number of RGUs presented above at the period end date). Includes copyright fees and revenue earned from carriage fees.

Basic Services

We are the largest provider of broadband cable services in Belgium. Analog cable television is the principal means of television broadcasting in Belgium, with 95% of television households across Belgium passed by a cable network. Currently, traditional terrestrial broadcasting and direct-to-home satellite broadcasting are not widely used in Flanders or elsewhere in Belgium. We offer our 1.6 million subscribers between 32 and 35 television channels (some of which are broadcast on the same network channel at different times), available through direct connections to subscribers' televisions. We currently provide cable television to our subscribers in the form of a single, basic analog package, with revenues derived from subscription fees and carriage fees paid by certain of the content providers to carry their programs over our network.

We charge our cable television subscribers an average monthly fee of € 8.34, excluding VAT and copyright fees described below. Approximately 96% of our subscribers pay for their cable service in advance on an annual basis, with the remainder paying on a monthly or quarterly basis pursuant to public welfare regulations. From 1994 until December 2002, our subscribers paid an average monthly cable television subscription fee of €6.67 (excluding VAT and copyright fees). Following approval from the Pricing Commission of the Belgian Ministry of Economic Affairs and the Regional Programming Council, we raised our monthly cable television subscription fees by an average of 15% in January 2003, to €7.67 (excluding VAT and copyright fees) and by a further 10% of the original amount in July 2003, to the current €8.34 (excluding VAT and copyright fees). In general, our cable television business has represented a stable source of revenue that has been enhanced by the recent price increases.

Together with subscription fees, cable television subscribers are charged an annual copyright fee for the content received from public broadcasters that is broadcast over our network. We collect these fees on behalf of the copyright collection agencies that act for holders of the relevant copyrights. In August 2003, these fees increased from a monthly average of €1.08 per month (excluding VAT) to a monthly average of €1.81 per month (excluding VAT) as a result of certain litigation with the copyright collection agencies over how copyright fees should be calculated. See "—Legal Proceedings—Copyright Litigation." For a description of how we account for copyright fees, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Results of Operations—Revenues—Cable Television."

Programming

Our cable television programming varies depending on the location of the subscriber, with 32 channels available to all of our subscribers and the availability of additional channels varying by region and regulatory minimum content requirements. Channel offerings include local, national, foreign, sports and movie channels. We also offer our cable television subscribers access to approximately 30 radio stations. We are required to deliver some of these television channels and radio stations to our cable television subscribers pursuant to "must carry" rules. These requirements cover broadcasts of the Flemish and French-speaking community broadcasters in Belgium and programs of authorized broadcasters that are at least partly in the Dutch language. These rules currently apply to 15 of the television channels that we transmit to any specific region of Flanders. See "Regulation—Broadcasting Regulation—Must Carry."

The following chart lists the principal channels that we currently offer on our cable television network and identifies those that we are required to carry pursuant to "must carry" regulations. We estimate that our cable television viewers spend approximately 75% of their viewing time watching five Dutch language channels, of which VTM, VT4 and Kanaal 2 are currently only available over cable networks.

National Channels	Key Regional Channels*
VRT TV1*	ATV
VRT Canvas/Ketnet*	AVS (AudiVisuele Studios)
VT4*	Focus
VTM*	Kanaal 3
Kanaal 2*	RTV
Kanaal Z*	Ring TV
Event TV/Liberty TV.com*	R.O.B
Vitaya*	WTV
Jim TV*	No-Tele
RTBF 1 (French-speaking)*	
RTBF 2 (French-speaking)*	

Foreign Channels

ARD	RAI	Mozaiek
Arte	TF1	NOS 1*
BBC1	TMF	NOS 2*
BBC2	TV5	NOS 3*
CNBC	MTV	BBC World
CNN International	TRT	RTL TVI
France 2	RTVE	National Geographic
France 3	Club RTL	ZDF
ITV	Cartoon Network/TCM	Tel Sell
WDR		

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* Required to be carried on our television network pursuant to "must carry" regulations. Of the 15 "must carry" channels delivered to any region, 11 are national channels, three are foreign channels and one is a regional channel.

Several different relationships govern the content that we provide our cable television subscribers. We pay copyright fees to the public national and regional broadcasters carried on our cable television network. We are required by law to carry the signals of the regional broadcasters at no charge and also do not charge a carriage fee to the public broadcasters. See "—Basic Services" and "Regulation—Broadcasting Regulation—Must Carry." We enter into transportation and distribution agreements with the other commercial broadcasters, including those we are required to transmit under "must carry" regulations. Through transportation contracts, we agree to carry a commercial broadcaster's signal across our fiber backbone to our head end stations, where the signal is subsequently delivered to either our subscribers or the cable television subscribers of the PICs. Broadcasters who transmit their signal to us by satellite can elect to deliver their signal directly to our head end stations and, as a result, do not need to enter into a transportation agreement with us. We also enter into distribution contracts with all of the commercial broadcasters whose channels we carry on our network, pursuant to which we agree to carry the broadcaster's signal from the head end station to our cable television subscribers. We base the prices that we charge under distribution contracts on nondiscriminatory policies.

In some situations, we do not charge the broadcasters any fee for transmitting their signal to our subscribers and we do not pay any content fees. Instead, the broadcasters benefit from increased advertising revenues they receive from reaching our cable television subscribers and we benefit from providing our subscribers added content. In limited situations, we pay broadcasters for the channels they transmit over our network. In addition to these arrangements, we have also entered into contracts with certain broadcasters pursuant to which we currently pay a fee in order to have the right to broadcast their signal on any digital cable television service that we may offer in the future. For the nine months ended September 30, 2003, we paid copyright fees of approximately €20.3 million to public national and regional broadcasters and related copyright agencies. For that same period, we received net payments of approximately €600,000 under our transportation and distribution arrangements (excluding our relationship with the Canal+ group).

Premium Services

Cable television subscribers in Belgium are able to subscribe for premium movie, sports and other channels directly from the Canal+ group, which provides both digital and analog programming to our subscribers through a proprietary set top box. Subscribers can pay to receive single showings of sporting events and recently released films, and can also receive premium channel packages. The Canal+ group provides digital and analog services to approximately 102,000 of our cable subscribers and analog services to approximately 44,000 subscribers of the PICs through a contractual arrangement with us and the PICs that grants the Canal+ group the exclusive use of nine 8 MHz television channels on our network and three 8 MHz channels on the PICs Network. We are currently involved in a dispute with the Canal+ group regarding the termination of this arrangement. See "—Legal Proceedings—Canal+ Litigation."

We have entered into an agreement to acquire all of the Flemish assets and subscribers of the Canal+ group (the "Canal+ Acquisition"), which will allow us to offer the premium television services currently provided by the Canal+ group directly to our cable television subscribers as well as those of the PICs. We intend to complete the Canal+ Acquisition at the end of December 2003, with financial effect from December 1, 2003. The Belgian competition authority (*Raad voor de Mededinging*) has approved the acquisition, subject to certain conditions. These conditions require us, among other things, to:

- grant other premium television service providers access to our network on commercially reasonable terms, taking into account, among other things, the available capacity on our network;
- offer the Canal+ premium service to other television network operators who want access to its content, and charge end users on our network and such other networks a uniform, nondiscriminatory price for all end users;
- not enter into contracts with broadcasters that make us the exclusive distributor of their signal and waive any exclusivity provisions that are currently in force within 30 days of the authority's decision;
- not invoice Canal+ subscribers served by other service providers under the "Telenet" name and not deliver any Telenet publicity with such invoices; we must list all service providers who provide Canal+ in any Telenet advertising for Canal+; and

- provide the Belgian competition authority an annual compliance report and obtain approval of the competition authority for any sale or assignment of the content rights that we acquire from Canal+.

The decision of the Belgian competition authority is subject to an appeal within 30 days from publication of the decision in the Belgian Official Gazette (*Belgisch Staatsblad*). Our acquisition of the Canal+ Assets is also subject to a number of conditions to closing, including the sale to other parties of the Canal+ business in the French-speaking region of Belgium and the consent of the movie studios and other programming suppliers that provide content to Canal+. Completing the acquisition should better enable us to introduce a digital offering by gaining access to certain Canal+ employees with digital expertise, acquiring certain digital equipment, securing access to premium content and giving us control over the nine television channels on our network currently used by the Canal+ group. We also expect to develop a direct customer relationship with the Canal+ subscribers using the PICs Network, paying the PICs a fee to transmit the Canal+ premium content through their network. In the long-term, we do not anticipate directly holding the rights to the content that we expect to acquire in the Canal+ Acquisition. If we are not able to complete the Canal+ Acquisition it may be more difficult to introduce a digital offering. See "Risk Factors—Risks Related to Our Business—Conditions imposed on the Canal+ Acquisition, a failure to complete the Canal+ Acquisition or the inability to ensure sufficient access to premium programming could have an adverse effect on our operating results."

Residential Broadband Internet

We offer "always on" high-speed broadband Internet services to residential subscribers throughout Flanders over the Combined Network. Using cable modems to connect subscribers to the Combined Network, our current residential offering allows end users to receive data from the Internet at a "downstream" data transfer speed of up to 4 megabits per second.

We believe that a combination of speed, stability and pricing enabled us to gain an estimated 53% share of the Flemish broadband Internet market as of September 30, 2003. Broadband Internet services have reached high levels of acceptance in Flanders using a broadband connection. This trend may be attributed to the relatively high ratio of speed to price of residential broadband Internet service in Flanders when compared to that available in most other markets in Europe. Our ability to continue to grow this market, however, will depend in part on increases in the number of households in Flanders. We estimate that 49% of households in Flanders contain a personal computer, which lags behind the rest of western Europe, based on third party surveys and internal estimates of recent trends.

The following chart sets forth certain information related to our residential broadband Internet service as of and for the periods indicated:

	For the year ended December 31, 2001	For the nine months ended September 30, 2002	For the year ended December 31, 2002	For the nine months ended September 30, 2003
Homes passed (in thousands)[1]	2,144	2,393	2,423	2,484
RGUs (in thousands)[2]	195	253	287	368
Penetration rate[3]	8.2%	10.6%	12.2%	15.5%
Average monthly revenue per user (in euro)[4]	31.0	34.1	33.5	35.1
Churn (annualized)[5]	6.8%	7.9%	8.2%	7.5%

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

(2) Each subscriber is counted as a revenue generating unit, or "RGU," for each service subscribed. Thus, a customer who receives from us cable television, broadband Internet and telephony services (regardless of their number of telephony access lines) would be counted as

three RGUs. RGUs are presented as at the relevant period end date. Our residential broadband Internet and telephony RGUs include households and SoHos that receive our services through a coaxial connection.

(3) Number of RGUs at the end of the relevant period as a percentage of the homes passed by the Combined Network as of September 30, 2003. Includes SMEs that receive our services through a coaxial connection.

(4) Revenue earned for the period divided by the number of months in the period and divided by the average number of RGUs for the period (which average number may vary from the number of RGUs presented at the period end date).

(5) Total number of RGUs disconnected during the period divided by the average number of RGUs for the period, (multiplied by four-thirds in the case of information presented for the nine months ended September 30, 2002 and September 30, 2003). Includes SMEs that receive our services through a coaxial connection.

We offer our subscribers five installation alternatives when they subscribe for Internet access from us: the "Self-Install" plan, where the Telenet installer installs only the cable Internet modem; the "Self-Install Plus" plan, where the Telenet installer also provides required cables; the "Comfort Install" plan, where cables are not supplied but the Telenet installer also configures the subscriber's personal computer; and the "Comfort Plus Install" plan, where the Telenet installer addresses all aspects of the installation so that the subscriber is ready to use the Internet immediately after the installation is completed. We have recently begun to offer wireless ("Wi-Fi") installations, enabling our residential subscribers to limit the amount of wiring required in their homes and to enjoy the flexibility of broadband wireless Internet access.

Our most popular Internet offering is the "Mono" Package, which connects a single personal computer to the Internet. The specific features of our Mono Package as currently offered, including available optional features, are specified in the following chart. All prices include VAT of 21%.

Feature/Item	Mono Package(1)
Downstream data transfer speed (max.)	4,096Kbps
Upstream speed (max.)	128Kbps
Permitted volume	10GB/month
Users	1
Mailboxes	2
Maximum mailbox	50MB
Maximum webspace	50MB
Monthly fee	€41.95
Optional Features	
Extra mailbox	€1.50/month
Extra webspace (10 MB)	€5.00/month
Extra volume (1 GB)	€5.00/month
Anti-virus software	€1.50/month
Connection charge	
Self-Install	€40.00
Self-Install Plus	€100.00
Comfort Install	€75.00
Comfort Plus Install	€125.00
Wi-Fi Installation (including hardware)	€299.00
Connection	
Cable modem deposit	€50.00

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(1) In addition to the Mono Package, subscribers may choose to receive the "Duo" or "Quattro" plans for an additional fee, which allow for the connection of multiple personal computers to the Internet. Subscribers may elect to receive our gaming package, for €51.95 per month, which also offers access to interactive computer games and other features.

Residential Telephony

We offer our residential subscribers throughout Flanders local, national and international long distance telephony services together with a variety of related value-added services. The residential telephony market is dominated by Belgacom, the successor to the former monopoly provider of telecommunications services in Belgium. As of September 30, 2003, we estimate that, based on total active telephone lines, Belgacom had an estimated 80% share of the fixed-line telecommunications market in Flanders. As of that same date, we had an estimated market share of 10% in Flanders, representing 212,000 direct access subscribers and 29,300 carrier preselect subscribers. Our direct access telephony subscribers are directly linked to the Combined Network and we earn revenues from subscription and usage fees generated by these subscribers. Many of our carrier preselect subscribers can only receive telephony service through the Belgacom network because we have not yet installed equipment in our head end stations serving their areas that would allow them to receive telephony service directly from us. Through our carrier preselection service, we offer subscribers telephony service using Belgacom's telephone network and earn usage revenues generated by these subscribers.

At present, we offer residential subscribers the only direct access alternative to Belgacom in Flanders. We believe sales of our residential broadband Internet services have been a significant factor driving telephony sales. As of September 30, 2003, approximately 30% of unique subscribers subscribed to both our telephony and broadband Internet services.

The following chart sets forth certain information related to our residential telephony service as of and for the periods indicated:

	For the year ended December 31, 2001	**For the nine months ended September 30, 2002**	**For the year ended December 31, 2002**	**For the nine months ended September 30, 2003**
Homes passed (in thousands)[1]	2,144	2,393	2,423	2,484
RGUs (in thousands)[2]	201	221	220	241
Direct access	180	189	185	212
Carrier preselect	21	32	35	29
Penetration rate[3]	8.2%	9.1%	9.1%	9.8%
Average monthly revenue per user (in euro)[4]	40.7	38.6	38.5	34.5
Churn (annualized)[5]	14.8%	9.4%	11.2%	9.5%

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(1) Homes passed represents the estimated number of potential residential, SoHo and SME subscribers to whom we can offer our telephony services via a coaxial connection or a carrier preselect service.

(2) Each subscriber is counted as a revenue generating unit, or "RGU," for each service subscribed. Thus, a subscriber who receives from us cable television, broadband Internet and residential telephony services (regardless of its number of telephony access lines) would be counted as three RGUs. RGUs are presented as of the relevant period end date. Telephony RGUs include direct access and carrier preselect subscribers.

(3) Number of RGUs at the end of the relevant period as a percentage of the homes passed by the Combined Network as of September 30, 2003. Includes SMEs that receive our services through a coaxial connection.

(4) Revenue earned for the period divided by the number of months in the period and divided by the average number of RGUs for the period (which average number may vary from the number of RGUs presented at the period end date). Excludes interconnection revenue and installation fees but includes revenue generated by RGUs who use our carrier preselection services.

(5) Total number of RGUs disconnected during the period divided by the average number of RGUs for the period, multiplied by (four-

thirds in the case of information presented for the nine months ended September 30, 2002 and September 30, 2003). Excludes RGUs who use our carrier preselection services and includes SMEs that receive our services through a coaxial connection. We exclude RGUs who use our carrier preselection services from our residential telephony churn statistics because, for the most part, these customers subscribe to our direct access telephony services upon ceasing to subscribe to our carrier preselection services.

Our direct access residential telephony subscribers are charged a fixed monthly fee for their telephone line and all of our residential telephony subscribers are charged a variable fee based on usage. Discounted usage charges apply when calls are placed to another Telenet subscriber. We seek to price our residential telephony products to provide a better value alternative to Belgacom. The following table sets out our basic fixed-line and per minute telephony tariffs effective for new subscribers joining Telenet as of December 1, 2003:

Monthly line rental fee (including VAT):(1) 16.80

Tariffs for calls originating on the Combined Network and terminating at:	Peak(2)	Off-peak(3)	Weekend(4)	Call set-up(5)
	(in euro cents per minute, including VAT)			
Belgacom fixed line	4.08	2.04	2.04	5.10
Telenet fixed line(1)	2.52	1.26	1.26	5.10
Neighboring countries (fixed line)	18.36	9.18	9.18	10.20
Proximus mobile lines	20.50	13.50	11.00	11.00
Mobistar mobile lines	25.50	15.00	15.00	11.00
Base mobile lines	27.50	18.00	18.00	11.00

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(1) Does not apply to indirect access subscribers.

(2) Defined as 8 a.m. to 7 p.m. each weekday except for Base, for which peak times are defined as 10 a.m. to 10 p.m. each weekday.

(3) Defined as 7 p.m. to 8 a.m. each weekday and all day for weekends (except for connections to mobile telephone lines) and public holidays except for Base, for which off-peak times are defined as 10 p.m. to 10 a.m. each weekday and public holidays.

(4) All day during the weekend.

(5) Outgoing calls incur a set-up fee for each telephone call originating on the Combined Network.

Currently, subscribers are not charged an installation fee to receive residential telephony services.

For an additional fee residential subscribers may receive enhanced telephony features, which include packages of features and individual services such as voicemail and caller ID. The following table lists the prices for subscribing for some of the additional telephony features that we offer as of December 1, 2003:

Additional Feature Package/Service	Services	Monthly Charge (including VAT)
Top Line (*Top-lijn*™)	Caller ID, voicemail, call forwarding and call waiting	€5.00
Youth Line (*Jong-lijn*™)	Separate phone number, monthly calling budget and 3-way calling	€4.92
Additional features	Caller ID, voicemail, call forwarding and call waiting	€2.46 each

Our subscribers currently receive residential telephony services through modems that operate on proprietary technologies. By the fourth quarter of 2004, however, we plan to launch VoIP technology on the Combined Network, which will enable us to offer telephony services to our subscribers through an open standards EuroDOCSIS modem that we expect will be substantially less expensive than the telephony modems we currently use. See "—Future Products and Services—VoIP." VoIP should enable us to move away from our reliance on proprietary technology, which we expect will help us alleviate a shortage of Motorola telephony modems. See "Risk Factors—Risks Related to Our Business—The Combined Network and systems depend on equipment and service suppliers that may discontinue their products or seek to charge us prices that are not competitive, either of which may adversely affect our business and profitability."

Interconnection

Network operators, including us, 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 we pay is taken into account in the price we charge our subscribers. Interconnection fees that we receive to terminate calls originating domestically are higher than for calls originating from outside of Belgium and charges for interconnecting to a mobile network are substantially higher than charges for interconnecting to another fixed-line network. For the nine months ended September 30, 2003, we incurred interconnection fees of approximately €25.8 million and received interconnection revenue of approximately €19.2 million. Our interconnection practices are subject to comprehensive regulation by the Belgium Institute for Post and Telecommunications (*Belgisch Instituut voor Postdiensten en Telecommunicaties*), or "BIPT." See "Regulation—Telephony Regulation—Interconnection." In August 2002, we increased the rates we charge for inbound domestic calls that terminate on the Combined Network from an average of €0.009 per minute to an average of €0.0475 per minute. This price increase is the subject of legal challenges by Belgacom. Interconnection termination rates for inbound international calls remain at €0.009 per minute. See "—Legal Proceedings—Interconnection Litigation" and "Risk Factors—Litigation Risks—We are currently involved in a significant dispute with Belgacom relating to the price we charge competitors to interconnect to our telephony network, and an unfavorable outcome for us in this dispute would reduce the profitability of our telephony business."

Our principal interconnection agreements are with Belgacom and its mobile telephone subsidiary Proximus. Belgacom provides telephony services to an estimated 80% of the Flemish market and the majority of the interconnection fees that we pay are to Belgacom. A provisional interconnection agreement governs our relationship with Belgacom. Pursuant to the terms of this agreement, we agree to terminate calls to users on our respective networks. Belgacom charges us its standard tariffs for these services, which is an average of €0.009 per minute. Although the agreement provides for us to charge the same rates charged by Belgacom, we charge higher rates to terminate domestic calls on the Combined Network pursuant to certain decisions of the BIPT. See "—Legal Proceedings—Interconnection Litigation." Pursuant to rulings of the BIPT, we pay an estimated amount of interconnection termination fees to Belgacom at the beginning of each month. Any differences as a result of actual usage during the month are reconciled after the close of each period. The terms of this agreement expired on December 31, 1998, but we have extended it since then pursuant to letter agreements on a three-month rolling basis. Our current extension of the agreement expires on February 29, 2004. Our agreement with Proximus has similar advance-invoicing procedures and can be terminated on eight-months advance notice.

In July 2003, we entered into an interconnection agreement with Mobistar in order to reduce the average interconnection and transit charges we incur when routing calls from the Combined Network across Belgacom's network to mobile operators in Belgium. The agreement also includes a clause that expressly prohibits tromboning and renews annually unless at least eight months prior notice is given by either party. See "Risk Factors—Risks Related to Our Business—The Belgian Internet, data and telephony industries are highly competitive and the television industry may become more competitive in the future, which could result in lower prices and the loss of subscribers."

We also have agreements with MCI and Colt that govern interconnection termination rates for international calls that originate on the Combined Network.

Sales, Marketing and Customer Care

We currently market our Internet and telephony services under the "Telenet" brand name, which we support with extensive advertising and brand awareness campaigns. We plan to migrate our cable television operations currently using the MixtICS name to the Telenet brand name by the second quarter of 2004. If we complete the Canal+ Acquisition, we plan to market our newly acquired premium cable television services under a joint Telenet-Canal+ brand and to transition these services over a period of time to the Telenet brand, to the extent consistent with requirements of the Belgian competition authority. See "—Cable Television—Premium Services." We believe that our analog cable television service is viewed as a utility service and therefore have not actively marketed it.

Our residential sales and marketing division manages all aspects of subscriber acquisition, installation and retention on a unified basis for our cable television, broadband Internet and telephony businesses. We manage our marketing and promotional activities, sales channels and customer care initiatives to increase the degree of subscriber penetration and increase the levels of services purchased by our subscribers. We use a combination of individual promotions and general brand marketing to attract and retain subscribers in our broadband Internet and telephony businesses. Our marketing expenses include fixed costs, commissions paid to generate sales and subscriber incentives that can include free installation and reduced subscription costs. Post-installation, we engage third parties to conduct frequent surveys to ensure that subscribers are satisfied with us and our products, and engage in programs to minimize voluntary churn, such as "win-back" promotions to persuade subscribers requesting to disconnect their service to change their decision.

Sales and marketing channels for Internet and telephony services include media advertising, telemarketing, e-marketing, door-to-door marketing and targeted mail solicitation. We make direct sales through our customer call center at our head office in Mechelen. In addition to our call center, our agents, who are paid a commission based on the number of sales closed, also provide a significant source of sales. These agents include retail outlets and dealers and, for broadband Internet services, consumer electronics and other retailers that sign customers up at the store for a one year Internet service subscription. In addition, door-to-door marketing of one-year telephony contracts by both our employees and third-party marketing agencies has proven especially effective for telephony sales. Telenet employees in our door-to-door sales force receive a base salary and an additional commission for each telephony contract sold. We pay only commission, and not any fixed salary, to third-party door-to-door sales agents based on the number of telephony contracts sold by the agencies. We continuously evaluate our marketing channels to allocate our resources most efficiently.

Customer care is a significant priority of our management, and is based out of our customer call center in Mechelen. For the three months ended September 30, 2003, we were able to answer calls to our customer call center within an average wait of approximately 30 seconds. We plan to introduce new programs such as Telenet EasyCare™ to provide improved customer support on a more cost-efficient basis.

We use a customized information technology platform to manage subscriber records from the point of sale, monitor product installation on a real-time basis and track and respond to subscriber queries. We have recently upgraded our customer service platform to provide our call center agents with, among other things, individual subscriber payment information and the ability to download network status data. In addition, all of our installers use proprietary GPRS laptop computers to stay in touch with the head office when they are conducting subscriber installations. This system should increase the efficiency of our installation staff by allowing them to re-arrange appointments more quickly when faced with a cancellation or other changed circumstances.

Business Services

Our business customers include small and medium size enterprises ("SME") with between five and 100 employees, larger corporations and public, healthcare and educational institutions, and carrier customers that include international voice, data and Internet service providers. Current corporate customers include AGFA, DHL, Concentra Media and KBC Bank NV. Our corporate customers generally connect to our network directly through a fiber optic connection and our SME customers connect to the Combined Network through a coaxial or fiber connection, depending on the scope of their needs. We only target those business customers that are sufficiently close to our fiber backbone or the relevant coaxial network to provide services on a competitive basis while at the same time meeting cost recovery and future return thresholds. In addition to adding new customers, we focus on selling our existing corporate customers additional products and services.

Our offerings include Internet, data and voice products that provide varying levels of service depending on the needs of the customer—ranging from residential type products for SMEs that require Internet access and professional support, to iFiber, Managed Data and Voice and other customized services for companies requiring very high capacities, integrated voice and data solutions and redundant systems. We also offer managed leased lines that connect two endpoints and are reserved for a customer's sole usage, in addition to hosting facilities, toll-free marketing numbers and Internet protocol based services. We offer our carrier customers leased lines, unused fiber on our network and access to our local loop (which is described below under "—The Combined Network") which they use to provide services to their customers in Flanders. We are able to offer our corporate customers voice services over their fiber connections to our network, but are currently limited in the voice products we can offer our SME customers over a coaxial connection. We expect to expand the voice services that we offer our SME customers, however, through the planned introduction of VoIP technology, which will enable us to introduce an Integrated Services Digital Network, or "ISDN," service.

We have dedicated sales and marketing teams for most of our large business customers and use a combined regional and sector based approach to corporate and institutional account management, and more traditional direct sales and door-to-door techniques to reach the SME segment. Prices that we offer our corporate, public, healthcare, educational and carrier customers are usually negotiated on a case-by-case basis whereas standardized prices more typically apply to our SME customers.

Codenet Acquisition

We believe that our acquisition of Codenet will expand our operations to a scale that should enable us to compete more effectively in the business markets. Historically, we have only been able to provide broadband Internet, data and voice services in Flanders to our SME, corporate and carrier preselection clients. The Codenet acquisition expands our fiber backbone network to include all of Belgium and parts of Luxembourg, allowing us to offer our customers nationwide connectivity, which is important to companies operating on a national level. In acquiring Codenet, we expect to gain access to employees who have valuable experience in the business markets, enabling us to adopt a marketing and sales approach better-suited to serving business customers than our prior model, which was derived from our experience in the residential markets. We expect that Codenet's expanded network should also allow us to reach a broader section of the SME market, a market in which our future growth was limited because we only offer services to those SMEs that are close to a Telenet coaxial connection. Codenet's product offering, which is particularly strong in the data service segment, will also complement our product offering, which emphasizes voice products. Codenet's asynchronous transfer mode, or "ATM," network, for example, currently offers frame relay services, which businesses commonly use as a secure means of data transport. We initially plan to market our business services under a joint brand name. The acquisition of Codenet has been approved by the Belgian competition authorities, which approval is subject to an appeal. See "Risk Factors—Risks Related to Our Business—Our pending acquisition of the Canal+ Assets and our acquisition of Codenet pose significant challenges, and difficulties integrating either acquisition may adversely affect our operating results."

Future Products and Services

We aim 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 compatibility and supply risks. Among the products that we plan to introduce in the future are the delivery of telephony services using VoIP and interactive digital television ("iDTV"). Telenet has also announced its intention to launch ExpressNet™, a broadband Internet product that will offer subscribers significantly faster upstream and downstream speeds. Investments being made in the upstream upgrade and the phasing in of EuroDOCSIS 2.0 modems may enable these capabilities.

VoIP

We anticipate implementing VoIP telephony by the fourth quarter of 2004. VoIP telephony works by compressing voice signals into discrete packets in digital form that are then transmitted over Internet protocol networks, thereby allowing the use of software rather than hardware switching. The deployment of VoIP would help address our current shortage of Motorola telephony modems, although problems may arise that interfere with our planned roll-out. See "Risk Factors—Risks Related to Our Business—The Combined Network and systems depend on equipment and service suppliers that may discontinue their products or seek to charge us prices that are not competitive, either of which may adversely affect our business and profitability." In addition to providing residential telephony capabilities, VoIP will allow us to introduce an ISDN service for our SME customers. VoIP offers the potential for significant cost savings because it can be offered using significantly less expensive telephony modems than those we currently use and it gives us the ability to install, where appropriate, a single modem for both Internet and telephony service. These VoIP modems operate on an open standard EuroDOCSIS platform that is not linked to the proprietary technology of any single manufacturer. We have waited to launch a VoIP offering until there has been sufficient commercial deployment of the technology by other telephony operators to provide us with a certain level of comfort that the technology is viable, which we believe has now been achieved. See "Risk Factors—Risks Related to our Business—If we fail to successfully introduce new technologies or services, such as VoIP telephony, or to respond to technological developments, our business and level of revenues may be adversely affected."

Interactive Digital Television

We are developing a plan to offer iDTV to our cable television subscribers. Digital technology compresses video signals into a smaller amount of space than is currently taken by analog channels. Some of the premium services currently offered by the Canal+ group, which we plan to acquire, are transmitted in digital format. We intend to develop a broader digital offering, however, that will provide our subscribers interactive features not currently available on analog television or the Canal+ group's service. These interactive offerings may include video on demand and the ability to view a sporting event from multiple angles, send e-mail, use short message services ("SMS") and access government services and programs. We anticipate that our iDTV subscribers would be able to access a variety of content, services and value added features (including video on demand and pay-per-view television), for a monthly or usage-based fee that will vary according to service.

We are currently participating in a joint project with the Flemish government, Interkabel and broadcast channels VMMa, VRT and VT4 to develop such an iDTV offering based on the Multimedia Home Platform, or "MHP," standard, which has been adopted as a common standard by numerous hardware manufacturers and is currently being tested by several cable operators. In the future, we would like to expand the joint development project to include regional broadcasters. We were awarded a matching grant from the Flemish government, which is funding small-scale trials that began in September 2003. We plan to launch an iDTV offering when we believe that market conditions will support such an offering in a cost-effective manner and we have resolved technological, content and operational issues to our satisfaction, consistent with our strategy of only deploying proven technology. See "—Our Strategy—Prudent Deployment of Capital." We also will not be able to launch iDTV until we have received the necessary consents from the lenders under our senior credit facility for the expenditures and the change in our business plan required for the introduction of iDTV. We are exploring the possibility of using retail set top boxes and other methods to reduce the level of capital expenditure. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Expenditure." As part of the MixtICS Acquisition, we have agreed with the MICs to launch a digital television offering by March 2005. See "Risk Factors—Risks Relating to Our Financial Profile—We are contractually obligated to commercially launch a digital television platform by March 2005, and our financial condition and cash flows may be impaired by our efforts to launch digital television and any liability we incur if we fail to launch digital television."

Supply and Installation

We have relationships with several suppliers that provide us with hardware and software necessary to operate the Combined Network. All of our Internet modems are supplied by Motorola. Under a framework agreement with Motorola, we have designated Motorola as our preferred supplier of high-speed data modems and related head end equipment until March 29, 2006, provided that the products Motorola supplies continue to be competitive based on an overall combination of quality, availability, pricing, technical specifications, integration and support services and other supply terms. We have agreed to purchase from Motorola on an annual basis at least 30%, and over the term of the framework agreement at least 50%, of our requirements for modems (including VoIP modems) and any set top boxes required for iDTV. We cannot use digital set top boxes from any other vendor until at least six months after we have deployed Motorola's boxes. We have also agreed to exclusively deploy Motorola's proprietary conditional access system, which provides encryption and access control functions for our network. Motorola has agreed to license this technology to two other suppliers so that they can provide us with competing products. See "Certain Relationships and Related Transactions." Until Motorola ceased production, we also received the majority of our telephony modems from Motorola. We are now faced with a shortage of Motorola telephony modems, which could affect the growth of our residential telephony business.

We have also entered into maintenance agreements with Motorola to provide necessary maintenance on Motorola head end equipment. We also have supply and maintenance relationships with other entities, such as Terayon, which is a supplier of telephony modems and head end equipment, and Nortel Networks Corp., from whom we purchased our telephone switches and who now provides us with maintenance services. Other significant suppliers include Alcatel, which provides equipment necessary for our Internet protocol backbone and to transport our telephony traffic, and Telindus, which has provided additional equipment manufactured by Cisco Systems, Inc, for our Internet protocol backbone.

We currently use six different subcontractors to install Internet and telephony equipment in subscriber homes, in addition to performing a small portion of installations with our employees. Our agreements require that the subcontractors maintain certain quality levels and use trained personnel, and we monitor the efficiency and quality of service provided by the subcontractors on a regular basis.

Infosys Technologies Limited provides our group with information technology ("IT") services. Pursuant to a framework agreement that we entered with Infosys in March 2001, Infosys designed our customized IT platform that manages our subscriber records and continues to provide us IT maintenance and other design and support services. See "Risk Factors—Risks Related to Our Business—The Combined Network and systems depend on equipment and service suppliers that may discontinue their products or seek to charge us prices that are not competitive, either of which may adversely affect our business and profitability."

Billing

Since we acquired the cable television assets of the MICs, we have billed our cable television services indirectly as part of local municipal electricity bills issued by Electrabel. We intend to bill these services directly, under the MixtICS name, beginning in January 2004. We aim to complete in December 2003 the migration of our cable television subscribers to the same billing system used for our broadband Internet and data and telephony subscribers. See "Risk Factors—Risks Related to Our Business—We may experience difficulties and higher costs as we complete the integration of our recently acquired cable television business into our operations." By the second quarter of 2004, we plan to begin issuing cable television bills under the Telenet name. We collect approximately 96% of our analog cable television subscriptions on an annual basis in advance. Subscribers receive their annual bill in different months of the year. We bill the remainder of our cable television subscribers in advance on a monthly or quarterly basis, as required by public welfare regulations. Each month we recognize a *pro rata* portion of our annual cable television subscription fees as revenue.

We bill basic telephony voice services and broadband Internet services in advance and telephony usage in arrears. All of our Internet and telephony subscribers receive monthly billing statements that set out summary details on combined fixed charges and, for telephony, itemize per-usage charges for calls to mobile telephones and international locations. Approximately one-half of our subscribers pay by means of direct debit, which is an option open to all subscribers. In the second half of 2004, we may introduce an e-billing system where we would send subscribers their bill over the Internet.

The Combined Network

Our network consists of a fiber backbone with local loop connections consisting of coaxial cable with a minimum capacity of 450MHz, which provides us with 48 usable downstream channels, of which 34 are used for analog cable television, nine are used by the Canal+ group and five are used for Internet and telephony transmissions. The network consists of approximately 10,000 kilometers of fiber optic cable in addition to approximately 52,000 kilometers of coaxial cable that is part of the Combined Network. Fiber optic cable uses glass fibers to transmit signals over long distances with minimal signal loss or distortion. It has good broadband frequency characteristics, noise immunity and physical durability and can carry hundreds of video, data and voice channels over extended distances. The deployment of coaxial cable is less expensive but requires more extensive signal amplification in order to obtain the desired transmission levels for delivering channels.

Transmissions of our broadband Internet and telephony signals begin on our primary fiber optic ring. They are then directed by a series of routers (and, in the case of telephony, by telephone switches) to secondary fiber optic rings that connect the 47 head end stations that we use. These head end stations are where our fiber optic backbone joins our HFC network. From the head end stations, signals travel over another series of fiber optic rings until arriving at one of our 2,255 nodes. On average, approximately 1,100 homes are served by each node. The portion of the network starting at the head end and terminating at the end user is referred to as the HFC access network on the "local loop." Amplifiers are used on the coaxial lines to amplify both downstream and return path signals. We provide broadband Internet and telephony services to approximately 32% of the homes and businesses passed by the Combined Network that are not directly served by our network through a 50-year right to use the PICs' local loop. The PICs Network uses a local network architecture similar to that employed in our network, but a majority of the PICs Network has been upgraded to provide a minimum capacity of 600 MHz. Our usage rights grant us access to 40 MHz of downstream capacity and 10 MHz of upstream capacity on the PICs Network. See "—Our Usage Rights on the PICs Network."

Many of our business customers elect to connect directly to our fiber optic network by linking through a point of presence to the fiber optic rings located between our head end stations and nodes.

Cable television, broadband Internet and telephony signals enter the premises of our subscribers who connect to the Combined Network over a coaxial connection through a wall socket. In the case of cable television, subscribers can attach an appropriate cable from their television set directly to the wall socket. For other services, such as broadband Internet or telephony, signals pass through a network interface unit, or "NIU." The NIU separates the signal for use by an Internet modem or telephony modem, as appropriate. Our Internet modems communicate with the head end stations using the EuroDOCSIS protocol, which is a defined interface specification that allows various network components to communicate with each other and which has been adopted as a common standard by numerous hardware manufacturers. Our telephony modems currently communicate with our head end stations using proprietary software that is unique to the manufacturer of the modem—for example, Motorola telephony modems can only communicate with Motorola head end equipment and Terayon telephony modems can only communicate with Terayon head end equipment. See "Risk Factors—Risks Related to Our Business—The Combined Network and systems depend on equipment and service suppliers that may discontinue their products or seek to charge us prices that are not competitive, either of which may adversely affect our business and profitability."

Our network operating center in Mechelen monitors performance levels on the Combined Network on a continuous basis to detect immediately any outages or network irregularities. We have a separate disaster recovery site, and our network has been designed to include redundant features to minimize the risk of network outages, 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. We also plan to install additional equipment in our head end stations to increase the redundancy of our systems. The performance management team analyzes the Combined Network as a whole and determines where expansions and upgrades may be required to accommodate increased traffic levels. We have insured our fiber optic cable, buildings, head end stations, nodes and related network equipment against fire, floods, earthquakes and other natural disasters. We do not carry insurance on any of our coaxial network. See "Risk Factors—Risks Related to Our Business—Failure to maintain and upgrade the Combined Network or make other network improvements, or the occurrence of events that result in damage to the Combined Network, could have a material adverse effect on our operations and impair our financial condition."

HFC Upgrade

The Combined Network was recently upgraded to an HFC standard that provides bi-directional digital transmission capabilities. Work on the upgrade started in 1996 and was substantially completed by June 2002. Prior to the upgrade, we provided dial-up Internet and telephony service through a carrier preselect service. As regions were upgraded to an HFC standard, we migrated these subscribers to direct broadband Internet and telephony service. We were also able to perform maintenance on our head end stations and nodes as part of the upgrade process.

Our Usage Rights on the PICs Network

We have access to the PICs Network through an agreement between Interkabel, which is owned by the PICs, among other entities, and Telenet Vlaanderen. In connection with the creation of Telenet Operaties in 1995 and Telenet Vlaanderen in 1996, the PICs, through Interkabel, granted Telenet Vlaanderen usage rights to their cable networks in return for shares in Telenet Vlaanderen (which have since been exchanged for shares of Telenet Group Holding) (the "Interkabel Contribution Deed"). In turn, Telenet Vlaanderen licensed these rights to Telenet Operaties. The PICs granted the usage rights for a term of 50 years, of which 43 years remain. The usage rights automatically renew for consecutive terms of 15 years unless terminated with ten years notice. The usage rights, and the call option described below, are secured by a €3.7 million mortgage on Interkabel's co-ownership interest in the PICs. There is no rental charge payable to the PICs for the usage rights, although on an ongoing basis we are required to make payments to the PICs under the Annuity Agreement and Interkabel Clientele Agreement. See "Our History—Network Upgrade."

Under the Interkabel Contribution Deed, our group has access to 40 MHz downstream and 10 MHz upstream capacity on the PICs Network. We have the exclusive right to provide point-to-point communication and are able to provide certain pay per view, near video on demand and multimedia services on the PICs Network on a nonexclusive basis. The PICs retain the right to offer DTV.

The Interkabel Contribution Deed obligated the PICs to carry out the HFC upgrade to the PICs Network, which was pre-financed in full by the PICs. Pursuant to the Clientele Agreements, we agreed to reimburse a total of 40% of this upgrade cost for the PICs in exchange for access to their cable network customer database. This obligation will continue for as long as our usage rights under the Clientele Agreements exist. As part of the Interkabel Contribution Deed, we also agreed to pay the PICs an annuity fee that effectively covers the remaining 60% of the cost of the HFC upgrade incurred by the PICs. Payments under the Annuity Agreement are due over a period of ten or 20 years, depending on the useful life of the underlying assets that make up the HFC upgrade on the PICs Network. Our outstanding obligations under the Clientele Agreements and the Annuity Agreement equaled approximately €92.2 million as of September 30, 2003. See "Description of Other Indebtedness."

Under the shareholders' agreement among the principal shareholders of Telenet Group Holding, the principal companies of our group have agreed to bear the maintenance and operating costs attributable to our use of the PICs Network, and Interkabel and the PICs agree to bear the costs associated with the PICs Network before the HFC upgrade. In addition, the principal companies of our group have agreed that if the cable subscriber penetration rate for the PICs Network falls by 12.5% or more from the levels existing on January 1, 2001, as a result of increased competition from digital satellite television or other factors impacting the evolution of television distribution, they will agree to bear a portion of the maintenance costs paid by the PICs based on parameters to be agreed by the parties.

Telenet Vlaanderen has pre-emptive rights, with certain exceptions, with respect to any proposed transfer by Interkabel of its co-ownership interests in the PICs, or transfers by the PICs of shares in Interkabel, at the price offered by a third-party. Interkabel and the PICs have agreed not to dissolve voluntarily the co-ownership structure 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.

Under the terms of the Interkabel Contribution Deed, the usage rights will automatically terminate if, among other things, (i) there is a unanimous and definitive decision of the board of Telenet Holding to cease any direct or indirect development, installation or exploitation of our telecommunications network in Belgium, (ii) either Telenet Holding, Telenet Vlaanderen or Telenet Operaties is declared bankrupt or put into liquidation, (iii) certain provisions of the constitutive documents (*Statuten*) 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 Operaties.

Planned Network Investments

Our fiber backbone currently runs several protocols, including Internet protocol ("IP") for broadband Internet access; the Synchronous Digital Hierarchy, or "SDH," protocol, which operates our telephony network and a video protocol used for our analog cable transmissions. With the introduction of VoIP and other technology using the IP standard, we expect over time that IP will carry an increasing proportion of our communications traffic, which should allow us to increase the efficiency of the Combined Network. During the first half of 2004, we plan to install the necessary hardware and related equipment in the Combined Network to allow us to deploy VoIP and our ExpressNet™ higher speed broadband Internet product across the Combined Network. The upgrade is scheduled to be completed during the second or third quarter of 2004. During the second quarter of 2004, we plan to begin upgrading the upstream capacity of our coaxial network, which should enable us to maintain our performance targets for our products and services and simplify our residential installation. This upgrade will increase our upstream capacity bandwidth from the 5-25 MHz range to the 5-65 MHz range and is scheduled to be completed by the first half of 2006. See "Management's Discussion and Analysis of Financial Conditions and Results of Operations—Liquidity and Capital Resources—Capital Expenditure."

We regularly extend our coaxial network to serve newly constructed dwellings in Flanders. We expect to spend approximately €12 million during the current year to extend our local loop.

Competition

We face varying degrees of competition from established and new competitors in Flanders and the rest of Belgium. See "Risk Factors—Risks Related to Our Business—The Belgian Internet, data and telephony industries are highly competitive and the television industry may become more competitive in the future, which could result in lower prices and the loss of subscribers."

Cable Television

Our cable television service in Flanders does not currently compete with other television and video services on a significant scale. Although our cable television licenses are not exclusive for the territories that we serve, the only direct competition we face is in the city of Leuven, where UPC offers a competing cable television service. Leuven accounts for approximately 28,000 of the 1.7 million homes passed by our network. Unlike in many other countries, traditional broadcast television stations that provide free programming that can be received using a roof-top antenna are not a significant source of competition due to the low price, early rollout and wide availability of cable television service in Belgium and the clearer picture and wider variety of programming that cable television provides.

With the exception of the current premium television offering of the Canal+ group, digital broadcasting systems, including direct-to-home satellite program distributors, video streaming and compression technologies and digital terrestrial broadcasting, have not been deployed on a commercial scale in Belgium to date. It is likely, however, that these digital broadcasting systems will be offered on a broader basis in Belgium in the future, as they have been in other European countries. For example, in the future we believe it is likely that Belgacom will introduce a streaming video on demand product over its established telephone network.

We believe that our extensive cable network and the broad acceptance of cable television in Belgium will help us compete effectively in the television market. See "—Our Strengths—High Penetration of Cable Television." We are able to offer international, national, regional and local content, including Flemish language broadcasts, to our subscribers. We believe satellite and other providers would have difficulty providing this content in a cost-effective way because of the relatively small size of the Flemish market and their limited ability to carry local broadcasting. Currently, two of the most popular broadcast channels in Flanders, VTM and VT4, only transmit their signal over cable networks. We also believe that subscribers prefer the convenience of plugging in to our cable network over purchasing and installing satellite dishes or other types of antennae, which would be required to receive the broadcasts of many of our potential competitors.

Broadband Internet

Competition in the provision of residential Internet service focuses on speed and price, among other factors. The relatively high margins available in the Belgian Internet market may attract additional competitors into the market, leading to a higher level of price-based competition. Our residential broadband Internet service in Flanders currently competes with:

- dial-up Internet services that provide a connection to the Internet over a fixed telephone line; and
- DSL, which allows connections to the Internet at speeds several times greater than analog modems over conventional telephone lines.

Future competitors to our Internet offerings may include wireless ("Wi-Fi") networks and improved mobile telephone technologies, such as third generation ("3G") mobile technology. Wi-Fi technology permits users to have a high-speed wireless connection to the Internet in certain public places and their homes and 3G and related technologies allow users to access Internet-type content over their mobile telephones.

We are planning to launch a very high-speed ExpressNet™ broadband Internet service following the upstream upgrade of our network and the introduction of EuroDOCSIS 2.0 modems to new subscribers. The product will significantly increase both upstream and downstream speeds available to subscribers.

Dial-up Services

Prices for dial-up services generally are substantially lower than our broadband service, and can even be offered to the consumer for free, although per-minute usage charges are applicable to all telephone calls in Belgium. These services, however, are much slower than those we offer, often at speeds of no more than 56 to 128 kilobits per second for standard residential users, compared to our standard offering of up to four megabits per second. In addition, our service offers an "always on" connection that does not require the use of a telephone line to connect to the Internet. We believe that these attributes distinguish us from the lower-cost dial-up services.

DSL Services

DSL services use existing copper wires to offer faster connections to the Internet than dial-up services, and therefore more directly compete with our broadband Internet over cable service. Current DSL technology deployed in Belgium offers Internet connections of up to 3 megabits per second on a "best efforts" basis. In addition, DSL connections are generally offered at a lower subscription price than our service and are marketed as a "plug & play" product that allows subscribers to purchase and install themselves the equipment required to establish a DSL Internet connection, obviating the need to schedule an installation appointment. Belgium has recently seen the introduction of new competition from "light" DSL Internet services that were launched in December 2003. These services, which have already been introduced in other European countries, offer connectivity at slower speeds in exchange for substantially lower prices than we charge for the service that we currently offer. If effective, these "light" services could negatively affect our sales and churn (as well as the sales and churn of our competitors) and create greater price competition in the Belgian market.

Belgacom, our primary competitor in providing Internet services, employs DSL technology and is able to market its service to users of its fixed-line telecommunication services. Other providers of DSL services purchase access to Belgacom's local loop and resell that access to their DSL subscribers. We believe that the higher speed of our service compared to that offered by DSL provides a competitive advantage.

Telephony

Competition in the provision of residential fixed telephony services is based on price, in addition to customer service, brand recognition, functionality and quality of service. Our principal competitors include:

- other operators of fixed-line services, including those that own their networks and those that employ carrier preselection and other services; and

- mobile telephone operators.

Fixed-line Operators

The residential fixed telephony market in Belgium is dominated by Belgacom. As of September 30, 2003, Belgacom had an estimated 80% market share of the fixed-line telecommunications market in Flanders. Belgacom is majority-owned by the Belgian government, with the remaining shares held by a consortium of other investors that includes experienced telecommunications providers from the United States and elsewhere. Belgacom has an established market presence, a fully built-out network and resources that are substantially greater than ours.

Despite Belgacom's dominance, new competitors are also entering the market, including Tele 2, which offers a carrier preselection service. See "—Our Products and Services—Residential Telephony." These entrants often have substantial resources and experience from conducting telephony operations elsewhere in Europe.

We primarily compete with Belgacom by seeking to offer our residential subscribers telecommunication services at lower prices on some services than those available from Belgacom. Belgacom, however, recently announced the planned merger of its retail and wholesale divisions, which we believe may lead to lower retail prices. The use of carrier preselection services and number portability has helped us market our telephony products, but has also benefited our other competitors in the telecommunications market. More generally, we believe that the extensive Combined Network and the other services we provide in Flanders are assets in the residential telephony markets. Subscribers can have one point of contact for their telephony, Internet and, where available, cable television services.

In addition, other service providers (except Belgacom), do not have their own local loop, which means that they must pay other operators (typically Belgacom) for access to an existing network so that they can reach their own subscribers. This disadvantage may dissipate, however, as the unbundling of the Belgacom local loop progresses 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 we have significant market power, we may be required to grant others access to our network, including our local loop. See "Regulation—The New Framework."

Mobile Service Providers

In addition to competing with fixed-line operators, we also compete with mobile service providers as users, especially in the residential market, increasingly substitute fixed lines for mobile telecommunication services. See "Management's Discussion and Analysis of Financial Condition and Results of Operation—Four Most Recent Quarters." As mobile technology improves with 3G and other products, this source of competition is expected to increase. Belgacom has a strong presence in this market, through its subsidiary which operates under the name Proximus. Other mobile telephone competitors include Mobistar and Base. We believe that our prices for fixed-line services, our focus on customer service and our ability to offer both broadband Internet and telephony services to our subscribers are assets in addressing competition from mobile service providers.

Business Services

Competition in the provision of Internet, data and voice products to business customers is more intense than in residential markets. In this market, we compete not only with Belgacom, but with major players in the international markets including Colt, MCI, Versatel and BT. We have been limited in competing in the business markets because the Combined Network does not reach outside of Flanders, and many large businesses expect to have a single communications provider for all of Belgium, or even all of Europe. We believe that our acquisition of Codenet will help remedy this deficiency in Belgium, providing us with a network presence through the fiber optic cable that Codenet leases from Belgacom and Electrabel and the network equipment it owns throughout Belgium and parts of Luxembourg. The acquisition should also increase our market share and allow us to offer a wider array of business services to our customers on a national level. Through Codenet's employees, we expect to gain valuable knowledge of the Belgian business markets.

Intellectual Property

Our group does not possess any material patents or copyrights, nor do we believe that patents play a material role in our business. We have registered several trademarks with the Benelux Trade Register Office (*Benelux Merkenbureau*) including our brand name, logo and service offerings. Pursuant to the pending acquisition of the Flemish assets of Canal+, we expect to obtain an exclusive, non-transferable license to use the Canal+ name in Flanders for a limited period of time in connection with our provision of premium cable television services.

Employees

Telenet Employees

The following chart details the number of full time equivalent employees that were on our payroll (excluding temporary employees) as of the dates indicated:

	As of December 31,			As of September 30,	
	2000	2001	2002	2002	2003
Telenet Group	912	916	729	741	730
MixtICS[(1)]	-	-	437	444	393
Total	912	916	1,166	1,185	1,123

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(1) Electrabel employees who provide services for MixtICS pursuant to a services and transfer agreement.

As of September 30, 2003, we had an average of 1,123 full-time employees, including approximately 400 employees that are provided by Electrabel pursuant to our services agreement with Electrabel, in addition to 51 temporary employees. In April 2002, we reduced our work force by approximately 100 employees as part of our cost-reduction program. We expect employment to increase in the future in line with subscriber growth. In addition, we expect the number of our employees to increase by approximately 115 in connection with the Codenet acquisition and by approximately 120 in connection with the pending Canal+ Acquisition.

Two employee works councils, the Telenet Works Council (*Ondernemingsraad Telenet*) and the ICS Works Council (*Ondernemingsraad ICS*), represent the non-management employees for the Telenet group (other than MixtICS) and MixtICS, respectively. The ICS Works Council has up to 16 members and the Telenet Works Council has up to eight members (although two seats are currently vacant). We plan to merge the two works councils when we assume direct responsibility for the employees of MixtICS. See "—Electrabel Employees." We also expect to form a four-member works council for PayTVCo if it acquires the Canal+ Assets. We meet with the works councils on a monthly basis to discuss a wide range of issues. By law, the works councils must approve certain decisions that we make related to working conditions, including for example work hours, and must be consulted on terminations of over 30 employees.

In addition to the works councils, our employees are represented by local chapters of two national unions: the Christian Trade Union (*Algemeen Christelijk Vakverbond*) and the Socialist Trade Union (*Algemeen Belgisch Vakverbond*). Our collective bargaining agreements with these unions are valid for an indefinite period subject to six-months' notice of changes. We also plan to enter into collective bargaining agreements with local chapters of these same national unions with respect to the Electrabel employees who will be transferred to us under the services agreement we have with Electrabel. See "—Electrabel Employees."

We provide our employees with health and life insurance benefits, as well as a defined contribution pension plan. In addition to state requirements, we offer private medical care, income to cover extended sickness and life insurance.

We believe that our relationship with our employees is good.

Electrabel Employees

In connection with the MixtICS acquisition, we entered the Services and Transfer Agreement with Electrabel. Pursuant to this agreement, Electrabel agreed to provide operational services, including cable installation, maintenance and call center services, with the related employee base scheduled to be transferred to us during the first quarter of 2004, although we may seek to extend the transfer date to the start of the second quarter of 2004 based on operational considerations. Pursuant to this agreement, we direct the activities of these employees and compensate Electrabel for the cost of their services, but Electrabel continues to pay the employee salaries. For the nine months ended September 30, 2003, we paid Electrabel approximately €26.9 million for employee services under this agreement.

Upon expiration of the Services and Transfer Agreement, we have agreed to employ the Electrabel personnel (other than those providing call center, legal and information technology services) on the same terms and conditions pursuant to which they were employed by Electrabel, which is on a higher average pay and benefits base than our current employees because of their higher average age and pay structure. Transferred employees will maintain their current defined benefit pension plan and health and life insurance benefits. We currently anticipate that approximately 400 employees will be transferred to MixtICS under the agreement. We will not assume any liabilities, claims or demands related to periods prior to the date of transfer. Electrabel will make any pension payments for transferred employees arising prior to the transfer date. Although the agreement is scheduled to end as early as February 9, 2004, we may seek to extend the transfer date to the start of the second quarter of 2004. Prior to the transfer of the Electrabel employees to our payroll, Electrabel must give notice to its unions confirming that we paid to Electrabel and the MICs, the deferred consideration for the MixtICS Acquisition and the HFC upgrade (we expect to make this payment as part of the Refinancing).

Properties

We lease our headquarters building pursuant to a sale-leaseback arrangement with KBC Bank NV ("KBC"), which is the security agent and a lender under our senior credit facility. The lease expires on December 31, 2014. Pursuant to the terms of the agreement, we have an option to purchase all rights relating to the land and building from KBC at the end of the lease. We in turn have granted our shareholder Callahan Investco Belgium 1 S.à R.L. a similar option, which would allow it to purchase all such rights on the same terms and conditions as our option from KBC. We retain the right to rent the building from Callahan Investco Belgium 1 S.à R.L. on arm's-length terms until the expiration of all surface rights.

Our fiber and coaxial network runs through public and private rights of way. Article 99 of the 1991 Law (see "Regulation—Telephony Regulation—Overview") grants us free rights of way on public land. Approximately 95% of our rights of way are over public land, and we pay a relatively small amount of taxes to Flanders in connection with these public rights of way. With the introduction of the New 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 us, which could adversely affect our competitive position and profitability." The 1991 Law also grants us a right to run our network lines over private land provided that we pay 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, our fiber optic cable runs in trenches shared with utilities and other service providers and our coaxial cable runs in trenches to which we alone have access. Approximately 40% of our local loop is above ground. We pay approximately €2.3 million a year to Electrabel to rent space on their utility poles to bring coaxial cable connections to many subscriber homes.

Pursuant to our services agreement with Electrabel, we currently use portions of Electrabel warehouses, workshops, operations buildings and customer service offices which were used by the MICs in their provision of cable television service prior to the MixtICS Acquisition. For the nine months ended September 30, 2003, we paid Electrabel approximately € 27,000 for access to these facilities. We also rent four fibers of Electrabel's fiber optic backbone to provide cable television services, for an annual rent of approximately €2 million.

The buildings housing our switches and head end stations are a vital part of our network. We own two switch buildings, and have ownership rights (*opstalrechten*) in two further switch buildings until June 30, 2046 and December 31, 2046, respectively. One of these switch buildings is located on land owned by a MIC and the other is located on land owned by a PIC. We also have usage rights with respect to one other switch building for a period of 30 years, which is owned by Electrabel. We paid an average annual rent of approximately €25,700 for our usage rights of each switch station as of September 30, 2003. Some head end stations are located in stand-alone structures and others are parts of larger utility and similar complexes. We own 22 of our head end stations and lease an additional 4 stations from Electrabel and 19 from several of the PICs. Two head end stations are part of switch stations in which we have usage or ownership rights. Our leases with Electrabel and the PICs expire on September 22, 2046. As of September 30, 2003, we paid an average annual rent of € 27,900 for each head end station that we lease.

Environmental Matters

Our operations are subject to a variety of laws and regulations relating to land use and environmental protection. We believe that we are in substantial compliance with applicable requirements. Although land on which two of our head-end stations are located is known to be contaminated as the result of historical operations, the landlords have assumed responsibility for any current or future cleanup and we do not believe we have any obligations or liabilities in these matters.

Legal Proceedings

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. 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.

Copyright Litigation

All Belgian cable television operators pay fees to copyright collection agencies and broadcasters for the content that they distribute to end users on their network. The Belgian Radio and Television Distributors association (*Beroepsvereniging voor Radio- en Televisiedistributie*) (the "RTD") represents us and all of the other cable television operators in Belgium with respect to these copyright fees. In September 1995, the Belgian Society of Authors, Composers and Publishers ("SABAM"), a copyright collection agency terminated its existing copyright contract with RTD with effect from January 1, 1996, and sought to increase the copyright fees payable by all of the cable companies operating in Belgium. The other copyright agencies and broadcasters followed SABAM's lead, with disputes focusing on whether copyright charges under the new contracts should be based on actual viewer ratings for specific programs and reflect increased competitive forces, as we, through RTD, advocated, or should instead be based on the number of potential viewers and increased to reflect inflation and higher production costs, as the agencies and broadcasters argued. These disputes resulted in extensive litigation for six years. Pursuant to a court order, during this litigation we, through RTD, paid the copyright agencies and broadcasters 70% of the amounts agreed to be paid under the copyright contracts in force in 1995.

The most significant of these disputes have been with three groups: SABAM; the Association of International Collective Management of Audiovisual Works (*Association de Gestion Internationale Collective des Oeuvres Audiovisuelles*) ("AGICOA"), the copyright collection agency for the film studios; and the group of foreign public broadcasters. We estimate that fees paid to these entities represented approximately 16%, 35% and 39%, respectively, of the total amount of copyright fees that we paid to the agencies and broadcasters in 1995. We also have been in litigation with smaller agencies and broadcasters. As of September 30, 2003 we had accrued a liability in connection with copyright litigation of approximately €43.3 million. See "Risk Factors—Litigation Risks—Failure to settle existing copyright claims of certain broadcasters and copyright collection agencies may have a material adverse effect on our cash flow and financial condition."

Settlements with SABAM and AGICOA

In November 2002, RTD reached a settlement with AGICOA pursuant to which we paid €17.5 million (excluding VAT) to cover additional copyright fees for the period from January 1, 1996 to December 31, 2002, and agreed to pay a fee based on a per program price and the number of our subscribers. For the 2003 fiscal year, we expect to pay approximately €5.6 million in fees under this agreement. The agreement expires on December 31, 2005, but is subject to automatic one-year renewals. On May 28, 2003, RTD reached a settlement in our suit with SABAM, pursuant to which the Belgian cable television operators agreed to settle claims for past amounts owed and for an increased copyright fee going forward, which is calculated based on the number of subscribers to our cable television service. As part of the settlement, RTD entered into a copyright agreement that expires on December 31, 2007.

Suit with the Foreign Public Broadcasters and Ongoing Settlement Negotiations

In February 2003, the commercial court of Brussels (*Rechtbank van Koophandel*) issued a ruling in the suit between RTD and the foreign public broadcasters, holding that for the period from 1996 to 2001 the foreign public broadcasters were entitled to the full amount of the copyright fees agreed to for 1995, increased for inflation at a rate of 5% for 1996 and 2% each year from 1997-2001. The full amount of the judgment, for which we have joint and several liability, is approximately €47.7 million. Our liability for the judgment, if the other members of the RTD pay their proportional share, is estimated to be €21.6 million for the period from 1996 to 2001 with an additional €3.8 million due for fiscal year 2002. RTD has appealed the court's decision and also entered into settlement negotiations. We may have to pay the full amount of the judgment, approximately €47.7 million, if RTD's appeal is not successful, RTD is not able to settle and the other members of RTD do not pay their proportional share. Interest on outstanding amounts owed under the judgment will be payable from June 1, 2002 at the legal interest rate, which is currently 7%. This amount likely would have to be paid in a lump sum. Although we have provisioned our proportional share of the outstanding copyright litigation, an adverse outcome would have a significant negative impact on our cash flow compared to the cash flow we may expect if we are successful in appealing the commercial court ruling in favor of the foreign public broadcasters. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Results of Operations—Revenues—Cable Television."

In addition, we increased the copyright fee we charge our subscribers in August 2003 because of the court ruling regarding the foreign public broadcasters and the agreements we expect to enter with the other copyright agencies and broadcasters. See "Management's Discussion and Analysis of Financial Condition and Results of

Operations—Factors Affecting Results of Operations—Revenues—Cable Television" and "—Our Products and Services—Cable Television—Basic Services." On July 29, 2003 we notified the Ministry of Economic Affairs of this increase, as required by Belgian law. The amounts that we expect to pay as a result of these settlements and new agreements have been provisioned for in our financial statements. See note 11 to our interim financial statements. If we are required to make a lump sum payment of the judgment in favor of the foreign public broadcasters, however, we would not be able to immediately offset the amount of the required payment against the increased copyright fees that we are now charging our cable television subscribers to gradually make up the amount that we owe for prior periods.

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 end users on the Combined Network in August 2002. See "—Our Products and Services—Residential Telephony—Interconnection." 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, however, because we did not have the benefit of scale to be able to achieve the same unit cost as Belgacom. As a result of our different cost structure and because of a continued high rate of fees charged for fixed-to-mobile interconnection (where the reciprocity principle is not applied), we requested permission from the BIPT to increase our domestic and international interconnection rates. In June 2002, the BIPT ruled that we could increase our average interconnection rates for all inbound calls from €0.009 to €0.0475 per minute. In August 2002, however, the BIPT amended this decision by ruling that the increase would not apply to inbound international calls. We began charging increased interconnection termination rates for inbound domestic calls on August 13, 2002. On August 12, 2002, Belgacom increased the tariffs that it charges its telephony subscribers calling Telenet numbers to reflect our increased termination rates.

Challenges by Belgacom

Belgacom challenged our increased interconnection termination rates for inbound domestic calls before the commercial court of Mechelen (*Rechtbank van Koophandel*) on the grounds that our termination rate increase represented abusive pricing. The commercial court heard arguments in the case on September 23, 2003, and a ruling is expected during the fourth quarter of 2003. The court may defer to the price determination made by the BIPT as the primary regulator of the telecommunications industry in Belgium, in which case we would be able to continue to charge our current interconnection termination rates. Alternatively, the court may decide to review the merits of the termination rate increase, in which case it may affirm the termination rate increase, determine that the termination rate is abnormally high and require that it be reduced or, less likely, decide that the €0.009 tariff be reinstated. If the court determines that our termination rates are abnormally high, we would expect to be required to reduce the average domestic interconnection termination rate we charge to an amount below €0.0475. The specific amount that we would charge would depend on several factors, including any limits outlined by the court, our network costs and other factors. Depending on the court's decision, Belgacom may be able to challenge the reduced termination rates, which could lead to additional litigation before the commercial court. We believe that we were able to justify the higher interconnection termination rate that was accepted by the BIPT, and would therefore expect in the ordinary course to appeal any decision of the commercial court that would suggest that we should reduce our interconnection termination rates. Any final decision on such an appeal, however, would depend on the specific holding of the court and the related facts and circumstances surrounding the case at that time.

Belgacom has also challenged the BIPT's June 2002 approval of our increased domestic interconnection termination rates before the Council of State (*Raad van State*), the highest administrative court in Belgium. The council may affirm the BIPT's decision or return the case to the BIPT for reconsideration. On July 3, 2002, the Council of State rejected an emergency request from Belgacom to suspend the implementation of the increased interconnection termination rate. We do not expect a decision from the Council of State on the merits of the case before 2005.

A decision reducing the interconnection termination rates that we can charge could have a material adverse effect on our telephony business. Although we do not consider such an outcome probable, we estimate that if the commercial courts or BIPT were to require us to charge the original average interconnection rate of €0.009, our annual revenues from interconnection termination in 2003 would be reduced by approximately € 20 million. We do not think it is likely that either the commercial court or the BIPT would require us to repay amounts that we have received under the higher interconnection termination rates prior to any ruling requiring us to reduce our rates because of the difficulty that Belgacom would have in demonstrating that it suffered any harm from paying the increased rates because it was able to pass the higher interconnection termination rates through to its subscribers in the form of a higher tariff structure. In addition, it would be difficult for Belgacom to refund its subscribers the increased telephony tariffs that it has been charging them since August 12, 2002. If such a retroactive payment were ordered, our liability would be substantial.

Tromboning

The August 2002 ruling of the BIPT only permitted us to increase termination rates for domestic, not international, calls to Telenet numbers. We have appealed the BIPT's decision to the Council of State. We have argued that international interconnection rates should match our domestic rates in order, among other things, to restrict the practice of tromboning and because the cost to us of terminating calls on the Combined Network is independent of the call's origin, whether domestic, mobile or international. We do not expect a decision from the Council of State before 2005. In the meantime, this disparity between domestic and international termination rates has provided increased incentives for tromboning, which arises when inbound domestic calls are rerouted outside of Belgium and then back to Belgium so that they can take advantage of the lower international interconnection termination rates. See "Risk Factors—Risks Related to Our Business—The Belgian Internet, data and telephony industries are highly competitive and the television industry may become more competitive in the future, which could result in lower prices and the loss of subscribers."

The BIPT has authorized limited tromboning by Belgacom to allow Belgacom to compete with other telephony service providers. Belgacom must submit monthly reports on its tromboning activity to the BIPT. If Belgacom engages in substantial amounts of tromboning, it may face action from Belgian or EU competition authorities for abuse of its dominant market position. Belgacom is currently appealing the BIPT's decision to the Council of State. No decision in this matter is expected before 2005.

Canal+ Litigation

Since April 2003, we, through MixtICS, have been involved in litigation with the Canal+ group regarding the termination of the contractual arrangement through which the Canal+ group delivers premium television services to our cable television subscribers. See "—Our Products and Services—Cable Television—Premium Services." Our contractual arrangement with Canal+ had an initial five-year term and automatically renewed for a second five-year term unless six months notice was given. On April 18, 2003, we delivered a notice to terminate our contract with the Canal+ group. This notice was delivered before the five-year anniversary of when the Canal+ group first began to offer services to our subscribers. The Canal+ group challenged the termination notice, however, asserting that it had not been delivered a full six months before the first term expired. As a result, Canal+ asserts that our contract with it has been extended automatically for a second five-year term and that it is entitled to retain the use of nine of our 8MHz channels. This dispute is currently in the Commercial Court of Brussels (*Rechtbank van Koophandel*). Proceedings have been delayed until January 2004, however, because the suit will be dismissed by the parties if our acquisition of the Flemish assets of the Canal+ group is completed. If we cannot complete the acquisition of these assets, however, the lawsuit likely will be reactivated. See "Risk Factors—Risks Related to Our Business—Conditions imposed on the Canal+ Acquisition, a failure to complete the Canal+ Acquisition or the inability to ensure sufficient access to premium programming could have an adverse effect on our operating results." If the Canal+ group prevails in this case, we may face monetary damages.

REGULATION

The telephony and broadcasting services that we provide are subject to regulation by both Belgian and EU authorities. In general, the national government regulates the provision of telephony services and the regional governments regulate broadcasting. Under new rules, the Internet services we provide may also come under increasing regulation.

The New Framework

On March 7, 2002, the European Parliament adopted the new Community Electronic Communications Regulatory Framework, which we expect will require significant reforms to the telephony, Internet and broadcasting regulations with which we must comply. This regulatory framework consists of the Framework Directive and four specific Directives, which include the Universal Service Directive, the Access Directive, the Authorization Directive and the Data Protection Directive (collectively, the "New Framework"). We do not expect that the Belgian legislature will implement the New Framework until spring 2004 at the earliest, despite the fact that all EU member states were required to incorporate the framework into national law by July 24, 2003. Implementation of the New Framework in Belgium may be further delayed as the national government coordinates necessary changes with the regional parliaments, which currently have exclusive jurisdiction over broadcasting regulations. The Belgian government may attempt to accelerate the implementation of the New Framework by implementing certain provisions by Royal Decree. The European Commission has commenced infringement proceedings against Belgium for failure to implement the New Framework before the July 24 deadline.

The New Framework is intended to establish a harmonized framework for regulation in the telephony and broadcasting markets and defines relevant segments of the telephony, Internet and broadcasting markets in accordance with principles of EU competition law. It directs member countries to examine markets where there is a lack of effective competition and identifies entities operating in those markets that possess significant market power ("SMP"). Under the New Framework, entities are deemed to have SMP if they have a dominant position in a relevant market that gives them the ability to behave to an appreciable extent independently of competitors, subscribers and consumers. An entity is presumed to have SMP if it has a share of 40% or more of a relevant market. The New Framework requires national regulatory authorities to impose proportionate and objectively justifiable obligations on entities with SMP to remedy perceived market failures. Currently, the BIPT publishes an annual list of organizations it considers to have SMP based on a factual analysis that considers, among other things, the resources, revenues and market share of each relevant entity. A telephony operator is currently deemed to have SMP in a relevant market when it has a market share of 25% of the relevant market. To date, only Belgacom has been found to have SMP in the fixed telephony market, among others.

The New Framework also replaces the traditional grant of licenses by national regulatory authorities with "general authorizations" (except in certain areas, which include licenses to provide telephone numbers). In order to start their activities, operators will need to obtain a general authorization by sending a notice to the BIPT. Operators will not, however, be required to obtain individual licenses.

The New Framework may affect not only regulations applicable to telephony service providers and broadcasters, but also to Internet access providers. "Wholesale broadband access," where it offers facilities equivalent to bit-stream access, has been identified as a market where an operator can have SMP. If the Belgian authorities identify this market as a relevant market in Belgium, they must go on to consider whether there is effective competition in the wholesale broadband market. If we are identified as having SMP in that market, we could be required to provide other Internet operators and service providers access to our network at regulated prices based on our cost of providing that access.

Telephony Regulation

Overview

The telecommunications industry in Belgium is regulated by Title III of the law of March 21, 1991 (the "1991 Law") and several royal decrees implementing its provisions. In December 1997, significant amendments were made to the 1991 Law to comply with EC directives designed to liberalize the EC telecommunications market and increase competition.

The 1991 Law ended the monopoly of the Belgian National Telephone and Telegraph Company (*Regie der Telegraaf en Telefoon*) ("RTT"), which had been the exclusive telecommunications operator in Belgium since 1930. Under the 1991 Law, the RTT was transformed into an autonomous public company (*Autonoom Overheidsbedrijf*), which, in 1994, became a public law corporation (*naamloze vennootschap van publiek recht*), Belgacom NV ("Belgacom"). The Belgian government is currently reviewing the 1991 Law as part of its implementation of the New Framework.

The BIPT and the Advisory Committee

The BIPT

The 1991 Law also created the Belgian Institute for Postal Services and Telecommunications (*Belgisch Instituut voor Postdiensten en Telecommunicatie*) (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. The BIPT is a public interest body supervised by the Minister responsible for telecommunications. It is led by a council of four officials (the "BIPT Council") who are nominated by Royal Decree upon a decision made by the Council of Ministers. The BIPT has broad powers to draft regulations, render advice, define strategies, authorize new entrants to provide telephony service in Belgium and supervise telephony operators to ensure compliance with laws and licenses. The BIPT also grants licenses to new and existing network infrastructure operators and voice telephony providers and reviews the terms and conditions under which leased lines are provided. Although BIPT approval is not required to provide services other than voice telephony, network infrastructure and leased lines, telephony operators must notify the BIPT of any additional telecommunication services that they intend to provide. The BIPT may also act as a mediator in disputes arising between telecommunications operators.

The BIPT has significant enforcement powers. It may issue a default notice if any telecommunications service provider breaches any of the telecommunication provisions of the 1991 Law or its implementing royal decrees. Failure to comply with the notice may result in administrative penalties ranging from 0.5% to 5% of the provider's annual revenue attributable to telecommunications, up to a maximum of €12.5 million. If a service provider refuses to correct a default, the BIPT may ultimately prohibit the provider from rendering any further services.

Pursuant to the Act of January 17, 2003 a new two-tier dispute resolution system applies to the review of BIPT actions:

- disputes regarding interconnection, leased lines, special access, unbundled access to the local loop and shared access must be brought before the Belgian competition authority; and

- decisions of the BIPT Council must be appealed to the Brussels' Court of Appeal.

The Advisory Committee

The Advisory Committee is an independent entity whose secretary is appointed by the BIPT. The Advisory Committee also includes representatives of telephony operators (including representatives of the Telenet group), consumers, providers of universal services and manufacturers of telecommunications equipment. It makes non-binding recommendations to the ministers responsible for telecommunications on issues related to the telecommunications market, with a focus on the provision of universal service, general contract provisions between voice telephony operators and end-users and end-users' rights under the management contract between the Belgian State and Belgacom.

It is likely that both the structure and role of the BIPT and the Advisory Committee will be reviewed in the course of the implementation of the New Framework.

Universal Service

Belgian law mandates that Belgian residents have access at an affordable price to a minimum set of "universal" services that are available to all fixed-line telephony users regardless of their geographic location in Belgium. Universal services include the provision of emergency service numbers, the provision of access at a fixed location, the availability of at least one comprehensive directory enquiry service and the provision of public pay telephones and specific services for disabled end users.

These services are provided pursuant to a management contract between the Belgian state and Belgacom, which, among other things, requires Belgacom to pursue certain corporate purposes and adopt a specific corporate structure and governs the fees that Belgacom can charge for its services.

In August 2003 the BIPT published its annual report on universal service in Belgium. In the report, the BIPT recommends that universal access obligations be created to require Internet access for certain categories of persons or organizations including disabled persons, libraries, students, schools and hospitals. In addition, the BIPT suggests that universal service obligations should be imposed on a larger number of operators instead of only on Belgacom. The Minister for Economic Affairs and the Minister for Consumer Affairs will have to decide whether to take action based on these recommendations.

The Law of December 19, 1997 established a Universal Service Fund to finance the costs incurred by universal service providers in offering universal services to the public. The statute establishing the fund specifies that it is to be financed by contributions from the companies that provide telephony services in Belgium according to criteria to be defined by royal decree. In 2002, Belgacom requested that the BIPT activate the fund. The BIPT examined Belgacom's request and recommended to the Ministry of Telecommunications that the fund be activated. To date, no further initiatives have been taken to activate the fund. If further action is taken to activate the Fund, we do not believe that our group's annual contribution to the fund would exceed approximately €2 million (including amounts that would be paid with respect to Codenet).

Under the New Framework, it is expected that operators will be able to apply to the BIPT to become an authorized universal service provider. The New Framework also endorses the establishment of universal service funds and allows national regulatory authorities to compensate universal service providers from either public funds or through allocating costs among network and service providers.

Interconnection

Interconnection is the means by which users of one telephony network are able to communicate with users of another telephony network. In order 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 the length of the telephone call.

Organizations with SMP must satisfy all reasonable interconnection requests on non-discriminatory terms that provide equal-access to its network. They must also publish the tariffs they charge to terminate calls that interconnect to their network. The BIPT has the right to supervise and, if necessary, amend the terms of these interconnection rates. In addition to entities with SMP, all public network operators and providers of public telecommunications services, voice telephony or leased lines who, as a result of these activities, control access to end users, must respond to interconnection requests from other providers of similar services and negotiate interconnection termination fees with such other providers.

Interconnection costs have a significant impact on our financial results, and we have focused heavily on managing this cost. See "Business—Our Products and Services—Residential Telephony—Interconnection." Because the rates we charge to terminate calls that interconnect to the Combined Network are higher for domestic than for international calls, some operators attempt to route domestic calls outside of Belgium so that when they enter the Combined Network they are charged the lower international tariff. This practice is known as "tromboning." In general, the BIPT has held that tromboning is sanctionable under existing law when used as a means of minimizing interconnection fees. The BIPT has, however authorized limited tromboning by Belgacom to allow Belgacom to compete more effectively with other telephony service providers. Belgacom is required to submit monthly audits of its tromboning activity to the BIPT. Belgacom is currently appealing the BIPT's tromboning cap to the Council of State, contending that it should be able to trombone much higher amounts. See "Business—Legal Proceedings—Interconnection Litigation—Tromboning" and "Risk Factors—Risks Related to Our Business—The Belgian Internet, data and telephony industries are highly competitive and the television industry may become more competitive in the future, which could result in lower prices and the loss of subscribers."

The New Framework requires public communications networks to negotiate interconnection termination rates with each other to provide, among other things, fixed and mobile telephony services. National regulators must, where appropriate, ensure adequate interconnection in a way that promotes efficiency and sustainable competition. Under the New Framework, national authorities can require entities with SMP to permit others to interconnect to their networks and facilities if the authority determines that denial of access to such an entity's network (whether through a direct denial of access or the imposition of unreasonable terms and conditions) would hinder the creation of a competitive retail market or would not be in the consumer's interest.

The New Framework also permits governments to regulate the prices that entities with SMP may charge to interconnect to their network facilities, requiring entities with SMP to charge interconnection termination fees that reflect their actual costs of terminating out-of-network calls. The New Framework, however, does not prescribe the model that national regulators should use to evaluate interconnection prices, simply noting that entities with SMP should be allowed to receive a reasonable rate of return on capital employed, including labor and building costs, and reflecting the current fair value of assets and operational efficiency. In addition, the New Framework requires that prices charged be appropriate to the circumstances, taking account the need to promote efficiency and sustainable competition.

In a Commission Recommendation dated February 11, 2003, the European Commission indicated that, under the New Framework, the market for wholesale call termination may be considered as a separate product market subject to regulation in the absence of competition. Such a market definition does not automatically mean that every network operator has significant market power to terminate calls on its own network. Whether such power exists depends on whether any users of the network account for a large portion of the calls terminated on the network, giving that user a countervailing position as a strong buyer. However, Telenet may at some future date be considered to have a dominant position when setting the fees it charges to terminate calls on its network. Such a determination would depend, among other things, on the number of voice telephony subscribers Telenet has—the more Telenet voice telephony subscribers, the lower Belgacom's countervailing buyer power, the higher the risk of Telenet being considered to have significant market power to terminate calls on the Combined Network.

If Telenet is considered as having significant market power to terminate calls and the interconnection rates that it charges are found to be above its costs, the BIPT could require Telenet to decrease its interconnection termination rates.

Fixed-Mobile Interconnection

The price for the interconnection of traffic originating on fixed-line networks and terminating on mobile networks is not subject to any regulatory restrictions, unless a mobile operator is determined by the BIPT to have SMP in the national market for 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 (Belgacom's mobile subsidiary, known as "Proximus") and Mobistar NV as entities that have SMP in the national interconnection market. As a result, both mobile operators are required to charge interconnection tariffs that are based on their cost of providing those services. In addition, their tariffs must be non-discriminatory and transparent. For a description of our interconnection agreements with Proximus and Mobistar, see "Business—Our Products and Services—Residential Telephony—Interconnection." A third mobile operator in Belgium, Base, is not bound by these restrictions.

Tariffs

The prices that telephony operators and other service providers charge their subscribers are not subject to any explicit legal constraints as long as the operators do not have SMP. Organizations with SMP must offer tariffs in the leased line, voice telephony, interconnection and special access markets that are based on their actual cost of providing those services.

The New Framework requires each national authority to impose appropriate obligations on entities with SMP in relevant retail and wholesale markets identified by that national authority. National authorities may prevent entities with SMP from charging excessive prices, inhibiting market entry or restricting competition through predatory pricing, bundling services in an unreasonable manner and offering unduly preferential terms to specific end-users.

Telephone Numbering System

The BIPT manages the national telephone numbering system for Belgium and allocates telephone numbers to network operators and service providers. The BIPT must perform these functions in an objective, transparent and non-discriminatory manner.

Number Portability

Since January 1, 2000, all Belgian fixed-line operators have been legally required to provide full geographic and non-geographic number portability. Number portability allows:

- A subscriber to move within geographic zones without changing the subscriber's directory telephone number.
- A subscriber to change operators without changing the subscriber's directory telephone number.

Number portability has provided a significant opportunity for us because it facilitates the movement of subscribers from Belgacom to Telenet.

The New Framework preserves the number portability requirement.

Unbundling the Belgacom Local Loop

The Belgian legislature has implemented EC regulation No 2887/2000 on unbundled access to the local loop, which requires operators that have been designated by their national regulatory authorities as having SMP to give full unbundled access to their local loop. Under this regulation, the BIPT has required Belgacom to provide other telephony service providers shared use and bit-stream access to its local loop, which delivers communication signals from central networks to the actual homes and businesses served by Belgacom. The unbundling of the Belgacom local loop has not progressed rapidly, however. At the end of 2002, only 2,500 lines had been fully unbundled, with 1,632 of those lines offering shared access, representing a very small fraction of the number of lines subject to unbundling under the rule. Further implementation of the local loop unbundling requirement has been delayed until the Belgian legislature considers whether current unbundling requirements should remain in force, be amended or withdrawn in light of the New Framework.

Carrier Preselection

Carrier preselection allows a telephony end user to elect to receive certain services (for example, long distance calling) on an ongoing basis from providers whose network does not directly serve the end user. We use carrier preselection to provide telephony service to subscribers who can only receive telephony service through the Belgacom network because they reside in regions of Flanders where we have not yet installed equipment in our head end stations that would allow them to receive telephony service directly from us. Currently, it is not commercially feasible for other service providers to offer carrier preselection services through the Combined Network because the fees we must charge to recover our costs are too high to allow for competitive retail offers.

The New Framework requires that entities with SMP in the control of access to and use of public networks allow end users served by their network to access the services of another telephone service provider through using both (i) a carrier selection code which the end user can use on a call-by-call basis and (ii) carrier preselection.

Licenses

Under the 1991 Law, we are required to obtain from the BIPT a voice telephony license and network infrastructure license in order to provide fixed-line telephony services to our subscribers in Flanders. There are no express transfer restrictions in these licenses. Upon the recommendation of the BIPT however, the appropriate Minister would be required to grant his or her prior consent to the transfer of the license. Under the New Framework, these licenses will be replaced with general authorizations.

Voice Telephony License

The BIPT has granted Telenet Operaties a license that permits it to:

- establish and provide voice telephony services in Belgium;
- provide local, national and international long-distance telephone services through a carrier preselection

service; and

- provide related additional services, including call waiting, conference calling, voice-mail and 0800 numbers.

We agreed in our application for a voice telephony license to comply with a number of minimum quality requirements, which the BIPT is authorized to monitor. These requirements include:

Item	Requirement
Blocked calls...........	Maximum rate of blocked calls of 1.5% for calls within the European Union
Connection time	Maximum time for the connection to the public switched telephony network: 90% within one day in 2003
Fault reports...........	Less than four fault reports per 100 subscribers per month

We are in compliance with all relevant quality requirements.

Under the New Framework, quality requirements may still be imposed as a condition for receipt of the general authorization that will replace our voice telephony license. The New Framework, however, specifies an exhaustive list of conditions that the BIPT can include in such general authorization. Some of the existing conditions imposed on our group under this license cannot be imposed following the implementation of the New Framework.

Infrastructure License

The infrastructure license granted to Telenet Operaties authorizes it to operate a network to provide public telecommunication services in Flanders and to operate a limited telecommunications network in the Brussels region. The provisions restricting transferability and changes in control are similar to those of its voice telephony license. Our recent acquisition of Codenet has expanded our network operations into the French-speaking region of Belgium and increased the extent of our operations in Brussels. In the near term we plan to continue to use Codenet's existing infrastructure license, which permits operations in these areas, to conduct these broader activities.

Broadcasting Regulation

Unlike telecommunications, which is subject to comprehensive national regulation, radio and television broadcasting is generally regulated by the regional Flemish and French-speaking communities of Belgium. The Council of State has determined that the regulatory authority of the communities applies to all relevant broadcasting technologies, and thus includes satellite, terrestrial and cable broadcasting. The Flemish and French-speaking communities have adopted legislation (in the form of decrees) that governs the provision of broadcasting services in their respective regions. The national government retains authority to regulate broadcasting in the region of Brussels. In addition, the national government can regulate certain non-broadcast aspects related to radio communications, including limiting the power of broadcast emitters and establishing safety and technical requirements for radio receivers and other equipment.

Our cable activities are exclusively located in Flanders and are governed by the Coordinated Media Decree of January 25, 1995 (the "Media Decree"). The Media Decree vests the Flemish Media Commission (*Vlaams Commissariaat voor de Media*) (the "VCM") with the authority to regulate and supervise the provision of broadcast services and the use of related network equipment in Flanders. The VCM consists of six officials appointed by the Flemish government.

The Media Decree authorizes the VCM to:

- issue orders to cease and desist from any violation of the Media Decree;

- require broadcasters to broadcast any decision of the VCM in a form and at a time determined by the VCM;

- levy administrative fines for violations of the Media Decree; and
- suspend or withdraw licenses.

We expect that many provisions of the Media Decree that relate to electronic communications networks and services, including those provided by us, will either be heavily amended or repealed and replaced during 2004 as the New Framework is implemented in Belgium. In addition, the VCM may not retain responsibility for regulating broadcasting networks and services following implementation of the New Framework.

Providing Access to Broadcasting Transmission Services

The New Framework identifies "broadcasting transmission services to deliver broadcast content to end-users" as a candidate market in which national authorities may decide to regulate the behavior of entities that possess SMP. If the Belgian authorities identify this sector as a relevant market, they must go on to consider whether the broadcast market is competitive. If it is not, and we are identified as having SMP in that market, governmental authorities could require us (as one of a range of possible remedies) to provide other content broadcasters access to our network at prices based on our cost of providing that access. Depending on the specific facts and circumstances, however, we may refuse requests for access to our network on a number of grounds, including a lack of network capacity or in order to protect network security. As part of its approval of the Canal+ Acquisition, the Belgian competition authorities required that we grant other pay television channels access to our network to allow them to broadcast their services. We must grant them access based on non-discriminatory, commercial criteria, taking into account the available capacity on our network. See "Business—Our Products and Services—Cable Television—Premium Services."

Broadcast Licenses

We hold two types of licenses to operate and distribute cable television signals to subscribers—licenses related to the delivery of signals to subscribers over our local loop and licenses related to the transportation of signals over our fiber backbone to the head ends on our network. To the extent these licenses regulate the provision of electronic communications networks and services, they are likely to be replaced with general authorizations under the New Framework.

License to Deliver Signals to Customers

The Media Decree prohibits the construction and operation of a cable network without a license from the VCM. The ten licenses held by MixtICS (which it received from the ten MICs when it acquired their cable television assets in August 2002) define its service area, broadcasting programs and the services it can transmit to end users. The licenses are valid for nine years, of which three and a half years remain but are extendable for consecutive periods of nine years unless the VCM revokes them.

License to Transport Signals Between Networks and Head Ends

The VCM is responsible for approving the construction and operation of the infrastructure needed to transport program signals to and between cable networks and between head end stations. Telenet Operaties holds our infrastructure license.

Must Carry

The Media Decree imposes certain must carry obligations on cable operators. These rules are 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. The must carry rules currently cover 15 television channels that we transmit to any region of Flanders. These rules are not of limited duration and only apply to cable networks.

The Media Decree provides a list of the programs that operators may transmit over their networks. Under the Media Decree, we must transmit the following radio stations and television channels:

- the radio stations and television channels of VRT, the Flemish public broadcaster, that are directed to an audience located in the operational area of our cable network, provided the stations and channels carry programs that are partly in the Dutch language;

- the television channels of authorized private broadcasters, such as VTM, destined for the entire Flemish community, provided the channels carry programs that are partly in the Dutch language;

- the television channels of authorized regional broadcasters, such as ATV and RTV, provided they are in the Dutch language. These channels only need to be delivered to residents of the geographic areas served by the regional broadcaster;

- two radio stations and two television channels of RTBF, the French public broadcaster, and the radio station of the public broadcaster of the German community; and

- two radio stations and three television channels (NOS 1, NOS 2 and NOS 3), of the public broadcaster of the Netherlands.

We may charge commercial rates for carrying these stations and channels over our network, except for the programs of the regional broadcasters, whose programs we must carry for free and for the programs of the public broadcasters whose programs we also carry free of charge.

The New Framework will permit EU Member States to continue to impose reasonable and proportional must carry obligations for specified radio and television broadcast channels and services that are broadcast through electronic communication networks if those networks serve as the principal means of distributing programs to a significant number of end users. In addition, a Member State may set "appropriate remuneration" in relation to the carriage of must carry channels and services. Studies are now underway by the EU to establish guidelines for what constitutes appropriate remuneration in these circumstances.

Pricing of Cable Package

The Law of January 25, 1945 on economic regulation and pricing (the "Pricing Law") and the Ministerial Decree of April 20, 1993 regarding special regulation on prices (the "1993 Ministerial Decree") require television broadcasters, among others, to receive the prior consent of the Minister for Economic Affairs before they can implement any price increase. The 1993 Ministerial Decree, which is applicable in the French and Flemish communities as well as the Region of Brussels, specifies the procedures that television broadcasters, including us, 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 for Economic Affairs on pricing policies and to administer the price increase process. The Pricing Committee is a part of the national Ministry of Economic Affairs and consists of a total of 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 of approximately ten members who come from the specific industries and user groups with knowledge of the subject matter under review.

A television broadcaster may not charge more for its services than the price approved by the Minister for Economic Affairs, whose decision is based on the recommendation of the Pricing Committee. Companies may, however, freely decide to charge amounts under this maximum. In the beginning of 2003, the Minister for Economic Affairs authorized us to increase the subscription fees for our cable television services by approximately 25%.

Copyright fees charged to subscribers are not subject to these pricing restrictions, although notices of price increases must be submitted to the Ministry of Economic Affairs. Prices for new products must be transmitted to the service of General Inspection, established by the 1993 Ministerial Decree upon recommendation of the Pricing Committee, no later than ten days before they are implemented.

Copyright and Retransmission Restrictions

The EU directive of September 27, 1993, governing the coordination of certain rules concerning copyright applicable to satellite broadcasting and cable retransmission has been implemented in Belgium by the national Law on

Copyright of June 30, 1994. The national government, acting through the Ministry of Justice, regulates all issues related to copyright.

Pursuant to case-law of the Belgian Supreme Court and the national Law on Copyright of June 30, 1994, 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 or directly generated by the cable company. Under Article 100 of the Media Decree, broadcasters are prohibited from broadcasting audiovisual works at times different from those agreed with the rights-holders.

We broadcast copyrighted works over our 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 recent litigation. See "Business—Legal Proceedings—Copyright Litigation."

Pay Television and Canal Plus Acquisition

The Media Decree will govern the premium pay television services that we expect to provide upon completion of our acquisition of certain assets from Canal+. On August 29, 2003, the VCM approved the transfer of the pay television and pay per view license held by Canal+ to our subsidiary PayTVCo, contingent on the acquisition being approved by the Belgian competition authority, which conditionally approved the acquisition on November 12, 2003. See "Business—Our Products and Services—Cable Television—Premium Services."

MANAGEMENT AND GOVERNANCE

The Issuer, Telenet Communications NV, is a holding company with no operations. It is a direct subsidiary of Telenet Group Holding NV ("Telenet Group Holding"). The principal shareholders of Telenet Group Holding, namely the MICs, the Cable Partners Consortium, Electrabel, the Financial Consortium, GIMV and Interkabel (the "Shareholders"), expect to enter into a new agreement dated on or about the closing date of this offering (the "Shareholders' Agreement") regarding the governance of Telenet Group Holding, the Issuer, Telenet Bidco, Telenet Holding, Telenet Vlaanderen, Telenet Operaties and MixtICS (each, a "Company" and, collectively, the "Companies").

Board of Directors

Pursuant to the Shareholders' Agreement, the Cable Partners Consortium has the right to appoint half of the members of our board of directors, including the chairman, who has a casting vote, through December 31, 2004. In general, each of the Issuer and the other Companies are intended to have identical boards of directors unless otherwise required by law; consequently, Cable Partners controls the management of the Companies, subject to certain supermajority voting requirements. See "—Shareholders' Agreement—Votes of the Boards of Directors." The ability of Cable Partners to control the boards of directors could end before December 31, 2004 under certain circumstances, including if the Cable Partners Consortium ceases to own at least 17.2% of the Qualified Shares of Telenet Group Holding or if there is a change of control of Cable Partners or certain of its subsidiaries and our other principal shareholders vote to terminate Cable Partners' control. See "—Shareholders' Agreement—Composition of the Boards of Directors—Governance Period" and "Risk Factors—Risks Relating to Our Management and Principal Shareholders—Our controlling shareholder, Cable Partners, is likely to undergo a restructuring, which may result in a change of ownership in the near future that could give a third party a significant degree of control over Telenet." The "Qualified Shares" are the outstanding shares of Telenet Group Holding excluding shares issued in connection with our acquisition of Codenet, shares issued upon exercise of the Subordinated Debt Warrants and shares issued with respect to other warrants under which CAI Belgium does not have preemptive rights.

The other Shareholders have the right to appoint additional members of our boards of directors, which currently consist of 16 members each. As of the date hereof, the members of the board of directors of each of the Companies (and their ages as of December 1, 2003) are:

Name	Age	Position
Andrew J. Sukawaty(1)	48	Chairman of the Board
Duco Sickinghe(1)	45	Chief Executive Officer and Managing Director
Marcel Bartholomeeussen(2)	54	Director
Frédéric Beauvais(1)	34	Director
Austin M. Beutner(1)	43	Director
Alex Brabers(3)	38	Director
Richard J. Callahan(1)	61	Director
Brian Cook(1)	45	Director
Michel Delloye(1)(5)	47	Independent Director
Frank Donck(6)	38	Director
Yvan Dupon(7)	60	Director
John Frontz(1)	44	Director
Saul D. Goodman(1)	35	Director
Guido De Keersmaecker(4)	61	Independent Director
Rumold Lambrechts(8)	48	Director
Antoon Sansen(7)	71	Director

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(1) Appointed by the Cable Partners Consortium pursuant to the Shareholders' Agreement.

(2) Appointed by Interkabel pursuant to the Shareholders' Agreement.

(3) Appointed by GIMV pursuant to the Shareholders' Agreement.

(4) Appointed as an independent director by a majority of the shareholders other than Cable Partners pursuant to the Shareholders' Agreement.

(5) As representative of Financière des Cytises NV.

(6) Appointed by the Financial Consortium pursuant to the Shareholders' Agreement.

(7) Appointed by the MICs pursuant to the Shareholders' Agreement.

(8) Appointed by Electrabel NV pursuant to the Shareholders' Agreement.

Andrew J. Sukawaty, Chairman of the Board

Andrew J. Sukawaty has served as a director of the Companies since 2001, and as Chairman of the Board since 2001. He currently serves as the Chief Executive Officer of Cable Partners, which he joined in July 2000. Between 1996 and 2000, he served as President and Chief Executive Officer of Sprint PCS. Prior to serving at Sprint PCS, Mr. Sukawaty was Chief Executive Officer of NTL Limited and Chief Operating Officer of the U.K. cellular operator One-2-One (which was subsequently acquired by Deutsche Telekom and rebranded as T-Mobile). Mr. Sukawaty currently holds appointments as Deputy Chairman of mm02 plc, a U.K. cellular operator, and as a member of the Board of Directors of Powerwave Technologies, Inc.

Marcel Bartholomeeussen, Director

Marcel Bartholomeeussen has served as a director of the Companies since 1996. Mr. Bartholomeeussen is Chairman of the Board of Integan, Chairman of the Board of Interkabel, director of Antwerp Waterworks, Chairman of the Board of Digipolis and director of the Port of Antwerp.

Frédéric Beauvais, Director

Frédéric Beauvais has served as a director of the Companies since December 9, 2003. Mr. Beauvais joined CDP Capital Communications Europe in 2003, having previously been with A.T. Kearney and the BCE group. Mr. Beauvais also serves on the boards of Kabel Baden-Württemberg GmbH & Co. KG, Times Infotainment Media Ltd. and UTV Software Communications.

Austin M. Beutner, Director

Austin M. Beutner has served as a director of the Companies since 2001. Mr. Beutner is President and Chief Investment Officer of Evercore Partners Inc., Co-Chairman of Evercore Capital Partners, and Chairman and Chief Executive Officer of Evercore Ventures. From 1994 to 1996, Mr. Beutner was President and Chief Executive Officer of the U.S. Russia Investment Fund, a private investment company. Mr. Beutner serves on the Boards of Directors of American Media, Inc., Business.com, Causeway Capital Management LLC, Continental Energy Services, Inc., Encoda Systems, Inc., Energy Partners Ltd. and Vertis, Inc. He also serves as a Trustee of the California Institute of the Arts and is a member of the Council on Foreign Relations.

Alex Brabers, Director

Alex Brabers has served as a director of the Companies since 1998. Mr. Brabers is Vice President—Information and Communications Technology at GIMV, the investment company of 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 is currently a board member of, among others, Mobistar, Option, Telos Technology and Inside Contactless.

Richard J. Callahan, Director

Richard J. Callahan has served as a director of the Companies since 2001. Mr. Callahan is the Chairman of Cable Partners. In 1996 he founded Callahan Associates International LLC, subsequently renamed Cable Partners, an organization that develops, operates and finances communications, entertainment and information projects around the world. Previously, Mr. Callahan was the President of US WEST International and Business Development Group (later renamed MediaOne International Group, Inc.), a division of U.S. telephone operator US WEST Inc.

Brian Cook, Director

Brian Cook has served as a director of the Companies since 2003. Mr. Cook is a Partner of Cable Partners, and has served as its Chief Financial Officer since October 2002. From July 2001 to April 2002 he was Managing Director and Chief Financial Officer at Taurus Holding GmbH & Co. KG (formerly known as Kirch Holding GmbH & Co. KG) in Munich, Germany. Prior to joining Kirch Holding, Mr. Cook was Head of Corporate Banking and Portfolio Management at CSFB (Europe) Ltd in London, England, having joined the company in 1998 as Managing Director, Corporate Banking. Mr. Cook is also a non-executive member of the board of directors of Broad Street Financial Corporation.

Michel Delloye, Independent Director (representing Financière des Cytises (Cytifinance) NV)

Michel Delloye is the representative of Cytises (Cytifinance) NV, a management and consulting company that has served as an independent director of the Companies 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 serves on the boards of directors of, among other companies, EVS Broadcast Equipment, Brederode NV and Trust Capital Partners NV.

Frank Donck, Director

Frank Donck has served as a director of the then-existing companies in the Telenet group since 1996. Mr. Donck has been an investment manager for Investco NV from 1989 to 1998. Since 1998 he has served as an executive director of 3D NV and Ibervest NV, through investment companies. Mr. Donck is Executive Chairman of Afinia Plastics NV, which is active in the plastics industry, Chairman of the Board of Directors of Zenitel NV and is also a member of the board of directors of Atenor NV and KBC Bank & Verzekeringsholding NV and several other privately held companies.

Yvan Dupon, Director

Yvan Dupon has served as a director of the Companies since 1996. Since 2001, Mr. Dupon has served as the General Manager—Distribution in Flanders for Electrabel NV, the largest Belgian utility company. From 1994, Mr. Dupon was General Manager in charge of distribution of cable television services at Electrabel until these services were sold to the Telenet group in 2002. Mr. Dupon is a member of the board of directors of Electrabel, and a member of the board of directors and/or the management committee of several MICs and also of Distrigas, Indaver NV, Nobema NV, Fabricom NV, Soltech NV, Photovoltech NV and Teveo NV.

John K. Frontz, Director

John K. Frontz has served as a director of the Companies from 1998-1999 and from 2001 to the present. Mr. Frontz has been Senior Vice President—Finance at Cable Partners since August 2000. From 1998 to 2000 he served as the London-based Executive Director of Finance and Chief Financial Officer of MediaOne International's broadband ventures in Europe. He represented MediaOne on the board of directors of Telenet Holding and Cable Plus a.s. He also served as MediaOne's International Controller and held a short-term assignment as Telewest's Group Controller in the United Kingdom in late 1999.

Saul D. Goodman, Director

Saul D. Goodman has served as a director of the Companies since March 2003. Mr. Goodman is currently a Senior Managing Director of Evercore Partners Inc., which he joined in May 1998. Prior to joining the firm, Mr. Goodman was a Vice President in the Investment Banking Division of Lehman Brothers, where he focused on media and telecommunications. Mr. Goodman is a member of the board of directors of Specialty Products and Insulation.

Guido De Keersmaecker, Independent Director

Guido De Keersmaecker was appointed as an independent director of the Companies in 2003. 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 home care products, toiletries, cosmetics and adhesives, and operates on a worldwide basis. Mr. De Keersmaecker currently serves on the boards of several Henkel companies and joint ventures in Europe and the Middle East.

Rumold Lambrechts, Director

Rumold Lambrechts has served as a director of the Companies since 2002. Mr. Lambrechts is currently Regulatory & Legal Counsel of Electrabel. He was also involved in the administrative management of several MICs with activities in the distribution of energy and cable television. He is currently also a member and/or secretary of the board of directors of some Electrabel affiliates and Soltech NV.

Antoon Sansen, Director

Antoon Sansen has served as a director of the Companies since 2000. Mr. Sansen is a member of the management committee of Gaselwest, CVBA, one of the Flemish intercommunales in which Electrabel has a stake. From 1989 to 1994 Mr. Sansen served as the Mayor of Kortrijk, in West Flanders and a member of the town council of Kortrijk since 1959. Mr. Sansen is also a member of the board of directors of Gaselwest CVBA.

Director Compensation

The directors of each of the Companies are paid €250.00 for each meeting of the board of directors that they attend, whether in person or by teleconference. For the 2002 fiscal year, the Companies expect to pay a combined total of €26,000 to all directors. A fixed remuneration package for all directors of the Boards of Directors is under consideration.

Shareholders' Agreement

The Shareholders' Agreement sets forth provisions that govern the business purpose of the Companies, the composition of the Companies' boards of directors and special supermajority voting requirements that apply in order for the boards of directors to make certain decisions. The term of the Shareholders' Agreement expires on September 23, 2026 and, to the extent permitted by law, is renewable for consecutive periods of ten years unless a termination notice is given at least five years prior to the expiration of the current term. Aspects of the agreement which can be construed as voting agreements have a duration of ten years and are renewed each year for a further period of ten years up to, but not beyond the term of, the Shareholders' Agreement itself, unless notice of non-renewal is given at least one year before any renewal date.

Development Plans and the Public Interest Guarantees

The parties to the Shareholders' Agreement have undertaken to operate the Companies for the purpose of implementing the Development Plan, the ICS Development Plan and the Public Interest Guarantees. The Development Plan is a five year capital and strategic plan that runs from March 30, 2001 through March 30, 2006. During the term of the Development Plan, the Companies:

- Cannot effect aggregate equity contributions in excess of € 50 million other than to acquire businesses in the communications industry.

- Cannot incur aggregate indebtedness from time to time in excess of amounts that can be borrowed without shareholder guarantees.

- Must provide Internet and mass-market fixed telephony through Telenet's existing network in all of Flanders.

- Must develop and pursue a strategy to provide telecommunications services to the SME and corporate markets in Flanders.

The ICS Development Plan adds a commitment to the Development Plan requiring the Companies to provide television and radio broadcasting services to substantially all of the territories covered by the MICs as of August 9, 2002. This obligation continues until August 9, 2007.

The Public Interest Guarantees set certain parameters for the price and content of our basic cable television package in Flanders in relation to the migration of channels to a digital package, the schedule and penetration rate for our roll-out of digital television services in Flanders and the provision to local governments in Flanders of public services that utilize new technologies at prices equal to our cost of providing the service. Compliance with the Public Interest Guarantees is overseen by the Regulatory Board. See "—Regulatory Board." We have not previously met various deadlines in the Public Interest Guarantees, and, in connection with the offering of the Notes, on November 28, 2003, the Regulatory Board approved a specific amendment to the dates for launching iDTV. See "Risk Factors—Risks Relating to our Financial Profile—We are contractually obligated to commercially launch a digital television platform by March 2005, and our financial condition and cash flows may be impaired by our efforts to launch digital television and any liability we incur if we fail to launch digital television."

Composition of the Boards of Directors

General

Pursuant to the terms of the Shareholders' Agreement, the board of directors of Telenet Group Holding consists of 16 members, two of whom are independent directors. Subject to special rules relating to the nomination of directors during the Governance Period (discussed below), the shareholders of Telenet Group Holding have the right to nominate the number of directors that is as proportional as possible to their share ownership in the company. For these purposes, shareholders of Telenet Group Holding do not include shareholders who acquired their Shares from exercise of various warrants and stock option plans and Shares owned by the entities described under "Principal Shareholders—Additional Shareholders" (such shareholders who are not so excluded being the "Eligible Shareholders").

The original shareholders of Telenet Group Holding, which consist of the Cable Partners Consortium, the MICs, Electrabel, the Financial Consortium, GIMV and Interkabel and certain of their related party transferees, shall always have the right to appoint one director as long as those shareholders only transfer their Shares in certain permitted transactions. Other Eligible Shareholders shall be able to nominate a member of the Telenet Group Holding board of directors as long as they hold at least 7% of the Shares.

Independent Directors

The independent directors are elected by a majority of the Eligible Shareholders excluding any majority shareholder.

Governance Period

Until the earlier of the time that the Cable Partners Consortium ceases to hold at least 17.2% of the outstanding Qualified Shares and December 31, 2004 (the end of the "Governance Period"), it shall have the right to nominate one-half of the board of directors of Telenet Group Holding, including the Chairman of the Board. The Chairman of the Board has a casting vote to break any tied votes of the board of directors. During the Governance Period, the remaining shareholders of Telenet Group Holding have the right to nominate the remaining members of the board of directors as follows:

- The MICs (based on a majority vote) have the right to nominate two directors;
- Electrabel has the right to nominate one director;
- The Financial Consortium has the right to nominate one director;
- GIMV has the right to nominate one director;
- Interkabel has the right to nominate one director; and
- The majority of the Eligible Shareholders, excluding the Cable Partners Consortium, has the right to nominate the two independent directors.

The Governance Period can be terminated by a majority of the Eligible Shareholders (other than the Cable Partners Consortium) if there is a change of control of Cable Partners or any of its subsidiaries that directly or indirectly owns shares of CAI Belgium (each, a "Cable Partners Company"). A change of control includes:

- The failure of both Richard J. Callahan and Andrew J. Sukawaty to be actively involved in the management and leadership of the relevant Cable Partners Company as a result of a capital increase or transfer of shares, resignation or dismissal (or, in the event of the death or disability of Messrs. Callahan and Sukawaty before such event occurs, the failure of the Managing Member of the relevant Cable Partners Company to perform these functions);
- The failure of the relevant Cable Partners Company to own and control 50.1% of the voting equity of CAI Belgium, except as a result of dilution of its interest solely for the purposes of making an investment in Telenet Bidco and its restricted subsidiaries in accordance with the terms of the Telenet group's senior credit facility; or
- A competitive investor (i) obtains sole control over or the right to approve the annual budget, material borrowings or material acquisitions of the relevant Cable Partners Company and (ii) owns at least 49.9% of the equity (excluding non-voting equity) of the relevant Cable Partners Company or controls at least 50% of the votes of the board of directors or any other governing body of the relevant Cable Partners Company. A competitive investor is any entity (other than certain financial investors) that invests in another entity seeking to establish or operate a fixed network for point-to-point telecommunications or broadcasting services.

See "Risk Factors—Risks Relating to Our Management and Principal Shareholders—Our controlling shareholder, Cable Partners, is likely to undergo a restructuring, which may result in a change of ownership in the near future that could give a third party a significant degree of control over Telenet."

Other Companies

In general, the boards of directors of the other Companies are composed and conduct business in the same way as Telenet Group Holding. Notwithstanding the foregoing, however, Interkabel always has the right to nominate one director for the board of directors of Telenet Vlaanderen as long as Telenet Vlaanderen has rights to use the PICs Network under the Interkabel Contribution Deed.

Votes of the Boards of Directors

In general, the board of directors of each of the Companies makes decisions based on a simple majority of the directors present or duly represented at the meeting at which the vote is taken. The Shareholders' Agreement, however, imposes special voting requirements for votes on certain matters. It requires that a certain percentage of directors approve decisions made with respect to specific issues and also requires that a fixed number of directors appointed by any of the MICs, Electrabel, the Financial Consortium, GIMV and Interkabel (or their affiliates or certain related party transferees) (collectively, the "Belgian Shareholders") or certain other shareholders approve the decision.

During the Governance Period, most decisions of the board of directors are based on a simple majority.

Depending on the number of directors that the Belgian Shareholders can appoint, however (excluding the independent directors), the affirmative vote of between one and three directors appointed by the Belgian Shareholders is needed to approve the following actions, among others:

- acquiring businesses;
- the sale of a substantial part of the assets of any of the Companies;
- the appointment of the Chief Executive Officer of the Companies;
- the issuance of debt above certain levels; and
- approval of the annual budget and increases in expenditures of more than 10% per calendar quarter of the amount approved in the annual budget.

During any period when (i) the Cable Partners Consortium or any other party who owns a majority of the Shares has the right to appoint a majority of the board of directors of Telenet Group Holding and (ii) the Belgian Shareholders do not have the right to nominate at least three directors (excluding the independent directors), then at least one or two directors (depending on the subject matter of the proposal) other than the directors appointed by the Cable Partners Consortium or such other party must vote in favor of the proposals listed above. A decision to remove the Chief Executive Officer of the Companies during the Governance Period only requires the vote of a majority of the relevant Company's directors increased by one.

Regulatory Board

The Regulatory Board is intended to oversee the compliance of our group with the Public Interest Guarantees. The Regulatory Board consists of ten Class A directors and ten Class B directors. The Class A directors are appointed by the holders of our Golden shares, which are the ten MICs, and must include the members of the Telenet Group Holding board of directors appointed by Electrabel and the MICs. The Class B directors are appointed by the board of directors of Telenet Group Holding. 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.

Senior Management

The Issuer and the other Companies have the same senior management team, which consists of the following individuals:

Name	Age	Position
Duco Sickinghe	45	Chief Executive Officer and Managing Director
Leo Steenbergen	50	Chief Financial Officer
Etienne Blomme	53	Corporate Secretary
Tony Jossa	47	Senior Vice President—Human Resources and Organization
Jan Vorstermans	43	Senior Vice President—Technology, Engineering and Network Operations
Paul Van Cotthem	43	Senior Vice President—Residential Markets
Nico D. G. Reeskens	41	Senior Vice President—Business Markets
Dirk Van Dessel	41	Vice President—Information Systems
Ronny Verhelst	40	Vice President—Change and Integration

Duco Sickinghe, Chief Executive Officer and Managing Director

Duco Sickinghe has worked for almost 20 years in the technology and media industry. He holds a Dutch Master's degree in Law 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 head up 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. Mr. Sickinghe was co-founder and Chief Executive Officer of Software Direct, which later became a joint venture with Hachette in Paris. Mr. Sickinghe joined Wolters Kluwer in 1996, and as General Manager of Kluwer Publishing in the Netherlands oversaw its transition to electronic media and re-engineered the company's traditional business. He joined Cable Partners Europe in early 2001 and was appointed as Chief Executive Officer of Telenet in the summer of 2001. He is currently finalizing arrangements to leave Cable Partners and will focus on Telenet. Mr. Sickinghe is also a member of the board of directors of Zenitel NV.

Mr. Sickinghe has lived in Belgium, the United States, France, Germany, Switzerland and the Netherlands. He has acquired strong operating experience in these various countries.

Leo Steenbergen, Chief Financial Officer

Leo Steenbergen joined the Telenet Group as its Chief Financial Officer in January 2002. He started his career in Chicago, Illinois as an auditor at Touche Ross (which was subsequently merged into Deloitte and Touche). From 1980 to 1997, Mr. Steenbergen served in a variety of senior financing and management roles for Hewlett Packard in Europe, including most recently as European Business Controller and Director of Hewlett Packard's computer products division at Hewlett Packard's European headquarters in Geneva. During 1997, Mr. Steenbergen acted as the Chief Executive Officer of De Eik Trading Group, a privately held global trading group in the agri-food industry. From 1998 to 2000, Mr. Steenbergen served as Executive Vice President and Chief Financial Officer of Bekaert, a Belgian-based publicly listed multinational leader in metal transformation and coating technologies, and from 2000 to January 2002 as Chief Executive Officer of IP Globalnet, a provider of contact center software and services. Mr. Steenbergen is a member of the board of directors of IP Globalcare & Contact Center NV.

Etienne Blomme, Corporate Secretary

Etienne Blomme joined the Telenet group in 1996. He has held various senior management roles at the Telenet group and since February 2003 has served as Corporate Secretary, where he oversees regulatory, legal, interconnection, strategy, business development, purchasing and supply matters. Mr. Blomme previously served as Chief Operating Officer of the Companies in the Telenet group from 1999 to 2003. He has also served as a member of the group's Strategic, Human Resources and Audit Committees, and as an advisor to the Board of Directors of the Telenet Companies. From 1994 to 1999, Mr. Blomme served as Chief Executive Officer of Integan CVBA, the company which manages the cable network in the city of Antwerp.

Tony Jossa, Senior Vice President—Human Resources and Organization

Tony Jossa joined the Telenet group as its Senior Vice President—Human Resources and Organization in November 2002. Prior to joining our group, he served as Executive Vice President of Human Resources at Sabena Group, the Belgian airline, from 2001 to 2002, and was at Belgacom from 1996 to 2001, serving as General Manager, Human Resources Management from 1998 to 2001.

Jan Vorstermans, Senior Vice President—Technology, Engineering and Network Operations

Jan Vorstermans joined the Telenet group as Senior Vice President—Technology, Engineering and Network Operations in February 2003. 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.

Paul Van Cotthem, Senior Vice President—Residential Markets

Paul Van Cotthem joined the Telenet group as Marketing Director in 2000, served as our Vice President—Marketing and Sales from 2002 to 2003 and has served as our Senior Vice President—Residential Markets since 2003. Before joining the Telenet group, Mr. Van Cotthem served as Marketing Manager for Belgium and Luxembourg from 1996 to 1999 and Country Manager for Belgium and Luxembourg from 1999 to 2000 for Apple Computer.

Nico D.G. Reeskens, Senior Vice President—Business Markets

Nico D.G. Reeskens joined the Telenet group in January 2003 and became Senior Vice President—Business Markets in March 2003. Prior to joining the Telenet group, Mr. Reeskens worked from 1999 to 2002 as General Manager of Scoot, a subsidiary of Vivendi-Universal. Previously, Mr Reeskens held senior positions at Andersen Consulting. In addition, he has held positions in business unit management and international sales at companies including Mobistar (from 1996 to 1999) and Apple Computer (from 1989 to 1996).

Dirk Van Dessel, Vice President—Information Systems

Dirk Van Dessel joined the Telenet group in 1998, and has served as Vice President—Information Systems since 2003, where he is responsible for the development and implementation of our information technology initiatives. Prior to joining the Telenet group, Mr. Van Dessel worked at Agfa Gevaert from 1985 to 1998, where he was responsible for process automation information technology.

Ronny Verhelst, Vice President—Change and Integration

Ronny Verhelst joined the Telenet group in June 2001 as Vice President—Customer Operations and since September 2002, has served as Vice President—Change and Integration. 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.

Compensation of Senior Management

For the 2003 fiscal year, we expect to pay the nine members of our senior management team approximately €2.3 million in cash, including bonuses for 2002 paid in 2003 but excluding other employee benefits. These individuals collectively owned warrants to acquire 2,250 shares of Telenet Holding. Senior management will over the next 36 months become entitled to options and warrants relating to approximately 600,000 shares of Telenet Group Holding.

Shareholders' Agreement

Under the Shareholders' Agreement, during the Governance Period the Eligible Shareholders other than the Cable Partners Consortium shall have the right to nominate for approval by the boards of directors one of the top six senior officers of the Telenet group other than the Chief Executive Officer. The Chief Executive Officer may veto any such nomination on reasonable grounds and can terminate such officer's employment.

The Shareholders' Agreement also requires the Cable Partners Consortium and its affiliates (including entities in which it has an operational role) to obtain the consent of a majority of the board of directors of Telenet Group Holding, including at least one director not nominated by the Cable Partners Consortium, to solicit management employees to work outside of the Telenet group if that person was employed by any of the Companies as of March 30, 2001. The consent of the management of Telenet Group Holding is required for the consortium to solicit any other employee who worked at any Company as of March 30, 2001. Other Eligible Shareholders must not solicit management employees who worked at any Company as of the date of the new Shareholders Agreement without obtaining the consent of a majority of the Telenet Group Holding board of directors.

Strategic Services Agreement and Management Agreement

We have entered into a strategic services agreement ("Strategic Services Agreement") and expect to enter into a pre-agreed management agreement ("Management Agreement") with Cable Partners pursuant to which Cable Partners has agreed to provide us with certain services. Under the Strategic Services Agreement, Cable Partners provides us with numerous services, including advice on long-term strategic planning, cost management and the growth, marketing, financing and operation of our business. For 2003, we expect to pay Cable Partners $3 million under the Strategic Services Agreement. The term of the Strategic Services Agreement expires on March 30, 2006.

At the end of the Governance Period, we will enter into the Management Agreement with Cable Partners, pursuant to which Cable Partners will agree upon expiration of the Strategic Services Agreement to develop an annual business plan; prepare annual budgets and other reports requested by the board of directors of Telenet Group Holding; monitor accounting, billing and other financial and management information systems; prepare and deliver necessary financial statements; negotiate interconnection agreements, leases and licenses; provide marketing advice; identify investment opportunities; monitor employment policies; coordinate network maintenance and construction; and provide other services and information as the board of directors may reasonably request. Cable Partners will perform these services subject to the annual budget approved by the board of directors of Telenet Group Holding, the relevant provisions of the Shareholders' Agreement and any directions provided by the board of directors.

Under the Management Agreement, Cable Partners will have the right to nominate the Chief Executive Officer of Telenet Group Holding, who must be appointed by the directors as described under "—Shareholders' Agreement—Votes of the Boards of Directors." Except for the member of management appointed by the Eligible Shareholders other than the Cable Partners Consortium, as described above under "—Shareholders' Agreement" all members of management will have to be presented for approval to the Board of Directors by the Chief Executive Officer.

Telenet Group Holding will be able to terminate the Management Agreement in certain circumstances. These circumstances include, among others:

- any change of control of a Cable Partners Company described above under "—Shareholders' Agreement—Composition of the Boards of Directors—Governance Period";

- during the Governance Period, the transfer by any member of the Cable Partners Consortium to a person, other than Cable Partners or certain of its affiliates, of a sufficient number of shares of entities in the Cable Partners Consortium such that the acquiror would directly or indirectly own more than 50% of the share capital of the Cable Partners Consortium;

- the grant by CAI Belgium or the Cable Partners Consortium to a person other than Cable Partners or certain of its affiliates of the right to appoint or control a majority of the board of directors of CAI Belgium or any of the Companies, subject to exceptions involving a capital increase in CAI Belgium or the Cable Partners Consortium following which Cable Partners maintains joint control over the annual budget, decisions to borrow over €25 million and decisions to make acquisitions where the consideration paid exceeds €75 million for each of CAI Belgium and Telenet Group Holding; or

- the transfer by the Cable Partners Consortium of more than 40% of the Shares that it held on August 9, 2002, or more than 40% of certain options to purchase Shares (or the Shares acquired by the exercise of such options), to another party. See "Principal Shareholders—Option Agreements."

The term of the Management Agreement will continue until December 31, 2006, and can be extended by agreement of the parties on the payment of appropriate fees until December 31, 2007. No fees, other than expenses, are payable to Cable Partners for services rendered under the Management Agreement during the term of the Strategic Services Agreement.

PRINCIPAL SHAREHOLDERS

The following chart identifies the principal holders of the registered shares ("Shares") of Telenet Group Holding NV ("Telenet Group Holding"), the parent company of the Issuer and our group, as of December 17, 2003.

Name of shareholder	Number of shares	Percentage of shares[(1)]
Mixed Intercommunales[(2)]	9,515,473	33.3%
Cable Partners Consortium[(3)]	6,161,943	21.6%
GIMV NV[(4)]	4,304,641	15.1%
Financial Consortium[(5)]	4,300,222	15.1%
Pure Intercommunales/Interkabel Vlaanderen CVBA[(6)]	2,659,282	9.3%
Electrabel NV[(7)]	1,400,000	4.9%

(1) The MICs, the Financial Consortium, GIMV, Interkabel and Electrabel (collectively, the "Belgian Shareholders") all own significant percentages of their Shares through Telenet Group Sellers Investment NV ("TGSI"), an investment vehicle that they formed. TGSI owns 13,925,227 Shares, which is equal to 48.8% of the outstanding Shares.

(2) The ten MICs are Intercommunale Maatschappij voor Gas en Electriciteit van het Westen CVBA, Intercommunale Maatschappij voor Energievoorziening Antwerpen CVBA, Intercommunale Vereniging voor Energieleveringen in Midden-Vlaanderen CVBA, Intercommunale Maatschappij voor Televisiedistributie CVBA, Intercommunale Vereniging voor de Energiedistributie in de Kempen en het Antwerpse CVBA, Intercommunale Vereniging voor Electriciteits distributies CVBA, Intercommunale Maatschappij voor Televisiedistributie in het Gebied van Kempen en Polder CVBA, Intercommunale Maatschappij voor Televisiedistributie op de Linker Schelde-Oever CVBA, Intercommunale Maatschappij voor Televisiedistributie in Oost-Vlaanderen NV and Intercommunale Maatschappij voor Televisiedistributie in West-Vlaanderen NV. The MICs hold approximately 4,204,534 Shares, or 44.2% of their Shares, through TGSI. On the closing date of this offering, the MICs intend to exercise two Penny Warrants and subscribe for 283,821 Shares (the "Penny Warrant Shares"). Telenet Group Holding has an option to acquire all or a portion of the Penny Warrant Shares at a price equal to €75.00 per Share. This option expires on December 1, 2006.

(3) The Cable Partners Consortium includes two subsidiaries of Cable Partners, Callahan InvestCo Belgium 1 S.à. R.L. and Callahan InvestCo Belgium 2 S.à. R.L. Several affiliates of Evercore Partners, Inc. are also members of the consortium, including Evercore Capital Partners Cayman L.P., Evercore Capital Partners (NQ) Cayman L.P., Evercore Capital Offshore Partners Cayman L.P. and Evercore Co-Investment Partnership Cayman L.P. Additional members of the consortium are CDP Capital Communications Belgique Inc., a private investment subsidiary of the Caisse de dépôt et placement du Quebec, and Merrill Lynch Private Equity Associates, LLC, an affilate of Merrill Lynch International, one of the initial purchasers in this offering. Cable Partners is likely to undergo a change of ownership. See "Risk Factors—Risks Relating to Our Management and Principal Shareholders—Our controlling shareholder, Cable Partners, is likely to undergo a restructuring, which may result in a change of ownership in the near future that could give a third party a significant degree of control over Telenet."

(4) GIMV NV owns these Shares together with its affiliate Adviesbeheer GIMV Information & Communication Technology NV. GIMV NV and Adviesbeheer GIMV Information & Communication Technology NV together hold approximately 3,177,929 Shares, or 73.8% of their Shares, through TGSI.

(5) The "Financial Consortium" of regional financial institutions includes Finstrad NV, Gevaert NV, Ibel NV, KBC Bank NV, KBC Verzekeringen NV, Lessius NV, Investment Fund I—Direct en Co. CV (an affiliate of NIB Capital Private Equity Belgium Investments NV) and Sofinim NV. The Financial Consortium holds approximately 3,173,510 Shares, or 73.8% of its Shares, through TGSI. In its role as a member of the Financial Consortium, KBC Bank NV directly holds 315,151 Shares, and KBC Verzekeringen NV (an affiliate of KBC Bank NV) directly holds 157,576 Shares. KBC Bank NV is an initial purchaser in this offering.

(6) The five PICs are Interelectra CVBA, Integan CVBA, WVEM CV, PBE CVBA and VEM CVBA. The PICs hold their Shares through Interkabel, which is an entity owned by the PICs. Interkabel holds approximately 1,969,254 Shares, or 74.1% of its Shares, through TGSI.

(7) Electrabel holds all of its Shares through TGSI.

Additional Shareholders

J.P. Morgan Corporate Resources Limited, Merrill Lynch International, KBC Bank NV (not including the shares it owns through the Financial Consortium), The Royal Bank of Scotland, WestLB Finance (Credits) Limited, NIB Capital Bank (Belgian branch), European Investment Bank and Lloyds TSB Bank plc (Belgian branch) together own 96,000 Shares of Telenet Group Holding. JPMorgan Securities Ltd., Merrill Lynch International, The Royal Bank of Scotland plc, KBC Bank NV and WestLB AG, London Branch are initial purchasers in this offering. Certain current and former employees of our group collectively own approximately 1,000 Shares. In addition, in connection with our acquisition of Codenet, we issued an additional 120,000 Shares to Suez Connect SA on December 9, 2003.

Option Agreements

Interkabel has granted GIMV and the Financial Consortium options to purchase 20% of the Shares that Interkabel received as part of the initial Cable Partners acquisition of Telenet Holding in 2001. Approximately 140,000 Shares are covered by this agreement, and the options expire on February 21, 2006.

After the Refinancing, CAI Belgium expects to hold three classes of options that permit it to acquire Shares from the Belgian Shareholders. The Initial Option Period Options allow CAI Belgium to obtain up to 3,364,347 Shares as of September 30, 2003, the Extended Option Period Options allow CAI Belgium to obtain up to 2,858,595 Shares and the New Option Period Options allow CAI Belgium to obtain up to 2,250,000 Shares. The following chart summarizes other relevant terms of the options:

Class	Number of Shares to be Transferred Upon Exercise of Option	Exercise Period	Exercise Price
Initial Option Period Options............	3,364,347	August 9, 2002-August 9, 2007	€75
Extended Option Period Options......	2,858,595	August 9, 2002-August 9, 2009	€75
New Option Period Options	2,250,000	Closing of this Offering-August 9, 2009	€60

The options are expected to expire at the end of the exercise period, although the New Option Period Options can expire earlier under certain conditions. CAI Belgium will be deemed to have transferred the Initial Option Period Options, Extended Option Period Options and the New Option Period Shares to Motorola if Motorola exercises rights it has under a security and pledge agreement with CAI Belgium with respect to Shares held by CAI Belgium. CAI Belgium will be able to transfer these options, under certain conditions, to any third party at any time after December 30, 2004. See "Risk Factors—Risks Relating to Our Management and Principal Shareholders—Our controlling shareholder, Cable Partners, is likely to undergo a restructuring, which may result in a change of ownership in the near future that could give a third party a significant degree of control over Telenet."

Subordinated Debt Warrants

As of the closing of this offering, Telenet Group Holding will have 3,426,000 of its subordinated debt warrants ("Subordinated Debt Warrants") outstanding. Of those, 2,960,000 warrants will be issued in exchange for preexisting warrants that had been issued to the Cable Partners Consortium, GIMV, the Financial Consortium and the MICs in connection with the MixtICS Acquisition and an additional 466,000 warrants will be issued to GIMV and the Financial Consortium. The Subordinated Debt Warrants are exerciseable for an equal number of Shares upon payment of an exercise price of €40. Warrantholders may also exercise the Subordinated Debt Warrants at a reduced price of €0.01, but will then receive a reduced number of Shares equal to the number of warrants exercised less the quotient of €40 multiplied by the number of warrants exercised divided by the fair market value of a Share (as determined by an independent investment bank pursuant to the terms of the Subordinated Debt Warrants). Transfers of the Subordinated Debt Warrants are subject to the same restrictions on transfer applicable to Shares under the Shareholders' Agreement and Telenet Group Holdings' Articles of Association. The warrants expire on August 9, 2009.

Employee Stock Ownership Plans

A number of employees own shares in Telenet Group Holding and Telenet Holding following their exercise of warrants that they received under our 1998 and 1999 employee stock ownership plans ("ESOPs"). The 1998 and 1999 ESOPs granted employees of the Telenet group warrants to acquire shares of Telenet Holding. Shares obtained upon exercise of the 1998 and 1999 ESOP warrants can under certain conditions be converted into shares of Telenet Group Holding based on a ratio reflecting the fair market value of Telenet Holding and Telenet Group Holding at the time of the exchange. In addition, Telenet Group Holding recently adopted a 2003 ESOP, which will grant warrants to acquire Shares of Telenet Group Holding. Currently, no warrants have been granted under the ESOP 2003. The following table provides information regarding our current ESOPs as of September 30, 2003.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Warrants	Exercise Price of Outstanding Warrants	Number of Securities Available for Future Issuance Under Warrants Not Yet Outstanding	Expiration Date
Telenet Holding 1998 ESOP(1)	13,483	€24.79	0	November 25, 2008
Telenet Holding 1999 ESOP(1)	30,907	€24.79	0	November 22, 2009/ November 22, 2012(2)
Telenet Group Holding 2003 ESOP(3) ...	0	Fair market value, as defined for Belgian tax purposes, upon grant	500,000	September 12, 2013

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(1) All warrants are currently vested.

(2) The 1999 ESOP warrants originally were to expire on November 22, 2009. On May 28, 2003 the expiration of these warrants was extended until November 22, 2012 for those individuals who were still employed by Telenet at the time of the extension.

(3) The warrants under the 2003 ESOP vest as follows: 25% on the first anniversary of the date of grant, with the remaining 75% vesting in 36 equal installments over a period of 36 months following the first anniversary of the date of grant. In the event of an initial public offering, all options vest automatically, unless the initial public offering occurs within 12 months following the grant. All warrants automatically vest upon a change of control of Telenet Group Holding (with certain exceptions), unless a change of control occurs within 12 months following the grant. There are two exercise periods for vested warrants each year: April 1-April 15 and September 1-September 15.

Golden Shares

As part of the MixtICS Acquisition, we issued one Golden Share in Telenet Group Holding to each of the ten MICs. The holders of the Golden Shares have the authority to elect the ten Class A directors of our regulatory board, which allows the MICs to monitor our compliance with and revise the terms of the Public Interest Guarantees. See "Management and Governance—Shareholders' Agreement—Development Plans and Public Interest Guarantees." Pursuant to the terms of the Shareholders' Agreement, the Golden Shares are freely transferable to other public law entities, and must be transferred by a holder within four weeks of that holder ceasing to be a public law entity.

Recent Changes in our Principal Shareholders

The Cable Partners Consortium acquired an interest in our group in March 2001, and in August 2002, we acquired the cable television assets of MixtICS. See "Our History." At the closing of the MixtICS Acquisition, the initial majority interest in our group acquired by the Cable Partners Consortium in March 2001 declined to its present level, and the ownership of our other principal shareholders increased to their current levels. As part of this transaction, Electrabel became an indirect 4.9% shareholder of Telenet Group Holding.

Shareholders' Agreement

The Shareholders' Agreement, among other things, sets forth certain voting rights and requirements among the Shareholders, restricts the transferability of their Shares and provides a mechanism for future capital increases of Telenet Group Holding.

Voting Rights and Requirements

The Shareholders' Agreement provides that decisions at Telenet Group Holding's general shareholders' meetings shall be made by a simple majority of the votes present, except as required by law or the Shareholders' Agreement. The Shareholders' Agreement specifies that certain actions can be taken only if a specified percentage of the votes, excluding the votes held by J.P. Morgan Corporate Resources Limited, Merrill Lynch International, The Royal Bank of Scotland, WestLB Finance (Credits) Limited, NIB Capital Bank (Belgian branch), the European Investment Bank, Lloyds TSB Bank plc (Belgian branch) and our employees (such votes, other than the excluded votes, the "Eligible Votes"), have approved the action. These actions include:

- Certain agreed capital increases, which must be approved by a simple majority of the Eligible Votes;
- Any repurchase of Shares, or decisions relating to the appointment of liquidators or dissolution of a Company, which must be approved by 63.5% of Eligible Votes;
- Acquisitions for Shares of communications industry businesses not owned or controlled by affiliates of Shareholders, which, among other things, must be approved by 62.5% of Eligible Votes; and
- Acquisitions for Shares of companies that are (a) owned or controlled by an affiliate of a Shareholder, (b) not engaged in the communications industry or (c) that are effected by valuing Shares issued for the acquisition below fair market value (as determined by an investment bank that has not worked for any of the Shareholders in the preceding twelve months), which must be approved by 83.5% of Eligible Votes.

In addition, as long as the Cable Partners Consortium owns at least 21.548% of the Qualified Shares, the Shareholders agree that the Cable Partners Consortium shall be deemed to have the voting power of a Shareholder owning 25% of the Shares plus one Share, allowing it to block certain votes that require the affirmative vote of 75% of the Shareholders under Belgian law, which includes all amendments to our articles of association (including equity increases), dissolution and liquidation of a company (unless court ordered) and mergers, splits and certain asset and other transfers based on an exchange of shares. Votes to restrict preferred subscription rights require the vote of 75% of the votes represented at the relevant shareholders' meeting.

The Cable Partners Consortium also is able to appoint one-half of the board of directors for each Company, including the chairman (who has a casting vote in the event of any tie vote on the board of directors of a Company), as long as the Cable Partners Consortium continues to hold at least 17.2% of the Qualified Shares. The Cable Partners Consortium may continue to appoint one-half of the board of directors for each Company after it owns less than 17.2% of the Qualified Shares if a majority of the other Shareholders consent, but its privilege ends in any event no later than December 31, 2004. As a result of this arrangement, Cable Partners has effective control over the boards of directors of the Companies, subject to certain qualifications. See "Management and Governance—Shareholders' Agreement—Composition of the Boards of Directors." Cable Partners is likely to undergo a restructuring, which may result in a change of ownership in the near future. See "Risk Factors—Risks Relating to Our Management and Principal Shareholders—Our controlling shareholder, Cable Partners, is likely to undergo a restructuring, which may result in a change of ownership in the near future that could give a third party a significant degree of control over Telenet."

Transfer Restrictions

The Cable Partners Consortium has agreed that prior to any initial public offering of Shares of Telenet Group Holding it will not, without the consent of 60% of the remaining parties to the Shareholders' Agreement, transfer any Shares that it holds until the earlier of December 31, 2006 and the Release Date if the transfer would cause the Cable

Partners Consortium to fall below 17.2% ownership of Telenet Group Holding. The "Release Date" is defined under our senior credit facility as being the later of March 31, 2005 and the last day of a financial quarter for Telenet Bidco in which the ratio of senior debt to annualized EBITDA for the Telenet Bidco group (each, as calculated under the senior credit facility) is less than or equal to 3.0:1. Certain transfers to Motorola are exempted from this restriction, however. Similarly, the MICs and Electrabel have agreed that until January 31, 2004, they will not transfer their Shares to a third party if the transfer would cause them to reduce their aggregate equity ownership below 25%.

The Shareholders also have a general right of first offer before any Shareholder can transfer Shares to third parties. In addition, if a party acquires more than 50% of the Shares, it must make an offer to purchase the remaining Shares held by the Shareholders. Certain exceptions to this requirement apply to purchases by CAI Belgium, provided that CAI Belgium is not controlled by a party that offers cable television or telephony services similar to those offered by the Telenet group. CAI Belgium may also transfer its Shares to a separate entity whose securities it plans to offer publicly. In such a situation, other Shareholders may also transfer their Shares to the separate entity and participate in the public offering.

Shareholder Registration Rights Agreement

We have entered a registration rights agreement with the Shareholders of Telenet Group Holding, pursuant to which Telenet Group Holding is obligated to conduct an initial public offering of its Shares upon the request of holders of at least 10% of the then-outstanding Shares. The Shares subject to such offering are to be listed on an exchange in the European Union or the United States that meets certain minimum requirements, including an average daily equity float of at least U.S.$500 million during the prior 12 months. After an initial public offering, holders of 10% or more of Shares that have not been sold may request Telenet Group Holding to conduct a secondary offering of their Shares, provided that certain conditions are satisfied, including that the Shares to be offered have a market value of at least U.S.$100 million.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We have in the past engaged and will continue in the future to engage in transactions with affiliated entities, primarily with our principal shareholders and affiliated companies. Set out below is a summary of all material transactions between or among us and related parties, excluding intercompany indebtedness:

- Telenet Share Transfer Agreement among the Issuer, Telenet Bidco, CAI Belgium, the Financial Consortium, GIMV, the MICs and the PICs, pursuant to which the CAI Belgium consortium acquired a controlling interest in Telenet Holding through Telenet Bidco.

- Put Option Agreement among CAI Belgium, the Issuer, Telenet Bidco and the MICs, granting the MICs an option to contribute all of their cable activities to MixtICS, pursuant to a contribution agreement, and subsequently transfer all of the shares in MixtICS to Telenet Bidco. Telenet Group Holding agreed to reimburse the shareholders (other than the Cable Partners Consortium) for certain expenses in connection with the MixtICS Acquisition.

- Mixt Share Transfer Agreement, as amended, among CAI Belgium, Telenet Group Holding, the Issuer, Telenet Bidco, Telenet Vlaanderen, MixtICS and the MICs (the "Mixt Share Transfer Agreement Parties"), relating to (i) the MICs' transfer of all of the shares in MixtICS to Telenet Bidco in August 2002, as contemplated by the Put Option Agreement, in exchange for a mixture of cash, debt, certain deferred payment obligations and newly issued shares and warrants of certain members of the Telenet group, and related shareholder success fees, and (ii) the repayment of deferred payment obligations thereunder in connection with the Refinancing. See "Our History—MixtICS Acquisition."

- Shareholders' Agreement and related addendums. See "Principal Shareholders—Shareholders' Agreement."

- Public Interest Guarantees for the benefit of the MICs, set out as an annex to the Shareholders' Agreement. See "Management and Governance—Shareholders' Agreement—Development Plans and the Public Interest Guarantees."

- Subordinated shareholder loans, and related subordinated debt warrants, in the form of mezzanine subordinated bonds, gap filling bonds and deferred payment obligations, issued to finance the MixtICS Acquisition, and related security arrangements. We plan to use proceeds from this offering to repay certain deferred payment obligations and subordinated shareholder loans. The remaining obligations and loans will be repaid from the proceeds of the issuance of the Senior Discount Notes. See "Use of Proceeds" and "Capitalization."

- Warrants and related agreements. See "Principal Shareholders."

- Registration Rights Amendment Agreements among the shareholders of Telenet Group Holding and Telenet Group Holding, the Issuer and Telenet Bidco whereby Telenet Group Holding may be obligated, under certain circumstances, to consummate an initial public offering. See "Principal Shareholders—Shareholder Registration Rights Agreement."

- Framework Agreement among the Mixt Share Transfer Agreement Parties, the holders of the mezzanine subordinated bonds, gap filling bonds and deferred payment obligations and the parties to the Services and Transfer Agreement, among others, related to the Refinancing.

- Strategic Services Agreement and Management Agreement. See "Management and Governance—Senior Management—Strategic Services Agreement and Management Agreement."

- Interkabel Contribution Deed and related mortgage. See "Business—The Combined Network—Our Usage Rights on the PICs Network."

- Cooperation Agreements granting the PICs and Interkabel certain rights to provide local construction sales, telephony installation and maintenance services to Telenet Operaties and Telenet Vlaanderen.

- Cooperation Agreement among the Flemish government, MixtICS NV, Interkabel Vlaanderen CVBA and certain Flemish broadcasters pursuant to which the parties agree to develop an iDTV offering based on an MHP standard. See "Business—Future Products and Services—Interactive Digital Television."

- Services and Transfer Agreement relating to the MixtICS Acquisition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Current Developments—MixtICS Integration" and "Business—Employees—Electrabel Employees."

- Clientele Agreements and Annuity Agreement. See "Our History—Network Upgrade."

- Share Purchase Agreement for shares of Codenet. Codenet was partly owned by Tractebel SA, the energy arm of the Suez Group, a shareholder in Electrabel. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Current Developments—Codenet Acquisition."

- Agreement between Electrabel and Codenet relating to the lease of dark fiber.

- Lease of our headquarters building pursuant to a sale-leaseback arrangement with KBC, together with our related option to purchase all rights relating to the land and building from KBC, and further grant to CAI Belgium of a similar option which would allow CAI Belgium to purchase all such rights on the same terms and conditions as our option from KBC. See "Business—Properties."

- Agreement to supply Internet, data and voice business services to KBC.

- Certain ownership rights (*opstalrechten*) in switch buildings located on land owned by a MIC and a PIC, usage rights with respect to a switch owned by Electrabel and leases of head end stations from Electrabel and several of the PICs. See "Business—Properties."

DESCRIPTION OF OTHER INDEBTEDNESS

Senior Credit Facility

Telenet Bidco, Telenet Operaties, Telenet Vlaanderen and MixtICS, as borrowers, and Telenet Bidco, Telenet Operaties, Telenet Vlaanderen, MixtICS, Telenet Holding and Merrion Communications, as guarantors, are party to a credit agreement, originally dated July 12, 2002, with certain banks as lenders, Banca Monte Paschi Belgio S.A., European Investment Bank, GE Capital Structured Finance Group Limited, J.P. Morgan plc, KBC Bank NV, Lloyds TSB Bank plc, Brussels Branch, Merrill Lynch International, NIB Capital Bank, Belgium Branch, The Royal Bank of Scotland plc, Société Générale, WestLB AG and Goldman Sachs Credit Partners L.P. as mandated lead arrangers, The Royal Bank of Scotland plc as facility agent and KBC Bank NV as security agent (as amended, the "Senior Credit Facility").

The following is a summary of some of the provisions of the Senior Credit Facility, and is qualified in its entirety by reference to the Senior Credit Facility and the other documents entered into in connection with it. We recommend you refer to the actual Senior Credit Facility for further details, copies of which are available from the Issuer upon request.

J.P. Morgan plc, Goldman Sachs Credit Partners L.P., Merrill Lynch International, The Royal Bank of Scotland plc, KBC Bank NV, Société Générale and WestLB AG are mandated lead arrangers, principal lenders and agents under the Senior Credit Facility, and JPMorgan Chase Bank has been engaged to coordinate certain amendments to the terms of the Senior Credit Facility, including amendments related to the issuance of the Notes. Such banks or their affiliates are the initial purchasers for this offering. As described under "Use of Proceeds," we intend to use a portion of the net proceeds of this offering to repay amounts outstanding under the Senior Credit Facility.

Structure

The Senior Credit Facility consists of the following facilities, after giving effect to the Refinancing:

- the Tranche A Facility, which is an amortizing term loan and guarantee facility, of which €405 million is currently outstanding;
- the Tranche B Facility, which is a revolving credit facility of €25 million that will convert on January 31, 2004 to an amortizing term loan. €25 million of the Tranche B Facility is currently outstanding;
- the Tranche C-2 Facility, which is a non-amortizing term loan facility in an amount of up to €150 million, of which €110 million is currently outstanding;
- the Tranche D Facility, which is a revolving credit facility in an amount of up to €100 million and which is currently undrawn; and
- the Tranche E Facility, a non-amortizing term loan facility, of which €300 million is currently outstanding.

The Tranche C-2 Facility, of which €40 million is currently undrawn, to Telenet Bidco and Telenet Operaties until January 31, 2006, and can be applied toward the general corporate purposes of such borrowers. The Tranche D Facility, which is available to Telenet Operaties and MixtICS until November 30, 2009, can be applied toward the general corporate purposes of such borrowers, as envisaged in the approved business plan. No further drawings are available under the Senior Credit Facility other than under the Tranche C-2 Facility and the Tranche D Facility.

We anticipate that, after giving effect to the Refinancing, approximately €139 million of borrowings outstanding under the Senior Credit Facility would be outstanding at Telenet Bidco, while the remaining € 701 million would be outstanding at Telenet Operaties.

Tranche A Facility and Tranche B Facility

The Tranche A Facility and the Tranche B Facility (after January 31, 2004) are amortizing term loan facilities. The outstanding amount under these facilities is required to be repaid in full in the installments and on the dates specified in the Senior Credit Facility, pursuant to an amortization schedule. However, prepayments, including those that we propose to make with a portion of the proceeds of this offering of Notes, will result in an adjustment of that amortization schedule. If the prepayments to be made from the proceeds of this offering of Notes were the only prepayments of the Tranche A and Tranche B Facilities made prior to December 31, 2009, we would be required to make the following repayments on the Tranche A and Tranche B Facilities pursuant to the Senior Credit Facility:

Tranche A and B Repayment Dates	Repayment Installments(euro in millions)
December 31, 2005	12.4
March 31, 2006	19.2
June 30, 2006	24.0
September 30, 2006	26.4
December 31, 2006	26.4
March 31, 2007	26.4
June 30, 2007	26.4
September 30, 2007	26.4
December 31, 2007	26.4
March 31, 2008	26.4
June 30, 2008	26.4
September 30, 2008	26.4
December 31, 2008	26.4
March 31, 2009	26.4
June 30, 2009	26.4
September 30, 2009	28.8
December 31, 2009	28.8

Tranche C-2 Facility

The outstanding amount under the Tranche C-2 Facility is required to be repaid in full by two equal installments on the dates specified in the Senior Credit Facility pursuant to an amortization schedule as follows:

Tranche C-2 Repayment Dates	Repayment Installments(euro in millions)
June 30, 2010	55.0
December 31, 2010	55.0

Tranche D Facility

The Tranche D Facility is a revolving credit facility. The facility is available to Telenet Operaties and MixtICS until November 30, 2009. The full amount of the Tranche D Facility is required to be repaid by December 31, 2009.

Tranche E Facility

The Tranche E Facility is a non-amortizing term loan facility which is available to Bidco and Operaties in the same proportion that Bidco and Operaties respectively participate in the Tranche A Facility. The principal amount of the Tranche E Facility is required to be repaid on December 31, 2009.

Prepayment

In addition to the scheduled repayments described above, the Senior Credit Facility must be prepaid upon the occurrence of certain events. For example, in certain circumstances, the Senior Credit Facility requires prepayments from the net proceeds of asset sales, insurance claims (subject to *de minimus* exceptions), certain percentages of issuances of additional debt or equity and 50% of Excess Cash Flow (as defined in the Senior Credit Facility).

Indebtedness under the Senior Credit Facility may be voluntarily prepaid by the borrowers in whole or in part (but in a minimum amount of €10 million), on giving at least five business days' prior notice to the facility agent, without premium or penalty (although prepayment fees are required for certain Tranche C-2 Facility and Tranche E Facility prepayments) and subject to break funding costs if any such prepayment is not made on an interest payment date.

Interest Rate and Fees

Advances under the Tranche A Facility, the Tranche B Facility, the Tranche D Facility and the Tranche C-2 Facility bear interest at rates per annum equal to EURIBOR plus the applicable margin and plus any applicable reserve asset costs. The applicable margins in relation to the Tranche A Facility, the Tranche B Facility and the Tranche D Facility are 3.50% per annum until December 31, 2003 and then, subject to certain exceptions, range from 3.50% to 1.75% per annum, depending on a margin adjustment mechanism based on the ratio of Total Debt to Annualized EBITDA (each as defined in the Senior Credit Facility) for the relevant period. The current margin for such facilities is 3.50% per annum. The applicable margin in relation to the Tranche C-2 Facility is 4.25% per annum.

Advances under the Tranche E Facility bear interest at rates per annum equal to EURIBOR plus the applicable margin, which is 3.50% per annum, and plus any applicable reserve asset costs.

We are required to pay to the facility agent for each lender a commitment fee of the lower of: (i) 0.75% on the daily amount equal to the undrawn and uncancelled amount of such lender's commitment under the Tranche B Facility and Tranche D Facility, and (ii) 50% of the applicable margin on the undrawn and uncancelled amount of the Senior Credit Facility. The commitment fee for the Tranche C-2 Facility is 1.25% on the daily amount equal to the undrawn and uncancelled amount of such lender's commitment under the Tranche C-2 Facility. There is no commitment fee in respect of the Tranche E Facility.

Guarantees and Security

Telenet Bidco and certain of its subsidiaries guarantee the obligations of the borrowers under the Senior Credit Facility, to the extent permitted by law. All of the guarantors of the Notes (other than Telenet Group Holding) are also guarantors pursuant to the Senior Credit Facility. In addition, MixtICS and Merrion Communications, which are not guarantors of the Notes, are guarantors under the Senior Credit Facility. MixtICS does not guarantee any debt incurred by Telenet Bidco under the Senior Credit Facility. In addition, the Senior Credit Facility requires under certain circumstances additional material subsidiaries of Telenet Bidco to become guarantors under the Senior Credit Facility.

Security has been given by the guarantors under the Senior Credit Facility for the borrowers' obligations under the Senior Credit Facility over substantially all their assets. Such security includes a cross-guarantee structure from all the guarantors, a pledge of all shares of all members of the Telenet group (other than Telenet Group Holding and the Issuer), an € 800 million mortgage by Telenet Operaties, Telenet Vlaanderen and MixtICS, a €1.25 billion floating charge and irrevocable mortgage and floating charge mandates by Telenet Bidco, Telenet Operaties, Telenet Vlaanderen and MixtICS in favor of the lenders for an amount of € 450 million, pledges over bank accounts and pledges, as appropriate, of all present and future receivables, and the subordination of all loans to Telenet Bidco, Telenet Operaties, Telenet Vlaanderen or MixtICS from the Issuer and its direct or indirect parent entities. The entities making such loans are required to pledge the resulting claims in favor of the Lenders.

Holders of the Notes will not be able to participate in the liquidation of the assets of the above guarantors to the extent of the security over those assets that has been granted in favor of the lenders under the Senior Credit Facility. Furthermore, the guarantees of the Notes may be released, including upon the sale of all or substantially all of the assets of a subsidiary guarantor pursuant to enforcement of such security, subject to compliance with certain provisions in the Intercreditor Agreement relating to procedures to be followed in connection with enforcement sales. See "Description of the Notes—Subsidiary Guarantees."

Covenants

The Senior Credit Facility contains certain negative covenants, restricting the borrowers, the guarantors and their respective subsidiaries from (subject to certain agreed exceptions), among other things:

- creating or allowing to exist security interests over their assets;
- entering into contractual arrangements on non-arm's length terms;
- incurring indebtedness and guarantees (including loans to third parties);
- engaging in mergers, consolidations and acquisitions and making investments;
- disposing of assets and entering into sale/lease-back transactions;
- paying management, technical and consulting fees to related parties;
- changing their business and/or business plan;
- amending or waiving of terms of the transaction documents; and
- paying dividends and repurchasing shares.

The Senior Credit Facility also requires the borrowers, the guarantors and their respective subsidiaries to observe certain customary covenants and representations, including covenants relating to legal status, regulatory approvals, material licenses, compliance with laws, including environmental laws, litigation, financial statements, ownership of assets and intellectual property rights, the ranking of obligations under the transaction documents relating to the 2002 acquisition, insurance and payment of taxes.

In addition, the Senior Credit Facility requires the borrowers and guarantors to maintain specified consolidated financial ratios of Net Senior Debt to Annualized EBITDA on a quarterly basis, Minimum Consolidated EBITDA to Total Interest Payable, Net Total Debt to Annualized EBITDA, Annualized EBITDA to Estimated Total Debt Service on a 12-month period basis, and, minimum Annualized EBITDA for the combined business on a 6-month period basis (as each is defined in the Senior Credit Facility and calculated in accordance with Belgian GAAP). See "Annex B—Summary of Certain Senior Credit Facility Covenants." Events beyond our and the borrowers' control can affect our ability to comply with the financial covenants.

Events of Default

The Senior Credit Facility contains events of default customary for senior secured leveraged financings, including non-payment of principal or interest thereunder, misrepresentation, breach of covenants, insolvency and insolvency proceedings, unlawfulness or repudiation of the financing or transaction documents, cessation of business, regulatory intervention or loss of material licenses or approvals, expropriation, cross default to other debt of the Group, an event of default under the Notes, documentation held unenforceable, change in control or ownership, material adverse change and audit qualification. In addition, an event of default will occur upon the termination of usage rights granted to Telenet Vlaanderen by Interkabel Vlaanderen CVBA.

Proceeds Loans

The Issuer will loan approximately €297 million of the proceeds of the issuance of the Notes to Telenet Bidco under the Bidco Proceeds Loan. Telenet Bidco, in turn, will loan approximately €112 million of the proceeds of the Bidco Proceeds Loan to Telenet Operaties under the Operaties Proceeds Loan. Telenet Operaties will loan approximately €102 million of the proceeds of the Operaties Proceeds Loan to MixtICS under the MixtICS Proceeds Loan. Interest will accrue on the Bidco Proceeds Loan at a rate equal to the interest rate payable on the Notes plus a small margin, with such adjustments as may be necessary to match any additional amounts due thereunder, or any default interest, tax-gross-up or other amounts payable in respect of the Notes. Interest and other amounts payable on the Bidco Proceeds Loan will be payable on the date that is two business days prior to the date on which such amounts are payable on the Notes. Subject to the terms of the Intercreditor Agreement, the Bidco Proceeds Loan is repayable upon the repayment in full or in part of amounts due under the Notes, whether at maturity, on early redemption or upon acceleration. Interest will accrue on the Operaties Proceeds Loan and MixtICS Proceeds Loan at a rate equal to the interest rate (as adjusted) payable on the Bidco Proceeds Loan or Operaties Proceeds Loan, respectively, plus a small margin and will be payable on the date that is two business days prior to the date on which interest is payable on the Bidco Proceeds Loan or Operaties Proceeds Loan, respectively. The Operaties Proceeds Loan will be repayable when the Bidco Proceeds Loan becomes repayable and the MixtICS Proceeds Loan will be repayable when the Operaties Proceeds Loan becomes repayable.

In connection with the Refinancing, the terms of the Existing Intercompany Loan in an amount of approximately €103 million between the Issuer and Telenet Bidco will be amended to match the maturity and repayment terms of the Notes and the terms of the remaining intercompany loans will be amended to take account of the economic terms of the Junior Subordinated Parent Intercompany Loan (as defined below).

MixtICS Guarantee

MixtICS will guarantee on an unsecured senior subordinated basis the obligations of Telenet Operaties to Telenet Bidco under the Operaties Proceeds Loan. The amount of such guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by MixtICS without rendering such guarantee voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

Intercreditor Agreement

General

To establish the relative rights of certain of their creditors under their financing arrangements, the Issuer, Telenet Bidco and the other Subsidiary Guarantors, will enter into an intercreditor agreement (the "Intercreditor Agreement") with the lenders under the Senior Credit Facility, The Bank of New York, as the trustee under the indenture governing the Notes, the security agent for the holders of the Notes. The Intercreditor Agreement restricts, among other things, the ability of each Subsidiary Guarantor:

- if there is a payment default under the Senior Credit Facility or if there is an outstanding payment blockage notice, to make payments on;
- to grant security for;
- to defease; or
- otherwise to provide financial support in relation to

the Subsidiary Guarantees, the Proceeds Loans and the guarantee by MixtICS of the Operaties Proceeds Loan for so long as any indebtedness under the Senior Credit Facility remains outstanding.

The postponement, subordination, blockage or prevention of payment on the Proceeds Loans is not a waiver by the Issuer, Telenet Bidco or Telenet Operaties, as applicable, of its claims and other rights under the applicable Proceeds Loan. Payments on the Proceeds Loans shall remain due and payable, and interest shall continue to accrue.

Payment Blockage

While a payment blockage is in effect, the Subsidiary Guarantors will not be permitted to make any payment in respect of the Subsidiary Guarantees or the Proceeds Loans and MixtICS will not be permitted to make any payment in respect of the MixtICS Proceeds Loan or its guarantee of the Operaties Proceeds Loan. A payment blockage notice may be served and become outstanding if there is an event of default, other than a payment event of default, under the Senior Credit Facility; *provided* that a payment blockage notice is only permitted to be served on or before the date falling 45 days after the date on which notice of such event of default has been received by the facility agent under the

Senior Credit Facility. A payment blockage notice will remain outstanding, unless cancelled, until:

- 179 days after receipt by Telenet Bidco of such payment blockage notice;
- the event of default under the Senior Credit Facility is no longer outstanding and continuing or has been waived by the holders of $66^{2}/_{3}$% of the outstanding loans under the Senior Credit Facility;
- the expiration of any standstill period in existence on the date of the service of such payment blockage notice; or
- all amounts outstanding under the Senior Credit Facility are paid and the lenders no longer have any obligations under the Senior Credit Facility.

Only one payment blockage notice is permitted to be served in any consecutive 360-day period, and only one blockage notice is permitted to be served in respect of a particular event or circumstance.

Standstill on Enforcement

The Trustee under the indenture and the holders of Notes may bring an action to enforce the obligations of the Issuer and the Subsidiary Guarantors under the Notes and Subsidiary Guarantees and the security interest granted in respect of the collateral securing the Notes and Subsidiary Guarantees. Enforcement in respect of the Notes against the Issuer is not restricted by the Intercreditor Agreement. However, action may not be taken against the Subsidiary Guarantors or to enforce the security interest in respect of the collateral securing the Notes and Subsidiary Guarantees, and the Issuer and Telenet Bidco may not take any enforcement action in respect of the Proceeds Loans or the guarantee of the Operaties Proceeds Loan by MixtICS, unless a default has occurred under the indenture governing the Notes, the Trustee under the indenture has notified the facility agent under the Senior Credit Facility of such default and:

- holders of $66^{2}/_{3}$% of the outstanding Senior Debt (as defined below) have consented to such enforcement action;
- any Senior Debt has been declared due and payable or due and payable on demand under the Senior Credit Facility, or the lenders under the Senior Credit Facility have taken any action to enforce any security interest or lien against a Subsidiary Guarantor or MixtICS;
- an insolvency event has occurred in relation to a Subsidiary Guarantor or MixtICS;
- a standstill period of 179 days has expired; or
- a previously outstanding standstill period has expired.

For the purpose of this discussion of the Intercreditor Agreement, "Senior Debt" means obligations under the Senior Credit Facility, hedging obligations contemplated by the Senior Credit Facility and obligations to the European Investment Bank contemplated by the Senior Credit Facility.

Subordination on Insolvency

In the event of an insolvency of a Subsidiary Guarantor or MixtICS, the Intercreditor Agreement provides that all obligations in respect of the Subsidiary Guarantees, the Proceeds Loans and the guarantee by MixtICS of the Operaties Proceeds Loan will be subordinated to the prior payment in full of the Senior Debt, and any payments of any kind, including by way of set-off or otherwise on the Subsidiary Guarantees, the Proceeds Loans and the guarantee by MixtICS of the Operaties Proceeds Loan must be paid over to the creditors under the Senior Debt.

Turnover of Non-permitted Recoveries

In the event that, in contravention of the subordination terms described above or at a time when payments are not permitted to be made:

- the Issuer or Telenet Bidco receives or recovers a payment or distribution, in cash or kind, in respect of or on account of, or any other payment or distribution that is applied in respect of or on account of, the Proceeds Loans; or

- the Issuer, Telenet Bidco, the Trustee or any holder of a Note receives or recovers the proceeds of any enforcement of any security, or payment under any Subsidiary Guarantee, or the guarantee by MixtICS of the Operaties Proceeds Loan;

such person will hold the same as fiduciary agent in a segregated account and pay and distribute it to the creditors under the Senior Debt (as their interests may appear) for application towards payment of the Senior Debt until the Senior Debt is paid in full.

Enforcement Sales of Shares

The Intercreditor Agreement requires sales or other dispositions by the security agent for the Senior Credit Facility of any shares of a Subsidiary Guarantor or MixtICS to be conducted:

- in accordance with applicable Belgian law; and

- except as described in the next sentence in accordance in all material respects with the procedures recommended by an internationally recognized investment bank or accounting firm with respect to the procedures to be used to obtain the best price reasonably obtainable for the shares to be sold or disposed of given the then current condition (financial or otherwise), earnings, business, assets and prospects of Telenet Group Holding and its subsidiaries.

The Intercreditor Agreement requires the security agent under the Senior Credit Facility:

- prior to conducting any sale or disposal referred to in the immediately preceding paragraph, to consult with an internationally recognized investment bank or accounting firm in regard to the procedures to be used to obtain the best price reasonably obtainable in the circumstances for the shares to be sold or disposed of given the then current condition (financial or otherwise), earnings, business, assets and prospects of Telenet Bidco and its subsidiaries; and

- to use its reasonable endeavors to procure that any court or other authority conducting such a sale or disposal, implements in all material respects any procedures so recommended.

For the purposes of the above, reasonable endeavors will, to the extent permitted by Belgian law, include attempting to conduct such sale or disposal process other than through a court or other legal proceeding. The Intercreditor Agreement provides that if notwithstanding the reasonable endeavors of the security agent for the Senior Credit Facility, the procedures referred to above are not implemented by the relevant court authority, such security agent shall be excused from any further obligation to cause such procedures to be implemented by such authority.

Junior Subordinated Parent Intercompany Loan

The Issuer will use approximately €102.6 million of the proceeds of the issuance of the Notes to repay certain existing intercompany loans from Telenet Group Holding to the Issuer. Following the repayment of these intercompany loans, the terms of the remaining aggregate principal amount of intercompany loans (the "Junior Subordinated Parent Intercompany Loan") will be amended to match the economic terms of the Senior Discount Note and be redenominated in dollars, with an aggregate principal amount of $319.7 million. Subject to the terms of a subordination agreement (the "Junior Subordinated Parent Intercompany Loan Intercreditor Agreement") to be entered into on the closing date by Telenet Group Holding, the Issuer, The Bank of New York, as Trustee, and the security agent for the Notes, under the indenture governing the terms of the Notes, the Junior Subordinated Parent Intercompany Loan will be repayable upon the Senior Discount Notes becoming payable in accordance with their terms.

Junior Subordinated Parent Intercompany Loan Intercreditor Agreement

Telenet Group Holding and the Issuer, among others, will enter into the Junior Subordinated Parent Intercompany Loan Intercreditor Agreement with The Bank of New York as trustee under the indenture and JPMorgan Chase Bank as the Junior Security Agent. The Junior Subordinated Parent Intercompany Loan Intercreditor Agreement will restrict, subject to compliance with the covenant described under "Description of the Notes—Certain Covenants—Limitation on Restricted Payments:"

- the redemption or repurchase of the Junior Subordinated Parent Intercompany Loan,
- the Issuer or its subsidiaries securing or otherwise providing credit support for the Junior Subordinated Parent Intercompany Loan,
- any transfer of the Junior Subordinated Parent Intercompany Loan and
- any payments being made on the Junior Subordinated Parent Intercompany Loan prior to the maturity of the Notes.

In the event of a liquidation, dissolution, bankruptcy, insolvency or similar proceedings involving the Issuer, the Holders will be entitled to payment in full before Telenet Group Holding would be entitled to receive any payment on the Junior Subordinated Parent Intercompany Loan.

In addition, if Telenet Group Holding receives any distribution not provided for or permitted by the Junior Subordinated Parent Intercompany Loan Intercreditor Agreement, Telenet Group Holding must pay over the distribution to the Trustee under the indenture.

Senior Discount Notes

Concurrently with this offering, Telenet Group Holding, our parent company, is offering €558 million in aggregate principal amount at maturity of its 11.5% Senior Discount Notes due 2014 (the "Senior Discount Notes"). The following is a summary of some of the provisions of the indenture governing the Senior Discount Notes, and is qualified in its entirety by reference to such indenture and the other documents entered into in connection with it. We recommend you refer to the actual indenture governing the Senior Discount Notes for further details, copies of which are available from Telenet Group Holding upon request.

Ranking

The Senior Discount Notes will be senior unsecured obligations of Telenet Group Holding and will be effectively subordinated to the obligations of Telenet Group Holding's subsidiaries, including the obligations of the Issuer and the Subsidiary Guarantors under the Notes and the guarantees of the Notes.

Accretion and Interest Rates

The Senior Discount Notes will accrete at a rate of 11.5% per annum, compounded semiannually on each interest payment date for the Notes to, but not including, December 15, 2008. Thereafter, cash interest on the Senior Discount Notes will accrue at a rate of 11.5% and will be paid on each interest payment date for the Notes, commencing on June 15, 2009.

Maturity

The maturity date of the Discount Notes is June 15, 2014, six months after the maturity of the Notes.

Redemption

Under circumstances similar to those set forth in the indenture for the Notes, Telenet Group Holding is obligated to redeem the Senior Discount Notes in the case of certain asset sales and changes of control.

In addition, subject to the terms of the Senior Credit Facilities and the indenture for the Notes, Telenet Group Holding may choose to redeem the Senior Discount Notes as follows:

- at any time at the redemption prices (expressed in percentages of accreted value of the Senior Discount Notes) if redeemed during the 12-month period commencing on December 15 of the years set forth below:

Redemption Year	**Redemption Price**
2008	105.750%
2009	103.833%
2010	101.917%
2011 and thereafter	100.000%

- at any time before December 15, 2008, at a redemption price equal to 100% of the accreted value of the Senior Discount Notes to be redeemed, plus a "make-whole" premium;

- at any time before December 15, 2006, in an aggregate principal amount not to exceed 35% of the accreted value of the Senior Discount Notes with the proceeds of one or more public equity offerings at a redemption price equal to 111.5% of the accreted value of the Senior Discount Notes redeemed; and

- at any time at 100% of the accreted value if changes in tax law impose certain withholding taxes on amounts payable on the Senior Discount Notes.

Covenants

The indenture for the Senior Discount Notes will contain covenants (other than covenants related to collateral and subordination provisions) similar to the covenants under the indenture governing the Notes, except that the Leverage Ratio for purposes of incurrence of other debt will equal 7.0:1.0 instead of 6.0:1.0. See "Description of the Notes—Certain Covenants."

Events of Default

The indenture for the Senior Discount Notes will contain events of default (other than events of default related to collateral and guarantees) similar to the events of default under the indenture governing the Notes. See "Description of the Notes—Defaults."

DESCRIPTION OF THE NOTES

Definitions of certain terms used in this Description of the Notes may be found under the heading "Certain Definitions." For purposes of this section, the term (i) "Notes" refers to the Notes to be issued on the date as of which the Indenture (as defined below) is dated (the "Closing Date") and any Additional Notes and (ii) "Parent" refers to Telenet Group Holding (or any other company that shall be the direct parent company of the Issuer). Certain of the Issuer's subsidiaries will guarantee the Notes and therefore will be subject to many of the provisions contained in this Description of the Notes. Each subsidiary of the Issuer which guarantees the Notes is referred to in this section as a "Subsidiary Guarantor." Each such guarantee is termed a "Subsidiary Guarantee."

The Issuer will issue the Notes under an Indenture, to be dated as of December 22, 2003 (the "Indenture"), among Parent, the Issuer, the Subsidiary Guarantors, The Bank of New York, as Trustee (the "Trustee") and JPMorgan Chase Bank, as Junior Security Agent, a copy of which is available upon request to the Issuer. The Indenture contains provisions which define your rights under the Notes. In addition, the Indenture governs the obligations of the Issuer and of each Subsidiary Guarantor under the Notes.

The following description is meant to be only a summary of certain provisions of the Indenture. It does not restate the terms of the Indenture in their entirety. We urge that you carefully read the Indenture as it, and not this description, governs your rights as Holders.

Overview of the Notes and the Subsidiary Guarantees

The Notes:

- will be secured obligations of the Issuer;
- will rank equally in right of payment with all existing and future Senior Indebtedness of the Issuer;
- will be senior in right of payment to all existing and future Subordinated Obligations of the Issuer;
- will be effectively subordinated to any Secured Indebtedness of the Issuer and its Subsidiaries to the extent of the value of the assets securing such Indebtedness (other than to the extent such assets also secure the Notes on an equal and ratable or priority basis); and
- will be effectively subordinated to all liabilities (including Trade Payables) and Disqualified Stock and Preferred Stock of each Subsidiary of the Issuer that is not a Subsidiary Guarantor.

The Notes will be Guaranteed by each of the following Subsidiaries of the Issuer:

- Telenet Bidco,
- Telenet Holding,
- Telenet Operaties and
- Telenet Vlaanderen.

The Subsidiary Guarantee of each Subsidiary Guarantor:

- will be a general obligation of such Subsidiary Guarantor;
- will rank equally in right of payment with all existing and future Senior Subordinated Indebtedness of such Subsidiary Guarantor;
- will be subordinated in right of payment to all existing and future Senior Indebtedness of such Subsidiary Guarantor;

- will be senior in right of payment to all existing and future Subordinated Obligations of such Subsidiary Guarantor; and
- will be effectively subordinated to any Secured Indebtedness of such Subsidiary Guarantor and its Subsidiaries to the extent of the value of the assets securing such Indebtedness (other than to the extent such assets also secure such Subsidiary Guarantee on an equal and ratable or priority basis).

The Notes will not be Guaranteed by any other Subsidiary of the Issuer unless, subject to certain limitations, any such Subsidiary Guarantees any other obligations of the Issuer or any of the Issuer's Subsidiaries. The Subsidiary Guarantors of the Notes will consist of our principal operating subsidiaries, other than MixtICS, which provides our cable television services. MixtICS will guarantee the Operaties Proceeds Loan, which will be pledged to secure the Notes on a second priority basis. See "Description of Other Indebtedness—Proceeds Loans." As of and for the nine months ended September 30, 2003, the Subsidiary Guarantors, together with the Issuer and Parent, would have represented 63.9%, 61.9% and 50.6% of our total assets, revenue and EBITDA, respectively. MixtICS represents most of the remainder of our assets, revenues and EBITDA. See "Annex C—Summary Guarantor Financial Information." MixtICS is unable to Guarantee the Notes due to concerns relating to restrictions under Belgian law that prohibit a Belgian company from assisting in financing an acquisition of its shares or the refinancing of Indebtedness Incurred to finance an acquisition of its own shares.

Principal, Maturity and Interest

The Issuer will initially issue Notes in an aggregate principal amount of €500 million. The Notes will mature on December 15, 2013. The Issuer will issue the Notes in denominations of €1,000 and any integral multiple of €1,000.

Each Note we issue will bear interest at a rate of 9% per annum, beginning on December 22, 2003, or from the most recent date to which interest has been paid or provided for. The Issuer will pay interest semiannually to Holders of record at the close of business on the June 1 or December 1 immediately preceding the interest payment date on June 15 and December 15 of each year. The Issuer will begin paying interest to Holders on June 15, 2004. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

Indenture May Be Used For Future Issuances

The Issuer may issue additional Notes having identical terms and conditions to the Notes it is currently offering (the "Additional Notes") from time to time. The Issuer will only be permitted to issue such Additional Notes if at the time of such issuance the Issuer and its Subsidiaries are in compliance with the covenants contained in the Indenture. Any Additional Notes will be treated with the Notes as a single class and will vote on all matters with such Notes.

Paying Agents and Registrar

Payments in respect of any Global Note deposited with the operator of the X/N System (or with a depositary therefor) shall be made through ING Belgium SA/NV (the "Principal Paying Agent") in accordance with the rules applicable to the X/N System. The location of the Principal Paying Agent is Avenue Marnixlaan 24, B-1000 Brussels, Belgium. Holders may exchange or transfer their Notes upon notification and certification given to the Principal Paying Agent.

In the event that definitive registered Notes are issued, (a) the Issuer, or any agent designated by the Issuer to perform such function, will act as registrar and (b) the Issuer will pay the principal of, premium, if any, and interest on, the Notes at any of its offices or any agency designated by it which is located in the Borough of Manhattan, The City of New York or in London, England. The Issuer may also designate additional offices or agents for the payment of the principal of, premium, if any, and interest on, the Notes. The Issuer, however, reserves the right to pay interest to Holders by check mailed directly to Holders at their registered addresses.

In the event that definitive registered Notes are issued, holders may exchange or transfer their Notes at the same location given in the preceding paragraph. No service charge will be made for any registration of transfer or exchange of Notes. We, however, may require Holders to pay any transfer tax or other similar governmental charge payable in connection with any such transfer or exchange. See "Book-Entry, Form, Clearance and Settlement."

Application has been made to list the Notes on the Luxembourg Stock Exchange. So long as the Notes are listed on the Luxembourg Stock Exchange, a paying agent and transfer agent will be maintained in Luxembourg at all times that payments are required to be made in respect of the Notes. The Issuer has initially designated The Bank of New York (Luxembourg) SA to act as paying agent and transfer agent in Luxembourg. In the event that definitive registered Notes are issued, a notice will be published in Luxembourg as set forth below. Distributions of interest on the Notes in definitive registered form will be made to Holders of record at the close of business on the June 1 or December 1 immediately preceding the interest payment date on June 15 and December 15 of each year. Holders must surrender definitive registered Notes to the Luxembourg paying agent to collect payments of principal. Payments shall be paid at the offices of the agent, although the Issuer reserves the right to pay interest to Holders by check mailed directly to Holders at their registered addresses.

So long a the Notes are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, in the case of a transfer of definitive registered Notes, a Holder may effect such transfer by presenting and surrendering such Notes at, and obtaining new definitive registered Notes from, the office of the Luxembourg transfer agent. It is expected that, in the case of a transfer of only a part of a definitive registered Note, a new definitive registered Note is respect of the balance of the principal amount of the definitive registered Note not transferred will be delivered to the office of the Luxembourg transfer agent as appropriate. It is further expected that definitive registered Notes that are mutilated, lost destroyed or wrongfully taken will be replaced by a new definitive registered Note as provided in the Indenture and which may be obtained from the Luxembourg transfer agent. In addition, for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, notices to Holders will be validly given if published in a daily leading newspaper with general circulation in Luxembourg (expected to be the *Luxemburger Wort*).

The Issuer will ensure that it maintains a paying agent in a Member State that will not be obliged to withhold or deduct tax pursuant to Council Directive 2003/48/EC regarding the taxation of savings income.

Optional Redemption

Except as set forth in the following paragraphs or under the heading "Optional Redemption for Tax Reasons," the Issuer may not redeem the Notes prior to December 15, 2008. After this date, the Issuer may redeem the Notes, in whole or in part, on not less than 30 nor more than 60 days' prior notice, at the following redemption prices (expressed as percentages of 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), if redeemed during the 12-month period commencing on December 15 of the years set forth below:

Redemption Year	Redemption Price
2008	104.5%
2009	103.0%
2010	101.5%
2011 and thereafter	100.0%

The Issuer may also choose to redeem the Notes before December 15, 2008. If the Issuer does so, it may redeem the Notes, in whole or in part, on not less than 30 nor more than 60 days' prior notice. To redeem the Notes, the Issuer must pay a redemption price equal to the sum of:

(a) 100% of the principal amount of the Notes to be redeemed, plus

(b) the Applicable Premium,

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).

Prior to December 15, 2006, the Issuer may, on one or more occasions, also redeem up to a maximum of 35%

of the original aggregate principal amount of the Notes (calculated giving effect to any issuance of Additional Notes) with the Net Cash Proceeds of one or more Public Equity Offerings (1) by the Issuer or (2) by a Telenet Holding Company to the extent the Net Cash Proceeds thereof are contributed in cash to the Issuer's equity (other than by the issuance of Disqualified Stock) or used to purchase Capital Stock (other than Disqualified Stock) of the Issuer from the Issuer, in each case, following which there is a Public Market, at a redemption price equal to 109.0% of the principal amount thereof, 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); *provided, however,* that:

(1) after giving effect to any such redemption at least 65% of the original aggregate principal amount of the Notes (calculated giving effect to any issuance of Additional Notes) remains outstanding; and

(2) any such redemption by the Issuer must be made within 90 days of such Public Equity Offering and must be made in accordance with certain procedures set forth in the Indenture.

Payments of Additional Amounts

All payments made under or with respect to the Notes shall be made free and clear of, and without withholding or deduction for or on account of, any present or future tax, duty, levy, impost, assessment or other governmental charge (including related penalties, interest and other liabilities) (hereinafter, "Taxes") imposed or levied by or on behalf of the government of Belgium, Luxembourg or any political subdivision or any authority or agency therein or thereof having power to tax, or any other jurisdiction in which the Issuer or any Subsidiary Guarantor is organized or is otherwise resident for tax purposes, or any jurisdiction from or through which payment is made (each, a "Relevant Taxing Jurisdiction"), unless the Issuer or any Subsidiary Guarantor is required to withhold or deduct Taxes by law or by the interpretation or administration thereof.

If the Issuer or a Subsidiary Guarantor is so required to withhold or deduct any amount for or on account of Taxes imposed by a Relevant Taxing Jurisdiction from any payment made under or with respect to the Notes, the Issuer or the applicable Subsidiary Guarantor shall pay such additional amounts ("Additional Amounts") as may be necessary so that the net amount received by the Holders and beneficial owners (including Additional Amounts) after such withholding or deduction will not be less than the amount the Holders and beneficial owners would have received if such Taxes had not been withheld or deducted; *provided*, *however*, that the foregoing obligation to pay Additional Amounts does not apply to:

(1) 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 (or between a fiduciary, settlor, member or shareholder of, or possessor of power over the relevant Holder, if the relevant Holder is an estate, nominee, trust or corporation) and the Relevant Taxing Jurisdiction (other than the mere receipt of such payment or the ownership or holding of such Note),

(2) any estate, inheritance, gift, sales, excise, transfer, personal property tax or similar tax, assessment or other governmental charge,

(3) any Taxes which are payable otherwise than by withholding from payments of (or in respect of) principal of, or any interest on, the Notes,

(4) any Taxes that are imposed or withheld by reason of the failure to comply by the Holder or the beneficial owner of a Note with a request by the Issuer addressed to the Holder or such beneficial owner (A) to provide information concerning the nationality, residence or identity of the Holder or such beneficial owner or (B) to make any declaration or other similar claim or satisfy any information or reporting requirement, which, in the case of (A) or (B), is required or imposed by a statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Tax,

(5) any Taxes that are required to be withheld or deducted on a payment to an individual pursuant to European Union Council Directive 2003/48/EC regarding the taxation of savings income or

(6) any combination of items (1), (2), (3), (4) and (5) above.

The Issuer or such Subsidiary Guarantor also will not be required to pay Additional Amounts:

(a) if the payment could have been made without deduction or withholding if the beneficiary of the payment had presented the Note for payment within 30 days after the date on which such payment or such Note became due and payable or the date on which payment thereof is duly provided for, whichever is later (except to the extent that such beneficiary would have been entitled to Additional Amounts had the Note been presented on the last day of the 30-day period),

(b) with respect to any payment of principal of (or premium, if any, on) or interest on such Note to any Holder who is a fiduciary or partnership or any Person other than the sole beneficial owner of such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of such payment would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the actual Holder of such Note or

(c) if the Note is presented for payments by or on behalf of a Holder or beneficial owner who would be able to avoid a withholding or deduction by presenting the relevant Note to another paying agent in a Member State.

If the Issuer or any Subsidiary Guarantor will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes or the relevant Subsidiary Guarantee, as applicable, the Issuer or such Subsidiary Guarantor, as applicable, will deliver to the Trustee at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises after the 30th day prior to that payment date, in which case the Issuer or the Subsidiary Guarantor, as applicable, shall notify the Trustee promptly thereafter) an Officers' Certificate stating the fact that Additional Amounts will be payable and the amount so payable. The Officers' Certificate must also set forth any other information necessary to enable the paying agent to pay Additional Amounts to Holders and beneficial owners on the relevant payment date.

Upon request, the Issuer will provide the Trustee with official receipts or other documentation satisfactory to the Trustee evidencing the payment of the Taxes with respect to which Additional Amounts are paid.

Whenever in this "Description of the Notes" there is mentioned, in any context:

- the payment of principal,
- purchase prices in connection with a purchase of Notes,
- interest or
- any other amount payable on or with respect to any of the Notes,

that reference shall be deemed to include payment of Additional Amounts provided for in this section to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Issuer will pay any present or future stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies that arise in any jurisdiction from the execution, delivery, enforcement or registration of the Notes, the Subsidiary Guarantees, the Indenture or any other related document or instrument, or the receipt of any payments with respect to the Notes or the Subsidiary Guarantees, excluding taxes, charges or similar levies imposed by any jurisdiction outside of Luxembourg, Belgium, the jurisdiction of incorporation of any successor of the Issuer or any jurisdiction in which a paying agent is located, and the Issuer will agree to indemnify the Holders or the Trustee for any such taxes paid by the Holders or the Trustee.

The preceding provisions will survive any termination, defeasance or discharge of the Indenture and shall apply *mutatis mutandis* to any jurisdiction in which any successor Person to the Issuer is organized or any political subdivision or taxing authority or agency thereof or therein.

Optional Redemption for Tax Reasons

The Issuer may, at its option, redeem all, but not less than all, the then-outstanding Notes at any time upon giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest thereon, if any, to the redemption date (a "Tax Redemption Date") and all Additional Amounts, if any, that will become due on the Tax Redemption Date as a result of such redemption or otherwise (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if the Issuer determines that (1) on the occasion of the next payment due in respect of the Notes, it would be required to pay Additional Amounts and (2) the payment obligation cannot be avoided by the Issuer taking reasonable measures available to it (including making payment through a paying agent located in another jurisdiction), as a result of:

(A) any change in, or amendment to, the laws or treaties (or any regulations, protocols or rulings promulgated thereunder) of Luxembourg or any other Relevant Taxing Jurisdiction affecting taxation, which change or amendment becomes effective on or after the Closing Date,

(B) any change in 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), which change, amendment, application or interpretation becomes effective on or after the Closing Date, or

(C) the issuance of definitive Notes due to:

  (i) the National Bank of Belgium ("NBB") ceasing to operate the X/N System or

  (ii) the notification by each of Euroclear and Clearstream, Luxembourg that it is unwilling or unable to continue to act as, or ceases to be, a clearing agency in respect of the Notes,

and, in either case under this clause (C), a successor is not able to be appointed by the Issuer within 120 days of the notification. See "Book-Entry, Form, Clearance and Settlement."

The notice of redemption may not be given earlier than 120 days prior to the earliest date on which the Issuer would be obligated to make a payment or withholding if a payment in respect of the Notes were then due. 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 Officers' Certificate and an opinion of an independent legal counsel of recognized standing to the effect that the circumstances referred to above exist. The Trustee shall accept the Officers' Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Redemption at Maturity

On December 15, 2013, the Issuer will redeem the Notes that have not been previously redeemed or purchased and canceled 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).

Selection

If the Issuer partially redeems the Notes, the Trustee will select the Notes to be redeemed on a pro rata basis, by lot or by such other method as the Trustee in its sole discretion shall deem to be fair and appropriate. No Note of €1,000 in original principal amount or less will be redeemed in part. If the Issuer redeems any Note in part only, the notice of redemption relating to such Note shall state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion thereof will be issued in the name of the Holder thereof upon cancelation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions thereof called for redemption so long as we have deposited with any paying agent funds sufficient to pay the principal of, plus accrued and unpaid interest thereon, if any, on the Notes to be redeemed.

Ranking

The Notes will be Secured Indebtedness of the Issuer, will rank equally in right of payment with all existing and future Senior Indebtedness of the Issuer and will be senior in right of payment to all existing and future Subordinated Obligations of the Issuer. The Notes also will be effectively subordinated to any Secured Indebtedness of the Issuer and its Subsidiaries to the extent of the value of the assets securing such Indebtedness (other than to the extent that such assets also secure the Notes on an equal and ratable basis).

The ability of the Issuer to service its indebtedness, including the Notes, is dependent upon the earnings of its Subsidiaries and the ability of those Subsidiaries to distribute those earnings as dividends, loans or other payments to the Issuer. In particular, the ability of its Subsidiaries to transfer funds to the Issuer (in the form of cash dividends, loans, advances or otherwise) may be limited by financial assistance rules, corporate benefit laws, banking or other regulations. For example, under company law (including the civil and commercial codes in Belgium), the Issuer's Subsidiaries are generally prohibited from paying dividends except out of profits legally available for distribution. If these restrictions are applied to the Subsidiaries of the Issuer that are not Subsidiary Guarantors, then the Issuer would not be able to use the earnings of those Subsidiaries to make payments on the Notes to the extent that such earnings cannot otherwise be paid lawfully to the Issuer (directly or through Subsidiaries of the Issuer).

The Subsidiary Guarantees will be Senior Subordinated Indebtedness of the applicable Subsidiary Guarantor, will be unsecured (except for the Subsidiary Guarantees of Telenet Bidco and Telenet Operaties, which will be secured by second priority pledges of the shares of Telenet Operaties and MixtICS, respectively), will be subordinated in right of payment to all existing and future Senior Indebtedness of such Subsidiary Guarantor, will rank equally in right of payment with all existing and future Senior Subordinated Indebtedness of such Subsidiary Guarantor and will be senior in right of payment to all existing and future Subordinated Obligations of such Subsidiary Guarantor. The Subsidiary Guarantees also will be effectively subordinated to any Secured Indebtedness of the applicable Subsidiary Guarantor and its Subsidiaries to the extent of the value of the assets securing such Secured Indebtedness (other than to the extent that such assets also secure the relevant Subsidiary Guarantee on an equal and ratable or priority basis).

The Issuer currently conducts all its operations through its Subsidiaries. To the extent such Subsidiaries are not Subsidiary Guarantors, creditors, including trade creditors, and preferred shareholders, if any, of such Subsidiaries generally will have priority with respect to the assets and earnings of such Subsidiaries over the claims of creditors of the Issuer, including Holders. The Notes, therefore, will be effectively subordinated to the claims of creditors, including trade creditors, and preferred shareholders, if any, of Subsidiaries of the Issuer that are not Subsidiary Guarantors (other than, to the extent of the Operaties Proceeds Loan and the Mixt Proceeds Loan, MixtICS). As of September 30, 2003, after giving pro forma effect to the issuance of the Notes and the related refinancings described elsewhere in this offering memorandum, substantially all the Consolidated Indebtedness of the Issuer and its Subsidiaries would have been Incurred by the Subsidiary Guarantors and MixtICS.

Assuming that we had completed the issuance of the Notes and the related refinancings described elsewhere in this offering memorandum as of September 30, 2003, there would have been outstanding:

(1) no Indebtedness of the Issuer, other than the Notes (exclusive of intercompany Indebtedness);

(2) the Subsidiary Guarantors would have had €840 million of Senior Indebtedness under the Existing Credit Facility (exclusive of undrawn facilities under the Existing Credit Facility), all of which would have been Secured Indebtedness; and

(3) no Senior Subordinated Indebtedness of the Subsidiary Guarantors (other than the Subsidiary Guarantees) and no Indebtedness of the Subsidiary Guarantors that is subordinate or junior in right of payment to the Subsidiary Guarantees.

Although the Indenture will limit the Incurrence of Indebtedness by the Issuer and the Restricted Subsidiaries, such limitation is subject to a number of significant qualifications. The Issuer and its Subsidiaries may be able to Incur substantial amounts of Indebtedness in certain circumstances. Such Indebtedness may be Senior Indebtedness. See "Certain Covenants—Limitation on Indebtedness" below.

Subsidiary Guarantees

General

Each Subsidiary of the Issuer that is an obligor as of the Closing Date under the Existing Credit Facility (other than MixtICS, Codenet NV, Codenet S.A., Phone-Plus SPRL, PayTVCo and Merrion Communications) and certain future Subsidiaries of the Issuer (as described below) will jointly and severally irrevocably guarantee, as primary obligors and not merely as sureties, on a senior subordinated basis the performance and full and punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, of all obligations of the Issuer under the Indenture (including obligations to the Trustee) and the Notes, whether for payment of principal of or interest on or in respect of the Notes, expenses, indemnification or otherwise (all such obligations being herein called the "Guaranteed Obligations"). MixtICS will Guarantee the obligations of Telenet Operaties under the Operaties Proceeds Loan. See "Description of Other Indebtedness—Proceeds Loans." The Subsidiary Guarantors will agree to pay, in addition to the amount stated above, any and all costs and expenses (including counsel fees and expenses) properly incurred by the Trustee or the Holders in enforcing any rights under the Subsidiary Guarantees. Each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be Guaranteed by that Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to ultra vires, corporate benefit, fraudulent conveyance, fraudulent transfer or similar laws affecting the rights of creditors generally.

The Issuer will cause each Restricted Subsidiary that is a Significant Subsidiary and that Guarantees any other obligations of the Issuer or any of the Issuer's Subsidiaries to become a Subsidiary Guarantor and, if applicable, execute and deliver to the Trustee a supplemental indenture in the form set forth in the Indenture pursuant to which such Restricted Subsidiary will Guarantee payment of the Notes; *provided*, *however*, that (1) any Person that becomes a Restricted Subsidiary after the Closing Date will not be required to become a Subsidiary Guarantor for so long as the Issuer is not, in the ordinary course, able to prepare or obtain financial statements (and related auditors' reports and consents) of such Person that are required by applicable law, rule or regulation to be included in any required filing with a legal or regulatory authority (*provided* that such Person shall not have otherwise Guaranteed any other Indebtedness of the Issuer or any of its Subsidiaries other than Bank Indebtedness outstanding under Credit Facilities) and (2) no Person that is or becomes a Restricted Subsidiary will be required to become a Subsidiary Guarantor to the extent and for so long as the issuance of such Subsidiary Guarantee (or any other Guarantee that would be required to be provided as a consequence of the Incurrence of such Subsidiary Guarantee) would be reasonably likely to result in a violation of applicable law or personal liability for any director or officer of such Subsidiary, in either case, that cannot be avoided or otherwise prevented through measures reasonably available to the Issuer, any of its Subsidiaries or such Person.

Subject to the following paragraph, each Subsidiary Guarantee is a continuing guarantee and shall (a) remain in full force and effect until payment in full of all the Guaranteed Obligations, (b) be binding upon each Subsidiary Guarantor and its successors and (c) inure to the benefit of, and be enforceable by, the Trustee, the Holders and their successors, transferees and assigns.

A Subsidiary Guarantor will automatically and unconditionally be released from all obligations under its Subsidiary Guarantee, and such Subsidiary Guarantee shall thereupon terminate and be discharged and be of no further force or effect,

(1) with respect to any Subsidiary Guarantor, concurrently with any sale or disposition (by merger, consolidation or otherwise) of the Capital Stock of such Subsidiary Guarantor or any parent company of such Subsidiary Guarantor, or of any interest therein, in each case following which such Subsidiary Guarantor is no longer a Restricted Subsidiary, or all or substantially all the assets of such Subsidiary Guarantor, in each case so long as (A) any such sale or disposition is consummated in accordance with the terms of the Indenture (including the covenants described under "Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock" and "Merger and Consolidation") and (B) in the case of any sale or disposition by way of enforcement of a security interest therein by a creditor of the Issuer or any Restricted Subsidiary, such sale or disposition will also be required to be made in accordance with applicable provisions of law and certain provisions in the Intercreditor Agreement (as described below) (*provided*, *however*, that any sale or disposition by a creditor under Senior Indebtedness of a Subsidiary Guarantor shall only be required to be in accordance with applicable provisions of law and certain provisions in the Intercreditor Agreement),

(2) with respect to any Subsidiary Guarantor that becomes a Subsidiary Guarantor pursuant to the provisions relating to future Subsidiary Guarantors described above, at any time such Subsidiary Guarantor is fully and unconditionally released from all the obligations that resulted in such Subsidiary Guarantor being required to provide a Subsidiary Guarantee or

(3) upon legal or covenant defeasance of the Issuer's obligations or, subject to customary contingent reinstatement provisions, satisfaction and discharge of the Indenture.

The Intercreditor Agreement will contain provisions that require the Senior Security Agent to consult with an internationally recognized investment bank or accounting firm with respect to the procedures to be used to obtain the best price reasonably obtainable for the shares of a Subsidiary Guarantor to be sold given the then-current condition (financial or otherwise), earnings, business, assets and prospects of Telenet Bidco and its Subsidiaries and to cause to be implemented in all material respects the procedures recommended by such firm in relation to such sale; *provided*, *however*, that if, notwithstanding the reasonable endeavours of the Senior Security Agent, such procedures are not implemented by the relevant court or other authority, the Senior Security Agent will be excused from any further obligation to cause such procedures to be implemented by such authority; *provided*, *further*, that reasonable endeavours will, to the extent permitted by Belgian law, include attempting to conduct such sale process other than through a court or legal proceeding. See "Description of Other Indebtedness—Intercreditor Agreement."

In addition, if we redesignate a Subsidiary Guarantor as an Unrestricted Subsidiary, which we can do under certain circumstances, the redesignated Subsidiary Guarantor will be released from all its obligations under its Subsidiary Guarantee.

Upon any such occurrence specified in the above paragraph, the Trustee will execute any documents reasonably required in order to evidence such release, discharge and termination in respect of such Subsidiary Guarantee.

Neither the Issuer nor any such Subsidiary Guarantor will be required to make a notation on the Notes to reflect any such Subsidiary Guarantee or any such release, termination or discharge. In the event that a Subsidiary Guarantor enters into a Subsidiary Guarantee or a Subsidiary Guarantor is released from its obligations under a Subsidiary Guarantee at a time when the Notes are listed on the Luxembourg Stock Exchange, the Issuer will, to the extent required by the rules of the Luxembourg Stock Exchange, publish notice of such Subsidiary Guarantee in a daily leading newspaper with general circulation in Luxembourg (expected to be the *Luxemburger Wort*), send a copy of such notice to the Luxembourg Stock Exchange and deposit a copy of any new Subsidiary Guarantee with the Luxembourg Stock Exchange and the Luxembourg Transfer Agent.

Subordination of Subsidiary Guarantees

General

The Subsidiary Guarantee of each Subsidiary Guarantor is a senior subordinated Guarantee, which means that each such Subsidiary Guarantee ranks behind, and is expressly subordinated to, all the existing and future Senior Indebtedness of such Subsidiary Guarantor, including any obligations owed by such Subsidiary Guarantor in respect of Bank Indebtedness. The ability to take enforcement action against the Subsidiary Guarantors under their Subsidiary Guarantees is subject to significant restrictions imposed by the Intercreditor Agreement.

Limitations on Paying the Subsidiary Guarantees

The Subsidiary Guarantors are not permitted to make any payment in respect of principal of, premium, if any, or interest on the Notes and may not purchase, redeem or otherwise retire any Notes (collectively, "pay the Subsidiary Guarantees") if a Senior Payment Default occurs unless such Senior Payment Default has been cured or waived and any such acceleration has been rescinded or the Senior Indebtedness under which such Senior Payment Default occurred has been paid in full in cash. Regardless of the foregoing, the Subsidiary Guarantors are permitted to pay the Subsidiary Guarantees if the Subsidiary Guarantors and the Trustee receive written notice approving such payment from the Representative of such Senior Indebtedness.

During the continuance of any Senior Default (other than a Senior Payment Default), the Subsidiary Guarantors are not permitted to pay the Subsidiary Guarantees for a period (a "Payment Blockage Period") commencing upon the receipt by the Trustee of written notice (a "Blockage Notice") of such default from the Representative under the Senior Indebtedness under which such Senior Default occurred specifying an election to effect a Payment Blockage Period and ending 179 days thereafter; *provided* that a Blockage Notice is only permitted to be served on or before the date falling 45 days after the date on which notice of a Senior Default (other than a Senior Payment Default) has been received by such Representative. The Payment Blockage Period will end earlier if such Payment Blockage Period is terminated:

(1) by written notice of the termination of such Blockage Notice to the Trustee and the Issuer from the Person or Persons who gave such Blockage Notice;

(2) because the default giving rise to such Blockage Notice is cured, waived or otherwise no longer continuing;

(3) because the Senior Indebtedness under which such Senior Default occurred has been discharged or repaid in full in cash; or

(4) because of the expiry of any standstill period (as described below) in existence on the date of service of the Blockage Notice.

Notwithstanding the provisions described above, unless the holders of such Senior Indebtedness or the Representative of such Senior Indebtedness have accelerated the maturity thereof, the Subsidiary Guarantors will be permitted to resume paying the Subsidiary Guarantees after the end of such Payment Blockage Period. The Subsidiary Guarantees of the Subsidiary Guarantors shall not be subject to more than one Blockage Notice in any 360-day period or in respect of the same event or circumstance.

Standstill on Enforcement

Enforcement by the Trustee and the Holders of the Subsidiary Guarantees is subject to the standstill provisions described below. The commencement of a standstill period is triggered by an Event of Default under the Indenture and, except as described in the following paragraph, will end on the 179th day following the date notice of such Event of Default is delivered to the Representative under the Existing Credit Facility or certain other Senior Indebtedness. For purposes of the standstill provisions, "enforcement" of a Subsidiary Guarantee consists of:

- a demand for payment under such Subsidiary Guarantee;
- any declaration that such Subsidiary Guarantee has become due;
- taking any action for enforcing or otherwise recovering claims under such Subsidiary Guarantee or any attachment, execution or initiation of insolvency proceedings; or
- taking any other legally permissible action to exercise rights with respect to the claims under such Subsidiary Guarantee;

provided that the Trustee and the Holders may take certain actions necessary to preserve the validity and existence of their claims.

Notwithstanding the existence of a standstill period, but subject to the provisions described below under "—Subordination on Insolvency," the Trustee and the Holders may take enforcement action with respect to the Subsidiary Guarantees if:

- the Majority Lenders have consented to the action;
- action has been taken to enforce any security interests, guarantees or other collateral securing or supporting Senior Indebtedness of a Subsidiary Guarantor or MixtICS;

- an insolvency event occurs in relation to a Subsidiary Guarantor or MixtICS; or
- a previously outstanding standstill period expires.

Subordination on Insolvency

In the event of a liquidation, dissolution, bankruptcy, insolvency or similar proceeding involving the Issuer or any of its Subsidiaries, in general:

- creditors under the Existing Credit Facility and certain other Senior Indebtedness will be entitled pursuant to the terms of the Intercreditor Agreement, to payment in full of all amounts outstanding under such Senior Indebtedness before (1) the Holders would be entitled to payments under a Subsidiary Guarantee of any Subsidiary Guarantor and (2) the Issuer would be entitled to payments under the Bidco Proceeds Loan Agreement or the Existing Intercompany Loan Agreement and, as a result, before holders of the Notes would ultimately receive any payments on the Notes;
- the Holders will be required, pursuant to the terms of the Intercreditor Agreement, to turnover any amounts they receive in respect of a Subsidiary Guarantee of any Subsidiary Guarantor to the Senior Security Agent until all outstanding Senior Indebtedness is paid in full; and
- the Issuer will be required, pursuant to the terms of the Intercreditor Agreement, to turnover any amounts it receives under the Bidco Proceeds Loan Agreement or the Existing Intercompany Loan Agreement to the Senior Security Agent until outstanding Senior Indebtedness is paid in full.

The Senior Security Agent will be directed to apply such amounts in the manner described under "—Turnover and Application of Proceeds."

Turnover and Application of Proceeds

If at any time when any Senior Indebtedness of any Subsidiary Guarantor is or may be outstanding and any such Subsidiary Guarantor makes any payment or distribution in cash or in kind on account of its Subsidiary Guarantee when such payment or distribution is not permitted by the covenant described under "—Limitations on Paying the Subsidiary Guarantees," then the Trustee or the Holder receiving such payment, as applicable, will be required to turnover such amounts to the Senior Security Agent and such amounts shall be applied:

(1) first, in or towards payment of obligations under Senior Indebtedness;

(2) second (after discharge in full of such obligations under Senior Indebtedness), in or towards payment of Senior Subordinated Indebtedness, including the Subsidiary Guarantees; and

(3) third (after discharge in full of such obligations under Senior Indebtedness and Senior Subordinated Indebtedness), any surplus shall be paid to the Issuer.

Because of the foregoing subordination provisions, holders of Senior Indebtedness and other creditors (including trade creditors) of a Subsidiary Guarantor may recover disproportionately more than the holders of the Notes recover in a bankruptcy or similar proceeding relating to such Subsidiary Guarantor. This could apply even if the applicable Subsidiary Guarantee ranked *pari passu* in right of payment with the other creditors' claims. In such a case, there may be insufficient assets, or no assets, remaining to pay the principal of or interest on the Notes.

Payment from the money or the proceeds of Government Obligations held in any defeasance trust pursuant to the provisions described under "Defeasance" will not be subject to the subordination provisions described above.

See "Risk Factors—Risks Relating to our Financial Profile," "—Risks Relating to the Issuer and the Intercompany Loans," "—Risks Relating to the Subsidiary Guarantees, Subsidiary Pledges and Belgian Law" and "Description of Other Indebtedness."

Security

General

The obligations of the Issuer under the Notes and the Indenture and the Subsidiary Guarantors under the Subsidiary Guarantees will be secured as further described below by second priority pledges of (a) all the shares of Telenet Bidco, Telenet Operaties and MixtICS and (b) receivables arising under the Proceeds Loan Agreements and the Junior Subordinated Parent Intercompany Loan Agreement. This security will be granted in favor of the Junior Security Agent in its capacity as joint creditor, together with the Holders, of all obligations of the Issuer under the Notes and the Indenture and of the Subsidiary Guarantors under the Subsidiary Guarantees. Neither the Holders, nor the Trustee, will have a direct security interest in the Collateral, nor will they be entitled to take enforcement action in respect of the security, except through the Junior Security Agent, which has agreed to apply any proceeds of the enforcement of the security towards such obligations. The Junior Security Agent will agree with the Trustee that the Junior Security Agent will hold the security and any proceeds of the security in trust for the benefit of the Holders and the Trustee. See "Risk Factors—Risks Related to the Subsidiary Guarantees, Pledges and Belgian Law—The share pledges and pledges of receivables will not be granted directly to the holders of the Notes."

Furthermore, subject to certain conditions, including compliance with the covenants described under "Certain Covenants—Impairment of Security Interest" and "—Limitation on Liens," additional Indebtedness will be permitted to be secured by pledges of the shares of Telenet Bidco, Telenet Operaties and MixtICS and receivables under then-existing Proceeds Loan Agreements and the Junior Subordinated Parent Intercompany Loan Agreement that are pledged to secure obligations under the Notes, the Subsidiary Guarantees and the Indenture. Under these circumstances, creditors under such Indebtedness will share (on the basis described below) in the security for the Notes, the Subsidiary Guarantees and the Indenture and the Junior Security Agent as joint creditor will share in a pledge of receivables arising under any Additional Proceeds Loan Agreements pledged to secure such Indebtedness.

Priority

The relative priority between (a) the holders of outstanding Bank Indebtedness under the Existing Credit Facility and certain other Senior Indebtedness and (b) the Junior Security Agent as joint creditor together with the Holders with respect to the security interests created by the Share Pledges and the Proceeds Loan Agreement Pledges is established by the terms of the Intercreditor Agreement, which provides that:

(1) the obligations under such Senior Indebtedness will be secured by a first priority interest in the Collateral; and

(2) the obligations under the Notes, the Indenture and the Subsidiary Guarantees will be secured by a second priority interest in the Collateral.

See "—Enforcement of Security" and "Description of Other Indebtedness—Intercreditor Agreement."

Share Pledges

The holders of the issued share capital of Telenet Bidco, Telenet Operaties and MixtICS and the Junior Security Agent will enter into the Share Pledges, under which all the shares of Telenet Bidco, Telenet Operaties and MixtICS will be pledged on a second priority basis to the Junior Security Agent as joint creditor as described above. There will be three share pledge agreements, one between each shareholder of Telenet Bidco and the Junior Security Agent with respect to the shares of Telenet Bidco, one between each shareholder of Telenet Operaties and the Junior Security Agent with respect to the shares of Telenet Operaties and one between each shareholder of MixtICS and the Junior Security Agent with respect to the shares of MixtICS. Copies of each of these agreements will be available free of charge from the Luxembourg paying agent as described under "Listing and General Information."

The Indenture will provide that, except in the event of a sale of shares that are subject to a Share Pledge by the Senior Security Agent in accordance with certain provisions of the Intercreditor Agreement, obligations under the Notes, the Subsidiary Guarantees and the Indenture will be secured by a second priority interest in the shares that are subject to the Share Pledges until all obligations under the Notes, the Subsidiary Guarantees and the Indenture have been discharged in full. However, see "Risk Factors—Risks Relating to the Subsidiary Guarantees, Pledges and Belgian Law."

A Share Pledge will be released in the event that, and for so long as, the holders of Senior Indebtedness release their lien on the shares of Telenet Bidco, Telenet Operaties or MixtICS, as applicable, or following the consummation of a sale or other disposition of the share capital of Telenet Bidco, Telenet Operaties or MixtICS, as applicable, by the Senior Security Agent in accordance with certain provisions of the Intercreditor Agreement relating to procedures to be followed in connection with enforcement sales. In addition, the Share Pledge relating to the shares of MixtICS will be released upon a merger of MixtICS with Telenet Operaties in accordance with the Indenture.

Loan Agreement Pledges

The obligations under the Notes, the Indenture and the Subsidiary Guarantees also will be secured by a second priority pledge of all receivables (all amounts payable under the Bidco Proceeds Loan Agreement, the Operaties Proceeds Loan Agreement and the MixtICS Loan Agreement) arising under the Bidco Proceeds Loan Agreement, the Operaties Proceeds Loan Agreement, the MixtICS Proceeds Loan Agreement and a portion of the receivables arising under the Existing Intercompany Loan Agreement and a first priority pledge of all receivables arising under the Junior Subordinated Parent Intercompany Loan Agreement. The pledges of receivables under these Proceeds Loan Agreement Pledges have been granted in favor of the Junior Security Agent as joint creditor as described above. The Proceeds Loan Agreements and the Junior Subordinated Parent Intercompany Loan Agreement will be governed by Belgian law. There will be a receivables pledge agreement with respect to the receivables arising under each of the Bidco Proceeds Loan, the Existing Intercompany Loan, the Operaties Proceeds Loan, the MixtICS Proceeds Loan and a receivables pledge agreement with respect to receivables arising under the Junior Subordinated Parent Intercompany Loan. A copy of this agreement will be available free of charge from the Luxembourg paying agent as described under "Listing and General Information."

In the event that the lenders under the Existing Credit Facility enforce their first priority security interest with respect to receivables arising under a Proceeds Loan Agreement, the Issuer's rights under the Bidco Proceeds Loan Agreement and/or the Existing Intercompany Loan Agreement, Telenet Bidco's rights under the Operaties Proceeds Loan Agreement and Telenet Operaties' rights under the MixtICS Proceeds Loan Agreement may be assigned to a third party. This would mean that the Issuer would have no right, title or interest under the Bidco Proceeds Loan Agreement and/or the Existing Intercompany Loan Agreement or claims against Telenet Bidco thereunder, Telenet Bidco would have no right, title or interest under the Operaties Proceeds Loan Agreement or claims against Telenet Operaties thereunder and Telenet Operaties would have no right, title or interest under the MixtICS Proceeds Loan Agreement or claims against MixtICS thereunder.

Enforcement of Security

The Intercreditor Agreement restricts the ability of the Issuer and the Subsidiary Guarantors to make certain payments on, grant security for or provide other financial support in relation to, the Notes and the Subsidiary Guarantees for so long as Bank Indebtedness under the Existing Credit Facility and certain other Senior Indebtedness remain outstanding.

The Junior Security Agent will not be entitled to take any enforcement action under the Share Pledges and the Proceeds Loan Agreement Pledges after the occurrence of an Event of Default or any other event that would cause the Notes to become due and payable unless the Trustee has given its prior written consent to such enforcement action and:

(1) all amounts outstanding under such Senior Indebtedness have been unconditionally repaid in full; or

(2) the relevant standstill period (as described under the heading "Subsidiary Guarantees—Subordination of Subsidiary Guarantees—Standstill on Enforcement") has expired.

See "Description of Other Indebtedness—Intercreditor Agreement."

If the Trustee or any Holder receives proceeds of any enforcement of a Security Agreement while the obligations under such Senior Indebtedness are outstanding, the Trustee or such Holder, as applicable, will turnover such amounts to the Senior Security Agent to be applied in the order described under "Subsidiary Guarantees—Subordination of Subsidiary Guarantees—Turnover and Application of Proceeds."

Par Offer

In the event that the Issuer and the Subsidiary Guarantors do not apply at least €100 million of the net cash proceeds of the issuance and sale of the Notes within 120 days after the Closing Date to permanently prepay or repay Bank Indebtedness of Telenet Bidco or Telenet Operaties under the Existing Credit Facility outstanding on the Closing Date and treated as Incurred under clause (3) of paragraph (b) of the covenant described under "Certain Covenants—Limitation on Indebtedness" (but excluding repayments of Bank Indebtedness made on the Closing Date), the Issuer will be required to purchase Notes tendered pursuant to an offer by the Issuer for the Notes (a "Par Offer"), which Par Offer shall be in the amount of such net cash proceeds that are not so used, at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest thereon, if any, to the purchase date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), in accordance with the procedures (including prorating in the event of over-subscription) set forth in the Indenture. To the extent that any portion of the amount of such net cash proceeds remains after compliance with the preceding sentence, the Issuer will apply the remaining net cash proceeds for any general corporate purpose permitted by the terms of the Indenture. The Issuer will not be required to make a Par Offer for Notes pursuant to this covenant if the amount of such net cash proceeds available therefor is less than €10 million. The Issuer will comply with the requirements of Section 14(e) of the Exchange Act and any applicable securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this covenant by virtue thereof. The Indenture will provide that the Issuer will be required to loan (pursuant to the Bidco Proceeds Loan Agreement) to Telenet Bidco any amount which will be used to repay Bank Indebtedness for purposes of this covenant and that Telenet Bidco will, in turn, be required to loan such amount to Telenet Operaties (pursuant to the Operaties Proceeds Loan Agreement, in each case, prior to the repayment of such Bank Indebtedness).

Change of Control

Upon the occurrence of any of the following events (each a "Change of Control"), each Holder will have the right to require the Issuer to purchase all or any part of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest thereon, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided*, *however*, that notwithstanding the occurrence of a Change of Control, the Issuer shall not be obligated to purchase the Notes pursuant to this section in the event that it has exercised its right to redeem all the Notes under the terms of the section titled "Optional Redemption":

(1) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that for purposes of this clause (1) such person shall be deemed to have "beneficial ownership" of all shares that any such other person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of Parent or the Issuer (for the purposes of this clause (1), such person shall be deemed to beneficially own any Voting Stock of an entity held by any other entity (the "parent entity"), if such other person is the beneficial owner (as defined in this clause (1)), directly or indirectly, of more than 50% of the voting power of the Voting Stock of such parent entity);

(2) following the first Public Equity Offering following which there is a Public Market, during any period of two consecutive years, individuals who at the beginning of such period constituted the board of directors of Parent or the Issuer (together with any new directors whose election by such board of directors of Parent or the Issuer, as applicable, or whose nomination for election by the shareholders of Parent or the Issuer, as applicable, was approved by a vote of a majority of the directors of Parent or the Issuer, as applicable, then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the board of directors of Parent or the Issuer, as applicable, then in office;

(3) the adoption of a plan relating to the liquidation or dissolution of Parent or the Issuer; or

(4) the merger or consolidation of Parent or the Issuer with or into another Person or the merger of another Person with or into Parent or the Issuer or the sale of all or substantially all the assets of Parent or the Issuer to another Person, and, in the case of any such merger or consolidation, the securities of Parent or the Issuer, as applicable, that are outstanding immediately prior to such transaction and which represent 100% of the aggregate voting power of the Voting Stock of Parent or the Issuer, as applicable, are changed into or exchanged for cash, securities or property, unless pursuant to such transaction such securities are changed into or exchanged for, in addition to any other consideration, securities of the surviving Person or transferee that represent immediately after such transaction, at least a majority of the aggregate voting power of the Voting Stock of the surviving Person or transferee.

In the event that at the time of such Change of Control the terms of the Bank Indebtedness restrict or prohibit the repurchase of Notes pursuant to this covenant, then prior to the mailing of the notice to Holders provided for in the immediately following paragraph but, in any event, within 30 days following any Change of Control, the Issuer shall, or shall cause the applicable Restricted Subsidiary to:

(1) repay in full all Bank Indebtedness or, if doing so will allow the purchase of Notes, offer to repay in full all Bank Indebtedness and repay the Bank Indebtedness of each lender who has accepted such offer, or

(2) obtain the requisite consent under the agreements governing the Bank Indebtedness to permit the repurchase of the Notes as provided for in the immediately following paragraph.

Within 30 days following any Change of Control, the Issuer shall mail a notice to each Holder with a copy to the Trustee (the "Change of Control Offer") stating:

(1) that a Change of Control has occurred and that such Holder has the right to require the Issuer to purchase all or a portion of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest thereon, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest on the relevant interest payment date);

(2) the circumstances and relevant facts and financial information regarding such Change of Control;

(3) the purchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed); and

(4) the instructions determined by the Issuer, consistent with this covenant, that a Holder must follow in order to have its Notes purchased.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

The Issuer will comply with the requirements of Section 14(e) of the Exchange Act and any applicable securities laws or regulations in connection with the purchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this covenant by virtue thereof.

The Change of Control purchase feature is a result of negotiations between the Issuer and the Initial Purchasers. Management of the Issuer has no present intention to engage in a transaction involving a Change of Control, although it is possible that they would decide to do so in the future. Subject to the limitations discussed below, the Issuer could, in the future, enter into certain transactions, including acquisitions, refinancings or recapitalizations, that would not constitute a Change of Control under the Indenture, but that could increase the amount of indebtedness outstanding at such time or otherwise affect the Issuer's capital structure or credit ratings. Restrictions on the ability of the Issuer to Incur additional Indebtedness are contained in the covenants described under "Certain Covenants—Limitation on Indebtedness," "Certain Covenants—Limitation on Liens" and "Certain Covenants—Limitation on Sale/Leaseback Transactions." Such restrictions can only be waived with the consent of the Holders of a majority in principal amount of the Notes then outstanding. Except for the limitations contained in such covenants, however, the Indenture will not contain any covenants or provisions that may afford Holders protection in the event of a highly leveraged transaction.

The occurrence of certain of the events which would constitute a Change of Control would constitute a default under the agreement governing the Existing Credit Facility. Future Senior Indebtedness of the Issuer and its Subsidiaries may contain prohibitions with respect to certain events which would constitute a Change of Control or require such Senior Indebtedness to be repurchased or repaid upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to purchase the Notes could cause a default under such Senior Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the Holders upon a purchase may be limited by the Issuer's then existing financial resources. Sufficient funds may not be available when necessary to make any required purchases. The provisions under the Indenture relative to the Issuer's obligation to make an offer to purchase the Notes as a result of a Change of Control may be waived or modified with the written consent of the Holders of a majority in principal amount of the Notes.

Certain Covenants

The Indenture will contain covenants including, among others, the following:

Limitation on Indebtedness. (a) The Issuer will not, and will not permit any Restricted Subsidiary to, Incur, directly or indirectly, any Indebtedness; *provided*, *however*, that (1) the Issuer may Incur Indebtedness and (2) any Restricted Subsidiary may Incur Bank Indebtedness, in either case, if on the date of such Incurrence and after giving effect thereto the Leverage Ratio of the Issuer and the Restricted Subsidiaries (on a Consolidated basis) would not exceed 6.0:1.0.

(b) Notwithstanding the foregoing paragraph (a), the Issuer and its Restricted Subsidiaries may Incur the following Indebtedness:

(1) Bank Indebtedness Incurred pursuant to any Credit Facility; *provided* that the aggregate principal amount of all Bank Indebtedness at any one time outstanding pursuant to this clause (b)(1) shall not exceed €880 million, which amount shall be permanently reduced by the amount of Net Available Cash used to prepay, repay, purchase, repurchase, redeem, retire, defease or otherwise acquire for value Bank Indebtedness, except to the extent Bank Indebtedness is subsequently Incurred in an amount not exceeding such amount of Net Available Cash and reinvested in Additional Assets or used to purchase Notes or prepay, repay, purchase, repurchase, redeem, retire, defease or otherwise acquire for value other Indebtedness, pursuant to the covenant described under "—Limitation on Sales of Assets and Subsidiary Stock;"

(2) Indebtedness of the Issuer owed to and held by any Restricted Subsidiary of the Issuer or Indebtedness of a Restricted Subsidiary owed to and held by the Issuer or any Restricted Subsidiary; *provided*, *however*, that (A) any subsequent issuance or transfer of any Capital Stock or any other event that results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of any such Indebtedness (except to the Issuer or a Restricted Subsidiary) shall be deemed, in each case, to constitute the Incurrence of such Indebtedness by the issuer thereof, (B) if the Issuer is the obligor on such Indebtedness, such Indebtedness is expressly subordinated for the benefit of the Holders to the prior payment in full in cash of all obligations with respect to the Notes and (C) if a Subsidiary Guarantor is the obligor on such Indebtedness and such Indebtedness is owed to and held by a Restricted Subsidiary of the Issuer that is not a Subsidiary Guarantor, such Indebtedness is expressly subordinated for the benefit of the Holders to the prior payment in full in cash of all obligations of such Subsidiary Guarantor with respect to its Subsidiary Guarantee;

(3) Indebtedness (A) represented by the Notes (not including any Additional Notes) and the Subsidiary Guarantees, (B) outstanding on the Closing Date (other than the Indebtedness described in clause

(2) of this paragraph (b)) or (C) consisting of Refinancing Indebtedness Incurred in respect of any Indebtedness described in this clause (3) (including Indebtedness that is Refinancing Indebtedness) or the foregoing paragraph (a); *provided, however,* that Bank Indebtedness outstanding on the Closing Date shall not be Refinanced pursuant to this clause (C);

(4) (A) Indebtedness of a Restricted Subsidiary Incurred and outstanding on or prior to the date on which such Restricted Subsidiary was acquired by the Issuer or a Restricted Subsidiary (other than Indebtedness Incurred in contemplation of, in connection with, as consideration in, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Subsidiary of or was otherwise acquired by the Issuer or a Restricted Subsidiary); *provided, however,* that on the date that such Restricted Subsidiary is acquired by the Issuer or a Restricted Subsidiary, the Issuer would have been able to Incur €1.00 of additional Indebtedness pursuant to the foregoing paragraph (a) after giving effect to the Incurrence of such Indebtedness pursuant to this clause (4) and (B) Refinancing Indebtedness Incurred by a Restricted Subsidiary in respect of Indebtedness Incurred by such Restricted Subsidiary pursuant to this clause (4);

(5) Indebtedness (A) in respect of performance, bid, completion, surety or appeal bonds provided by the Issuer and its Restricted Subsidiaries in the ordinary course of their business and (B) under Interest Rate Agreements and Currency Agreements entered into for *bona fide* hedging purposes of the Issuer and its Restricted Subsidiaries in the ordinary course of business; *provided, however,* that such Interest Rate Agreements and Currency Agreements do not increase the Indebtedness of the Issuer outstanding at any time other than as a result of fluctuations in interest rates or exchange rates of currencies, as applicable, or by reason of fees, indemnities and compensation payable thereunder;

(6) (A) Purchase Money Indebtedness and Capitalized Lease Obligations Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement (including the cost of design, development, construction, acquisition, transportation, installation, improvement and migration) of assets used in a Permitted Business; and (B) Refinancing Indebtedness Incurred in respect of Indebtedness Incurred pursuant to clause (6) (A); *provided, however,* that the aggregate principal amount of Indebtedness Incurred pursuant to this clause (6) shall not exceed €50 million at any time outstanding;

(7) the Guarantee by the Issuer or any Restricted Subsidiary of any Indebtedness of the Issuer or another Restricted Subsidiary (excluding Indebtedness Incurred pursuant to clause (6) or (11) of this paragraph (b) or by the Issuer pursuant to clause (3)(B) (or, with respect to any Refinancing of such Indebtedness, clause (3)(C)) of this paragraph (b); *provided, however,* that any Guarantee by a Restricted Subsidiary of Indebtedness of the Issuer (other than a Guarantee of Bank Indebtedness) shall be subordinated to at least the same extent that the Subsidiary Guarantees are subordinated to Senior Indebtedness of the Subsidiary Guarantors; *provided, further, however,* that with respect to Guarantees of Indebtedness Incurred pursuant to clause (2) of this paragraph (b), such Guarantee will be on the same terms and subject to the same limitations as the Guaranteed Indebtedness;

(8) Indebtedness of the Issuer or any of its Restricted Subsidiaries arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided, however,* that such Indebtedness is extinguished within five Business Days of its Incurrence;

(9) Indebtedness constituting reimbursement obligations with respect to letters of credit, bankers' acceptances or other similar instruments or obligations issued in the ordinary course of business, including letters of credit in respect of workers' compensation claims or other Indebtedness Incurred with respect to reimbursement-type obligations regarding workers' compensation claims and under other similar legislation, and not, in any such case, in connection with the borrowing of money or the obtaining of any advance of credit; *provided* that, upon the drawing or other funding of such letters of credit or other instruments or obligations, such drawings or fundings are reimbursed within 30 days;

(10) Indebtedness arising from agreements of the Issuer or any Restricted Subsidiary providing for

indemnification, adjustment of purchase price or similar obligations, in each case, Incurred in connection with the disposition of any business, assets or Capital Stock of a Subsidiary, other than Guarantees or other credit support of Indebtedness or other obligations of any Person acquiring all or any portion of such business, assets or Capital Stock or any Affiliate of such Person; *provided* that:

(A) such Indebtedness is not reflected on the balance sheet of the Issuer or any Restricted Subsidiary (contingent obligations referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will be deemed not to be reflected on such balance sheet for purposes of this clause (10)(A)); and

(B) the maximum liability of the Issuer and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the Fair Market Value of non-cash consideration (measured at the time the definitive agreement pursuant to which such disposition is to be effected is entered into and without giving effect to any subsequent changes in value), agreed by the Issuer and its Restricted Subsidiaries or retained or escrowed in connection with such disposition;

(11) Permitted Shareholder Funding Incurred by the Issuer; and

(12) Indebtedness (other than Indebtedness permitted to be Incurred pursuant to the foregoing paragraph (a) or any other clause of this paragraph (b)) in an aggregate principal amount on the date of Incurrence that, when added to all other Indebtedness Incurred pursuant to this clause (12) and then outstanding, will not exceed €50 million.

(c) Notwithstanding the foregoing, (1) the Issuer will not, and will not permit any Subsidiary Guarantor to, Incur any Indebtedness pursuant to paragraph (b) above if the proceeds thereof are used, directly or indirectly, to repay, prepay, redeem, defease, retire, refund or refinance any Subordinated Obligations unless such Indebtedness will be subordinated to the Notes or the applicable Subsidiary Guarantee, as applicable, to at least the same extent as such Subordinated Obligations and (2) the Issuer will not permit any Restricted Subsidiary that is not a Subsidiary Guarantor to Incur any Indebtedness pursuant to paragraph (b) above if the proceeds thereof are used, directly or indirectly, to Refinance any Indebtedness of the Issuer or any Subsidiary Guarantor (unless the Indebtedness being Refinanced is Bank Indebtedness permitted to be Incurred under the Indenture).

(d) For purposes of determining the outstanding principal amount of any particular Indebtedness Incurred pursuant to this covenant:

(1) Bank Indebtedness Incurred prior to or on the Closing Date shall be treated as Incurred pursuant to clause (1) of paragraph (b) above to the extent of the amount of such clause, and any excess Bank Indebtedness under the Existing Credit Facility outstanding on the Closing Date shall be treated as Incurred pursuant to clause (3) of paragraph (b) above,

(2) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness,

(3) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in this covenant, the Issuer, in its sole discretion, shall classify such Indebtedness and only be required to include the amount of such Indebtedness in one of such clauses and

(4) the outstanding principal amount of any particular Indebtedness shall be counted only once and any obligations arising under any Guarantee, Lien, letter of credit or similar instrument supporting such Indebtedness shall not be double counted.

For the purposes of determining compliance with any restriction on the Incurrence of Indebtedness where Indebtedness is denominated in a currency other than euros, the amount of such Indebtedness will be the Euro Equivalent determined on the date of such determination; *provided*, *however*, that if any such Indebtedness that is denominated in a different currency is subject to a Currency Agreement with respect to euros covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in euros will be adjusted to take into account the effect of such Currency Agreement. The principal amount of any Refinancing Indebtedness Incurred pursuant to paragraph (b) above Incurred in the same currency as the Indebtedness being Refinanced will be the Euro Equivalent of the Indebtedness Refinanced determined on the date such Indebtedness being Refinanced was initially Incurred. Notwithstanding any other provision of this covenant, the maximum amount that the Issuer or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded, with respect to outstanding Indebtedness, due solely to the result of fluctuations in the exchange rates of currencies.

Anti-Layering. A Subsidiary Guarantor may not Incur any Indebtedness if such Indebtedness is by its terms expressly subordinate or junior in ranking in any respect to any Senior Indebtedness of such Subsidiary Guarantor unless such Indebtedness is Senior Subordinated Indebtedness of such Subsidiary Guarantor or is expressly subordinated in right of payment to Senior Subordinated Indebtedness of such Subsidiary Guarantor. In addition, a Subsidiary Guarantor may not Incur any Secured Indebtedness that is not Senior Indebtedness of such Subsidiary Guarantor (except to the extent such Indebtedness is secured only by a Lien arising solely by operation of applicable law) unless contemporaneously therewith effective provision is made to secure the Subsidiary Guarantee of such Subsidiary Guarantor equally and ratably with (or on a senior basis to, in the case of Indebtedness subordinated in right of payment to such Subsidiary Guarantee) such Secured Indebtedness for as long as such Secured Indebtedness is secured by a Lien.

Limitation on Restricted Payments. (a) The Issuer will not, and will not permit any Restricted Subsidiary, directly or indirectly, to:

(1) declare or pay any dividend, make any distribution on or in respect of its Capital Stock or make any similar payment (including any payment in connection with any merger or consolidation involving the Issuer or any Subsidiary of the Issuer) to the direct or indirect holders of its Capital Stock, except (x) dividends or distributions payable solely in its Capital Stock (other than Disqualified Stock or Preferred Stock) and (y) dividends or distributions payable to the Issuer or a Restricted Subsidiary (and, if such Restricted Subsidiary has shareholders other than the Issuer or other Restricted Subsidiaries, to its other shareholders on a basis that is no more favorable to such other shareholders than a pro rata basis),

(2) purchase, repurchase, redeem, retire or otherwise acquire for value any Capital Stock of the Issuer or any Restricted Subsidiary held by Persons other than the Issuer or a Restricted Subsidiary,

(3) purchase, repurchase, redeem, retire, defease or otherwise acquire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment any Subordinated Obligations (other than the purchase, repurchase redemption, retirement, defeasance or other acquisition for value of Subordinated Obligations acquired in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of acquisition), or

(4) make any Investment (other than a Permitted Investment) in any Person (any such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, retirement, or other acquisition or Investment being herein referred to as a "Restricted Payment"), if at the time the Issuer or such Restricted Subsidiary makes such Restricted Payment:

    (A) a Default will have occurred and be continuing (or would result therefrom);

    (B) the Issuer could not Incur at least €1.00 of additional Indebtedness under paragraph (a) of the covenant described under "—Limitation on Indebtedness;" or

    (C) the aggregate amount of such Restricted Payment and all other Restricted Payments (the amount so expended, if other than in cash, to be determined in good faith by the Board of Directors, whose determination will be conclusive and evidenced by a resolution of the Board of Directors) declared or made subsequent to the Closing Date would exceed the sum, without duplication, of:

        (i) 50% of the Consolidated Net Income accrued during the period (treated as one accounting period) from the beginning of the fiscal quarter immediately following the fiscal quarter during which the Closing Date occurs to the end of the most recent fiscal quarter ending at least 45 days prior to the date of such Restricted Payment (or, in case such Consolidated Net Income will be a deficit, minus 100% of such deficit);

(ii) the aggregate Net Cash Proceeds received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock) subsequent to the Closing Date (other than an issuance or sale to (x) a Subsidiary of the Issuer or (y) an employee share ownership plan or other trust to the extent funded by the Issuer or any of its Subsidiaries);

(iii) the amount by which Indebtedness of the Issuer or its Restricted Subsidiaries is reduced on the Issuer's balance sheet upon the conversion or exchange (other than by a Subsidiary of the Issuer) subsequent to the Closing Date of any Indebtedness of the Issuer or its Restricted Subsidiaries issued after the Closing Date which is convertible or exchangeable for Capital Stock (other than Disqualified Stock) of the Issuer (less the amount of any cash or the Fair Market Value of other property distributed by the Issuer or any Restricted Subsidiary upon such conversion or exchange);

(iv) the amount equal to the net reduction in Investments after the Closing Date (other than Permitted Investments) made by the Issuer or a Restricted Subsidiary in any Person (other than an Unrestricted Subsidiary) resulting from repurchases, repayments, redemptions or releases of such Investments in such Person and proceeds realized on the sale or liquidation of such Investment (excluding dividends and distributions), in each case received by the Issuer or a Restricted Subsidiary (except in the case of Investments that are Guarantees) in cash less the cost of such repurchase, repayment, redemption, release, sale or liquidation of such Investment; *provided*, *however*, that such amount shall not exceed, in the case of any Person, the amount of Investments (excluding Permitted Investments) previously made (and treated as a Restricted Payment) by the Issuer or any Restricted Subsidiary in such Person, which amount was included in the calculation of the amount of Restricted Payments; and

(v) the amount equal to the net reduction in Investments in Unrestricted Subsidiaries resulting from (x) payments of dividends, repayments of the principal of loans or advances or other transfers of assets to the Issuer or any Restricted Subsidiary from Unrestricted Subsidiaries or (y) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries (valued in each case as provided in the definition of "Investment") not to exceed, in the case of any Unrestricted Subsidiary, the amount of Investments previously made by the Issuer or any Restricted Subsidiary in such Unrestricted Subsidiary, which amount was included in the calculation of the amount of Restricted Payments.

(b) The provisions of the foregoing paragraph (a) will not prohibit:

(1) any purchase, repurchase, redemption, retirement or other acquisition for value of Capital Stock of the Issuer made by exchange for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Issuer (other than Disqualified Stock and other than Capital Stock issued or sold to a Subsidiary of the Issuer or an employee share ownership plan or other trust to the extent funded by the Issuer or any of its Subsidiaries); *provided*, *however*, that:

(A) such purchase, repurchase, redemption, retirement or other acquisition for value will be excluded in the calculation of the amount of Restricted Payments, and

(B) the Net Cash Proceeds from such sale applied in the manner set forth in this clause (1) will be excluded from the calculation of amounts under clause (4)(C)(ii) of paragraph (a) above;

(2) any prepayment, repayment, purchase, repurchase, redemption, retirement, defeasance or other acquisition for value of Subordinated Obligations of the Issuer or any Restricted Subsidiary made by exchange for, or out of the proceeds of the substantially concurrent sale of, Indebtedness of the Issuer or such Restricted Subsidiary that is permitted to be Incurred pursuant to paragraph (b) of the covenant described under " —Limitation on Indebtedness;" *provided*, *however*, that such prepayment, repayment, purchase, repurchase, redemption, retirement, defeasance or other acquisition for value will be excluded from the calculation of the amount of Restricted Payments;

(3) any prepayment, repayment, purchase, repurchase, redemption, retirement, defeasance or other acquisition for value of Subordinated Obligations from Net Available Cash to the extent permitted by the covenant described under "—Limitation on Sales of Assets and Subsidiary Stock;" *provided*, *however*, that such prepayment, repayment, purchase, repurchase, redemption, retirement, defeasance or other acquisition for value will be excluded from the calculation of the amount of Restricted Payments;

(4) dividends paid within 60 days after the date of declaration thereof if at such date of declaration such dividends would have complied with this covenant; *provided*, *however*, that such dividends will be included in the calculation of the amount of Restricted Payments;

(5) any purchase, repurchase, redemption, retirement or other acquisition for value of ordinary shares, or options to purchase ordinary shares, of the Issuer or any of its Subsidiaries from employees, former employees, directors or former directors of the Issuer or any of its Subsidiaries (or permitted transferees of such employees, former employees, directors or former directors), pursuant to the terms of agreements (including employment agreements) or plans (or amendments thereto) approved by the Board of Directors under which such individuals purchase or sell or are granted the option to purchase or sell, shares of such ordinary shares; *provided*, *however*, that the aggregate amount of such purchases, repurchases, redemptions, retirements and other acquisitions for value will not exceed €5 million in any calendar year; *provided further*, *however*, that such purchase, repurchase, redemption, retirement or other acquisition for value will be included in the calculation of the amount of Restricted Payments; or

(6) any payment of dividends, other distributions or other amounts by the Issuer for the purposes set forth in clauses (A) through (E) below; *provided*, *however*, that such dividends, distributions or other payments set forth in clauses (A), (B) and (D) will be excluded from the calculation of the amount of Restricted Payments and such dividends, distributions or other payments set forth in clauses (C) and (E) will be included in the amount of Restricted Payments:

(A) to any Telenet Holding Company in amounts required for a Telenet Holding Company to pay franchise taxes and other fees required to maintain its corporate existence and provide for other operating expenses in an aggregate amount for all Telenet Holding Companies of up to € 750,000 per fiscal year;

(B) to any Telenet Holding Company in amounts required for a Telenet Holding Company to pay national, regional, state, local and foreign income taxes to the extent such income taxes are attributable to the income of the Issuer and the Restricted Subsidiaries (and, to the extent of amounts actually received from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of such Unrestricted Subsidiaries);

(C) to any Telenet Holding Company to be used solely to pay cash interest when due on Public Debt issued by a Telenet Holding Company; *provided*, *however*, that at the time of such dividends, distributions or other payments, the Leverage Ratio does not exceed 3.5:1;

(D) to any Telenet Holding Company to be used solely to pay fees, costs, taxes and expenses incurred in connection with any issuance of Public Debt referred to in clause (C); and

(E) for any purchase, repurchase, redemption, retirement, defeasance or other acquisition for value of Subordinated Obligations upon a Change of Control to the extent required by the indenture or other agreement or instrument pursuant to which such Subordinated Obligations were issued, but only if the Issuer has first complied with its obligations under the provisions described under "Change of Control";

(7) any payment of dividends, other distributions or other amounts which will be used to fund Specified Affiliate Transactions; *provided*, *however*, that such dividends, distributions or other amounts will be excluded from the calculation of the amount of Restricted Payments;

(8) any purchase, repurchase, redemption, retirement or other acquisition for value of Capital Stock deemed to occur upon exercise of options, warrants or other securities, if such Capital Stock represents a portion of the exercise price of such options, warrants or other securities; *provided*, *however*, that such purchase, repurchase, redemption, retirement or other acquisition for value will be excluded from the calculation of the amount of Restricted Payments;

(9) any payment of dividends, other distributions or other amounts following the first Public Equity Offering following which there is a Public Market of up to 6% per annum of the Net Cash Proceeds from such Public Equity Offering received by the Issuer (or contributed in cash to the Issuer's equity (other than through the issuance of Disqualified Stock)); *provided*, *however*, that either (x) such Public Equity Offering was of ordinary shares of the Issuer and such dividends, distributions or other amounts are paid to holders of ordinary shares of the Issuer or (y) such Public Equity Offering was of ordinary shares of a Telenet Holding Company and the dividends, distributions or other amounts are used by such Telenet Holding Company to pay dividends, distributions or other amounts to holders of ordinary shares of such Telenet Holding Company; *provided*, *further*, that such dividends, distributions or other amounts will be included in the calculation of the amount of Restricted Payments;

(10) any purchase, repurchase, redemption, retirement or other acquisition for value of fractional shares of Capital Stock (other than Disqualified Stock) of the Issuer or a Telenet Holding Company or any payment of dividends, other distributions or other amounts to any Telenet Holding Company to fund any such purchase, repurchase, redemption, retirement or other acquisition for value, in either case, arising out of share dividends, splits or combinations or business combinations effected in good faith after the first Public Equity Offering following which there is a Public Market; *provided*, *however*, that such purchase, repurchase, redemption, retirement or other acquisition for value will be included in the calculation of Restricted Payments; and

(11) any other Restricted Payments in an aggregate amount at any time outstanding, when taken together with all other Restricted Payments made pursuant to this clause (11), not to exceed €25 million; *provided*, *however*, that any repayments or other reductions of Investments made pursuant to this clause (11) shall not be counted for purposes of clause (a)(4)(C)(iv) or (a)(4)(C)(v) of this covenant; *provided further*, *however*, that such Restricted Payments will be included in the calculation of the amount of Restricted Payments;

provided, *however*, that at the time of any Restricted Payment referred to in clause (6)(C), (6)(E), (10) or (11) of this paragraph, no Default or Event of Default has occurred and is continuing (or would result from such Restricted Payment).

Limitation on Restrictions on Distributions from Restricted Subsidiaries. The Issuer will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock or pay any Indebtedness or other obligations owed to the Issuer or a Restricted Subsidiary of which it is a Subsidiary;

(2) make any loans or advances to the Issuer or a Restricted Subsidiary of which it is a Subsidiary; or

(3) transfer any of its property or assets to the Issuer or a Restricted Subsidiary of which it is a Subsidiary except:

(A) any encumbrance or restriction pursuant to (i) applicable law, rule, regulation, order or governmental license, permit or concession or (ii) an agreement in effect at or entered into on the Closing Date;

(B) any encumbrance or restriction with respect to a Restricted Subsidiary pursuant to an agreement relating to any Indebtedness Incurred by such Restricted Subsidiary prior to the date on which such Restricted Subsidiary was acquired by the Issuer (other than Indebtedness Incurred as consideration for, in contemplation of, or to provide all or any portion of the funds or credit support utilized to, consummate the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary or was otherwise acquired by the Issuer) and outstanding on such date;

(C) any encumbrance or restriction pursuant to an agreement effecting a Refinancing of Indebtedness Incurred pursuant to an agreement referred to in clause (A) or (B) of this covenant or this clause (C) or contained in any amendment to an agreement referred to in clause (A) or (B) of this covenant or this clause (C); *provided*, *however*, that the encumbrances and restrictions, taken as a whole, contained in any such Refinancing agreement or amendment are no less favorable to the Holders than the encumbrances and restrictions contained in such predecessor agreements;

(D) in the case of clause (3), any encumbrance or restriction

   (i) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract,

   (ii) encumbering property at the time such property was acquired by the Issuer or any Restricted Subsidiary so long as such restriction relates solely to the property so acquired (other than any encumbrance or restriction created as consideration for, in contemplation of, in connection with or pursuant to the provision of, all or any portion of the funds or credit support utilized to consummate the transaction or series of related transactions pursuant to which such property was otherwise acquired by the Issuer),

   (iii) under agreements relating to Purchase Money Indebtedness Incurred that impose customary restrictions on the property subject to such Purchase Money Indebtedness or

   (iv) relating to Indebtedness that is permitted to be Incurred and secured without also securing the Notes or the applicable Subsidiary Guarantee pursuant to the covenants described under "—Limitation on Indebtedness" and "—Limitation on Liens" that limit the right of the debtor to dispose of the property securing such Indebtedness;

(E) any customary encumbrance or restriction imposed with respect to a Restricted Subsidiary pursuant to an agreement entered into for the sale or disposition of all or substantially all the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition;

(F) any customary encumbrance or restriction on cash or other deposits or net worth imposed customers under contracts entered into in the ordinary course of business; and

(G) any encumbrance or restriction pursuant to an agreement governing any Bank Indebtedness of a Restricted Subsidiary permitted to be Incurred subsequent to the Closing Date pursuant to the covenant described under " —Limitation on Indebtedness" if the encumbrances and restrictions contained in any such agreement, taken as a whole, are no less favorable to the Holders than the encumbrances and restrictions contained in the agreement governing the Existing Credit Facility in effect on the Closing Date.

Limitation on Sales of Assets and Subsidiary Stock. (a) The Issuer will not, and will not permit any Restricted Subsidiary to, make any Asset Disposition unless:

(1) the Issuer or such Restricted Subsidiary receives consideration (including by way of relief from, or by any other Person assuming sole responsibility for, any liabilities, contingent or otherwise) at the time of such Asset Disposition at least equal to the Fair Market Value of the shares and assets subject to such Asset Disposition,

(2) at least 75% of the consideration thereof received by the Issuer or such Restricted Subsidiary is in the form of cash or Temporary Cash Investments, and

(3) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the Issuer (or such Restricted Subsidiary, as the case may be)

(A) *first*, to the extent the Issuer elects (or is required by the terms of any Indebtedness), to permanently prepay or repay, purchase, repurchase, redeem, retire, defease or otherwise acquire for value Senior Indebtedness of the Issuer, Senior Indebtedness or Senior Subordinated Indebtedness of a Subsidiary Guarantor or Indebtedness of a Subsidiary of the Issuer that is not a Subsidiary Guarantor (in each case, other than Indebtedness owed to the Issuer, a Subsidiary of the Issuer or a Person of which the Issuer is a Subsidiary and other than obligations in respect of Disqualified Stock);

(B) *second*, to the extent of the balance of Net Available Cash after application in accordance with clause (A), to the extent the Issuer or such Restricted Subsidiary elects, to reinvest in Additional Assets (including by means of an Investment in Additional Assets by a Restricted Subsidiary with Net Available Cash received by the Issuer or another Restricted Subsidiary);

(C) *third*, to the extent of the balance of such Net Available Cash not applied in accordance with clauses (A) and (B) within 360 days from the later of such Asset Disposition or the receipt of such Net Available Cash (*provided*, *however*, that such 360-day period shall be extended by up to 180 days to the extent a binding contractual commitment to reinvest in or purchase Additional Assets shall have been entered into by such 360th day to the extent such commitment remains in effect and the planned reinvestment or purchase has not been abandoned or cancelled), to make an Excess Proceeds Offer (as defined in paragraph (b) of this covenant below) to purchase Notes pursuant to and subject to the conditions set forth in paragraph (b) of this covenant, subject to proration as described in paragraph (b) below; and

(D) *fourth*, to the extent of the balance of such Net Available Cash after application in accordance with clauses (A), (B) and (C), for any general corporate purpose permitted by the terms of the Indenture;

provided, *however*, that in connection with any permanent prepayment or repayment, purchase, repurchase, redemption, retirement, defeasance or other acquisition for value of Indebtedness pursuant to clause (A), (C) or (D) above, the Issuer or such Restricted Subsidiary will retire such Indebtedness and will cause the related loan commitment (if any) to be permanently reduced in an amount equal to the principal amount so permanently prepaid or repaid, purchased, repurchased, redeemed, retired, defeased or otherwise acquired for value. Notwithstanding anything to the contrary in this covenant, clause (2) of this paragraph (a) shall not apply to a Canal+ Content Disposition.

Notwithstanding the foregoing provisions of this covenant, the Issuer and the Restricted Subsidiaries will not be required to apply any Net Available Cash in accordance with this covenant except to the extent that the aggregate Net Available Cash from all Asset Dispositions that is not applied in accordance with this covenant exceeds €10 million.

For the purposes of clause (2) of paragraph (a) of this covenant, the following are deemed to be cash:

- the assumption of Indebtedness of the Issuer or any Restricted Subsidiary (other than Subordinated Obligations) and the release of the Issuer or such Restricted Subsidiary from all liability on such

Indebtedness in connection with such Asset Disposition,

- securities received by the Issuer or any Restricted Subsidiary from the transferee that are promptly converted by the Issuer or such Restricted Subsidiary into cash and

- Additional Assets received by the Issuer or any Restricted Subsidiary.

(b) In the event of an Asset Disposition that requires the purchase of Notes pursuant to clause (a)(3)(C) of this covenant, the Issuer will be required to purchase Notes tendered pursuant to an offer by the Issuer for the Notes (an "Excess Proceeds Offer"), which Excess Proceeds Offer shall be in the amount of the Allocable Excess Proceeds, on a pro rata basis according to principal amount, at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest thereon, if any, to the purchase date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), in accordance with the procedures (including prorating in the event of over-subscription) set forth in the Indenture. To the extent that any portion of the amount of Net Available Cash remains after compliance with the preceding sentence, the Issuer will apply the remaining Net Available Cash in accordance with clause (a)(3)(D) of this covenant. The Issuer will not be required to make an Excess Proceeds Offer for Notes (and other Senior Indebtedness) pursuant to this covenant if the Net Available Cash available therefor (after application of the proceeds as provided in clauses (a)(3)(A) and (a)(3)(B)) is less than €10 million for any particular Asset Disposition (which lesser amount will be carried forward for purposes of determining whether an Excess Proceeds Offer is required with respect to the Net Available Cash from any subsequent Asset Disposition).

The term "Allocable Excess Proceeds" means the product of:

(x) the amount of Net Available Cash remaining after application in accordance with clauses (a)(3)(A) and (a)(3)(B) above and

(y) a fraction,

(1) the numerator of which is the aggregate principal amount of the Notes outstanding on the date of an Excess Proceeds Offer, plus accrued and unpaid interest thereon, if any, to such date, and

(2) the denominator of which is the sum of the aggregate principal amount of the Notes outstanding on the date of such Excess Proceeds Offer, plus accrued and unpaid interest thereon, if any, to such date, and the aggregate principal amount (or accreted value in the case of Indebtedness with original issue discount) of other Senior Indebtedness of the Issuer outstanding on the date of such Excess Proceeds Offer, plus accrued and unpaid interest thereon, if any, to such date, that is *pari passu* in right of payment with the Notes and subject to terms and conditions in respect of Asset Dispositions similar in all material respects to the covenant described hereunder and requiring the Issuer to make an offer to purchase such Senior Indebtedness at substantially the same time as such Excess Proceeds Offer.

(c) The Issuer will comply with the requirements of Section 14(e) of the Exchange Act and any applicable securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this covenant by virtue thereof.

Limitation on Transactions with Affiliates. (a) The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Issuer (an "Affiliate Transaction") unless such transaction is on terms:

(1) that are no less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained at the time of such transaction in arm's-length dealings with a Person who is not such an Affiliate,

(2) that, in the event such Affiliate Transaction involves an aggregate amount in excess of €10 million,

(A) are set forth in writing, and

(B) have been approved by a majority of the members of the Board of Directors having no personal stake in such Affiliate Transaction, and

(3) that, in the event such Affiliate Transaction involves an aggregate amount in excess of €25 million, have been determined by an Independent Financial Advisor to be fair, from a financial standpoint, to the Issuer and its Restricted Subsidiaries.

(b) The provisions of the foregoing paragraph (a) will not prohibit:

(1) any Restricted Payment permitted to be paid pursuant to the covenant described under "—Limitation on Restricted Payments,"

(2) any issuance of securities, or other payments, awards or grants in cash, securities (including stock options and similar rights) or similar transfers to employees and directors of the Issuer and its Subsidiaries pursuant to, or for the purpose of funding, employment arrangements, stock options and share ownership plans approved by the Board of Directors,

(3) any loans or advances, or Guarantees of third-party loans, to directors, officers and employees in the ordinary course of business in accordance with past practices of the Issuer or a Restricted Subsidiary, as applicable, but in any event not to exceed €10 million in the aggregate outstanding at any one time,

(4) the payment of reasonable fees and indemnities (including under customary insurance) to directors and officers of the Issuer and any of its Subsidiaries,

(5) any transaction between the Issuer and a Restricted Subsidiary or between Restricted Subsidiaries or with any joint venture or similar entity that would constitute an Affiliate Transaction solely because the Issuer or a Restricted Subsidiary owns an equity interest in or otherwise controls such joint venture or similar entity,

(6) any Specified Affiliate Transaction, or any agreement (other than a Specified Affiliate Transaction) in effect on the Closing Date or any amendment or other modification thereto (so long as such amendment or other modification is not disadvantageous to the Holders in any material respect) or any transactions pursuant thereto,

(7) the issuance and sale of Capital Stock (other than Disqualified Stock) of the Issuer to (A) any Telenet Holding Company or (B) any officer or director of the Issuer, any Restricted Subsidiary or any Telenet Holding Company and

(8) maintenance in the ordinary course of business of the Issuer or the applicable Restricted Subsidiary of customary employee benefit plans or arrangements, including vacation plans, health and life insurance plans, deferred compensation plans, retirement and savings plans.

Limitation on the Sale or Issuance of Capital Stock of Restricted Subsidiaries. The Issuer will not sell or otherwise dispose of any shares of Capital Stock of a Restricted Subsidiary, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell or otherwise dispose of any shares of its Capital Stock except:

(1) to the Issuer or another Restricted Subsidiary,

(2) the issuance and sale to a director of such Restricted Subsidiary of shares of Capital Stock of such Restricted Subsidiary as directors' qualifying shares, to the extent required by applicable law,

(3) the Incurrence of a Lien permitted under the covenant described under "—Limitation on Liens" (solely

to the extent such Incurrence constitutes a disposition of the Capital Stock subject to such Lien under applicable law),

(4) the issuance and sale to a citizen of a jurisdiction of shares of Capital Stock of such Restricted Subsidiary, to the extent required by the applicable law of such jurisdiction,

(5) if, immediately after giving effect to such issuance, sale or other disposition, neither the Issuer nor any of its Restricted Subsidiaries own any Capital Stock of such Restricted Subsidiary,

(6) if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any Investment in such Person remaining after giving effect thereto would have been permitted to be made under the covenant described under " —Limitation on Restricted Payments" if made on the date of such issuance, sale or other disposition (and such Investment shall be deemed to be an Investment for the purposes of such covenant) (disregarding clause (9) of the definition of "Permitted Investment") or

(7) in the case of a Restricted Subsidiary that is not a Wholly Owned Subsidiary of the Issuer, the issuance by such Restricted Subsidiary of Capital Stock to the holders of the Capital Stock of such Restricted Subsidiary on a basis that is no more favorable to the shareholders of such Restricted Subsidiary (other than the Issuer and its Restricted Subsidiaries) than a pro rata basis.

Limitation on Liens. The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, Incur or permit to exist any Lien of any nature whatsoever (any such Lien, an "Initial Lien") on any of its property or assets (including Capital Stock of a Restricted Subsidiary), whether owned at the Closing Date or thereafter acquired, other than Permitted Liens, without effectively providing that the Notes shall be secured equally and ratably with (or prior to) the obligations so secured for so long as such obligations are so secured.

Any Lien created for the benefit of the Holders pursuant to the immediately preceding paragraph may provide by its terms that (a) such Lien will be automatically and unconditionally released and discharged (1) upon the full and unconditional release and discharge of the Initial Lien or (2) with respect to any Subsidiary Guarantor the assets or the Capital Stock of which are encumbered by such Lien, upon the release of the Subsidiary Guarantee of such Subsidiary Guarantor in accordance with the provision described under "Subsidiary Guarantees" and (b) the Person in favor of whom such Initial Lien was created may exclusively control the disposition of property subject to such Initial Lien.

Ongoing Reporting. So long as the Notes are outstanding, the Issuer will furnish to the Trustee, without cost to the Trustee (who, at the Issuer's expense, will furnish by mail to the Holders):

(1) within 120 days after the end of each fiscal year, annual reports of Parent containing substantially the same information required to be contained in an Annual Report of Foreign Private Issuer on Form 20-F under the Exchange Act, as in effect on the Closing Date, including (A) audited financial statements prepared in accordance with GAAP, (B) a presentation of EBITDA of Parent derived from such financial statements and (C) the information contained in Annex B of this offering memorandum updated as of the end of such fiscal year; *provided* that such information need be provided only to the extent that material changes to such information have occurred from the last set of such information set forth in Annex B or provided for the preceding fiscal year, as the case may be;

(2) within 60 days after the end of each of the first three fiscal quarters of each fiscal year, reports of Parent containing substantially the same information required to be contained in a Quarterly Report on Form 10-Q under the Exchange Act, as in effect on the Closing Date, including (A) unaudited financial statements prepared in accordance with GAAP and (B) a presentation of EBITDA of Parent derived from such financial statements; *provided* that solely with respect to the quarter ending December 31, 2003, the Issuer shall be required to provide such a report within 75 days after the end of such quarter; *provided*, *further*, that, in any such report, quarterly financial and operating information for the quarters ended during the fiscal years ending December 31, 2002 and 2003, shall only be required to be presented on a basis comparable to the quarterly financial and operating information set forth in this offering memorandum; and

(3) promptly from time to time after the occurrence of an event required to be therein reported, such other reports containing substantially the same information required to be contained in a Current Report on Form 8-K under the Exchange Act, as in effect on the Closing Date;

provided, however, that such reports shall not be required to (a) contain any certifications required by the applicable form, (b) contain separate financial statements for Subsidiary Guarantors or Subsidiaries the shares of which are pledged to secure the Notes or any Subsidiary Guarantee that would be required under Item 3-10 or Item 3-16 of Regulation S-X, respectively, promulgated by the SEC to the extent that condensed consolidating footnote disclosure containing at least the types of information included in this offering memorandum is included therein, (c) comply with Regulation G under the Exchange Act or Item 10(e) of Regulation S-K promulgated by the SEC with respect to any non-GAAP financial measures contained therein or (d) contain any financial statements of acquired companies or related *pro forma* information that would otherwise be required, except to the extent such financial statements and information is available without unreasonable expense; *provided further, however,* such reports shall contain an explanation and quantification of any material differences between Parent's financial condition and results of operation, together with information of the type presented under "Capitalization" in this offering memorandum with respect to the Issuer and its subsidiaries.

At any time that any of the Issuer's Subsidiaries are Unrestricted Subsidiaries, then the quarterly and annual financial information required by the preceding paragraph will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, and in "Management's Discussion and Analysis of Financial Condition and Results of Operations" or other comparable section, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

In addition, the Issuer will furnish to the holders of the Notes and to prospective investors, upon request of such holders, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as the Notes are not freely tradable under the Securities Act.

The Issuer will also make available copies of all reports required by clauses (1) through (3) above (x) on the Issuer's website, (y) to the newswire or other service of Bloomberg L.P. or, if Bloomberg L.P. does not then operate any such service, any similar agency and (z) if and so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, at the specified office of the Luxembourg Transfer Agent.

Limitation on Activities. The Issuer will not, and will not permit any Restricted Subsidiary to, engage in any business, other than a Permitted Business.

Limitation on Sale/Leaseback Transactions. The Issuer will not, and will not permit any Restricted Subsidiary to, enter into any Sale/Leaseback Transaction with respect to any property unless:

(1) the Issuer or such Restricted Subsidiary would be entitled to:

  (A) Incur Indebtedness in an amount equal to the Attributable Debt with respect to such Sale/Leaseback Transaction pursuant to the covenant described under "—Limitation on Indebtedness" and

  (B) create a Lien on such property securing such Attributable Debt without equally and ratably securing the Notes pursuant to the covenant described under "—Limitation on Liens,"

(2) the net proceeds received by the Issuer or such Restricted Subsidiary in connection with such Sale/Leaseback Transaction are at least equal to the Fair Market Value of such property and

(3) the transfer of such property is permitted by, and the Issuer applies the proceeds of such transaction in compliance with, the covenant described under "—Limitation on Sales of Assets and Subsidiary Stock."

Impairment of Security Interest. The Issuer will not, and will not permit any Restricted Subsidiary to, take or omit to take any action that might have the result of materially impairing the security interest with respect to the Collateral for the benefit of the Junior Security Agent as joint creditor together with the Holders, and the Issuer will not, and will not permit any Restricted Subsidiary to, grant to any Person other than the Junior Security Agent as joint creditor together with the holders of the Notes (but excluding any Additional Notes), any interest whatsoever in the Collateral, except as a result of Permitted Collateral Liens; *provided*, *however*, that a Security Agreement or the Parent Intercompany Loan Pledge may not be amended, extended, renewed, restated, supplemented or otherwise modified or replaced, unless contemporaneously with such amendment, extension, renewal, restatement, supplement, modification or replacement, the Issuer delivers to the Trustee an Opinion of Counsel, in form and substance substantially similar to the opinions delivered with respect to the Security Agreements on the Closing Date and subject to such qualifications and reservations, including as to bankruptcy laws, customary at that time or otherwise in form and substance determined by the Trustee to be satisfactory, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, the Lien or Liens created under such Security Agreement or the Parent Intercompany Loan Pledge, as applicable, so amended, extended, renewed, restated, supplemented, modified or replaced are valid and perfected Liens not otherwise subject to any limitation or imperfection, in equity or at law, that such Lien or Liens were not subject to when originally granted. Notwithstanding anything to the contrary, the foregoing shall not apply to a Share Pledge over (a) the shares of MixtICS ceasing to be in effect solely as a result of a merger of MixtICS into Telenet Operaties or (b) the shares of Telenet Operaties ceasing to be in effect solely as a result of a merger of Telenet Operaties into Telenet Bidco, in each case, that complies with the requirements set forth below under "Merger and Consolidation."

The Indenture further provides that the Issuer will not, and the Issuer will not permit any Subsidiary Guarantor to, amend, extend, renew, restate, supplement or otherwise modify or replace, or enter into any consent or waiver under, any Proceeds Loan Agreement, the Junior Subordinated Parent Intercompany Loan Agreement, the Junior Subordinated Parent Intercompany Loan Intercreditor Agreement, any Security Agreement or the Parent Intercompany Loan Pledge in a manner adverse to the interests of the Holders, subject, in the case of an amendment to any Security Agreement or the Parent Intercompany Loan Pledge, to the immediately preceding paragraph and except for amendments necessary to cure any ambiguity, omission, defect or inconsistency in any such agreement. To the extent necessary to give effect to any Lien permitted to be Incurred as a Permitted Collateral Lien securing on a first priority basis new Bank Indebtedness, the Trustee will be required by the terms of the Indenture to direct the Junior Security Agent to, and the Junior Security Agent will be required to, release and re-take any security interest in the Collateral; *provided* that the Issuer shall have provided the Trustee with an Officers' Certificate to the effect that the Collateral will not be subject to any Lien to which it was not subject prior to such release and re-taking, except a Permitted Collateral Lien.

Merger and Consolidation

The Issuer will not consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, unless:

(1) the resulting, surviving or transferee Person (the "Successor Company") will be a corporation organized and existing under the laws of any country that is a Member State on the Closing Date, the United States of America, any State thereof or the District of Columbia and the Successor Company (if not the Issuer) will expressly assume, by a supplemental indenture, executed and delivered to the Trustee, in form and substance satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Indenture;

(2) immediately after giving effect to such transaction (and treating any Indebtedness which becomes an obligation of the Successor Company or any Restricted Subsidiary as a result of such transaction as having been Incurred by the Successor Company or such Restricted Subsidiary at the time of such transaction), no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction, the Successor Company would be able to Incur an additional €1.00 of Indebtedness under paragraph (a) of the covenant described under "Certain Covenants—Limitation on Indebtedness;"

(4) the Issuer shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply

with the Indenture; and

(5) the Issuer shall have delivered to the Trustee an Opinion of Counsel to the effect that the Holders will not recognize income, gain or loss for U.S. Federal or U.K. income tax purposes or for income tax purposes of the jurisdiction of organization of the Issuer or the Successor Company as a result of such transaction and will be subject to U.S. Federal income tax in the U.S., and income tax in such other jurisdictions, on the same amounts and at the same times as would be the case if such transaction had not occurred and, as a result of such transaction, there will be no additional Belgian withholding taxes and no withholding taxes of any other jurisdiction imposed on any payments made pursuant to the Notes.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture, but the predecessor Issuer in the case of a conveyance, transfer or lease of all or substantially all its assets will not be released from the obligation to pay the principal of and interest on the Notes.

In addition, the Issuer will not permit any Subsidiary Guarantor that is a Restricted Subsidiary to consolidate with or merge with or into, or convey, transfer or lease all or substantially all of its assets to any Person unless:

(1) the resulting, surviving or transferee Person (the "Successor Guarantor") will be a corporation organized and existing under the laws of a country that is a Member State on the Closing Date, the United States of America, any State thereof or the District of Columbia, and such Person (if not such Subsidiary Guarantor) will expressly assume, by a supplemental indenture, executed and delivered to the Trustee, in form and substance satisfactory to the Trustee, all the obligations of such Subsidiary Guarantor under its Subsidiary Guarantee;

(2) immediately after giving effect to such transaction (and treating any Indebtedness which becomes an obligation of the Successor Guarantor or any Restricted Subsidiary as a result of such transaction as having been Incurred by the Successor Guarantor or such Restricted Subsidiary at the time of such transaction), no Default shall have occurred and be continuing; and

(3) the Issuer will have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture.

Notwithstanding the foregoing:

(A) any Restricted Subsidiary may consolidate with, merge into or transfer all or part of its properties and assets to the Issuer or any Subsidiary Guarantor that is a Restricted Subsidiary; *provided*, *however*, that no Restricted Subsidiary shall be permitted to consolidate with, merge into or transfer all or part of its properties and assets to any Subsidiary Guarantor if following such consolidation, merger or transfer such Subsidiary Guarantor would be prohibited by applicable law from continuing to provide a Subsidiary Guarantee or the amount of such Subsidiary Guarantee would be required to be limited to a greater extent than immediately prior to such consolidation, merger or transfer and

(B) the Issuer may merge with an Affiliate incorporated solely for the purpose of reincorporating the Issuer in another jurisdiction to realize tax or other benefits.

Defaults

Each of the following is an Event of Default:

(1) a default in any payment of interest on any Note when due and payable continued for 30 days,

(2) a default in the payment of principal of any Note when due and payable at its Stated Maturity, upon required redemption or repurchase, upon declaration or otherwise,

(3) the failure to comply with obligations under the covenant described under "Merger and Consolidation" above,

(4) the failure to comply for 30 days after notice with any obligations under the covenants described under "Change of Control," "Payments of Additional Amounts" or "Certain Covenants" above (in each case, other than a failure to purchase Notes),

(5) the failure to comply for 60 days after notice with any other agreement contained in the Notes or the Indenture,

(6) the failure by the Issuer or any Subsidiary to pay any Indebtedness within any applicable grace period after final maturity or the acceleration of any such Indebtedness by the holders thereof because of a default if the total amount of such Indebtedness unpaid or accelerated exceeds €15 million or its equivalent in another currency (the "cross-acceleration provision"),

(7) certain events of bankruptcy, insolvency or reorganization of the Issuer, Telenet Bidco or a Significant Subsidiary (the "bankruptcy provisions"),

(8) the rendering of any judgment or decree for the payment of money in excess of €15 million or its equivalent in another currency against the Issuer or a Subsidiary if:

(A) an enforcement proceeding thereon is commenced by any creditor or

(B) such judgment or decree remains outstanding for a period of 60 days following such judgment and is not discharged, waived or stayed before the end of such period (the "judgment default provision"),

(9) any Subsidiary Guarantee or the guarantee of the Operaties Proceeds Loan by MixtICS ceases to be in full force and effect (except as contemplated by the terms thereof) or any Subsidiary Guarantor or MixtICS or Person acting by or on behalf of such Subsidiary Guarantor or MixtICS denies or disaffirms such Subsidiary Guarantor's or MixtICS's obligations under the Indenture, any Subsidiary Guarantee or the guarantee of the Operaties Proceeds Loan, as applicable, and such Default continues for 10 days after the notice specified in the Indenture or

(10) a security interest under any Security Agreement or the Parent Intercompany Loan Pledge shall, at any time, cease to be in full force and effect for any reason other than the satisfaction in full of all obligations under the Indenture or the release of such security interest in accordance with the terms of the Indenture or any such Security Agreement or any security interest created thereunder shall be declared invalid or unenforceable or the Issuer or any Subsidiary Guarantor shall assert that any such security interest is invalid or unenforceable, and such Default continues for 10 days after the notice specified in the Indenture.

The foregoing will constitute Events of Default whatever the reason for any such Event of Default and whether it is voluntary or involuntary or is effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body.

However, a default under clause (4), (5), (9) or (10) will not constitute an Event of Default until the Trustee notifies the Issuer or the Holders of at least 25% in principal amount of the outstanding Notes notify the Issuer and the Trustee of the default and the Issuer, the Subsidiary or the Subsidiary Guarantor, as applicable, does not cure such default within the time specified in clause (4), (5), (9) or (10) hereof after receipt of such notice. Such notice must specify the Default, demand that it be remedied and state that such notice is a notice of Default.

If an Event of Default (other than an Event of Default relating to certain events of bankruptcy, insolvency or reorganization of the Issuer or Telenet Bidco) occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes by notice to the Issuer may declare the principal of and accrued but unpaid interest on all the Notes to be due and payable. Upon such a declaration, such principal and interest will be due and payable immediately. If an Event of Default relating to certain events of bankruptcy, insolvency or reorganization of the

Issuer or Telenet Bidco occurs, the unpaid principal of and interest on all the Notes will become immediately due and payable without any declaration or other act on the part of the Trustee or any Holders. Under certain circumstances, the Holders of a majority in principal amount of the outstanding Notes may rescind any such acceleration with respect to the Notes and its consequences.

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 of the Holders unless such Holders have offered to the Trustee indemnity or security satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium (if any) or interest when due, no Holder may pursue any remedy 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 principal amount of the outstanding Notes have requested the Trustee in writing to pursue the remedy,

(3) such Holders have offered the Trustee security or indemnity satisfactory to the Trustee 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 satisfactory to the Trustee and

(5) the Holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Notes will be given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Trustee, however, may refuse to follow any direction that the Trustee determines (after consultation with counsel) conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that may involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

If a Default occurs and is continuing and is known to the Trustee, the Trustee must mail to each Holder notice of the Default within the earlier of 90 days after it occurs or 30 days after it is known to a Trust Officer or written notice of it is received by the Trustee. Except in the case of a Default in the payment of principal of, premium (if any) or interest on any Note (including payments pursuant to the redemption provisions of such Note), the Trustee may withhold notice if and so long as a committee of its Trust Officers in good faith determines that withholding notice is in the interests of the Holders. In addition, the Issuer will be required to deliver to the Trustee, within 120 days after the end of each fiscal year, a certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Issuer will also be required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any event which would constitute certain Events of Default, their status and what action the Issuer is taking or proposes to take in respect thereof.

Amendments and Waivers

Subject to certain exceptions, the Indenture or the Notes may be amended with the consent of the Holders of a majority in principal amount of the Notes then outstanding voting (either in person or by proxy) at a duly convened meeting and any past default or compliance with certain provisions may be waived with the consent of the Holders of a majority in principal amount of the Notes then outstanding. However, with respect to the Notes, without the affirmative vote at a duly convened meeting of each Holder of an outstanding Note affected, no amendment may, among other things:

(1) reduce the amount of Notes whose Holders must consent to an amendment,

(2) reduce the rate of or extend the time for payment of interest on any Note,

(3) reduce the principal of or extend the Stated Maturity of any Note,

(4) reduce the premium payable upon the redemption of any Note or change the time at which any Note may be redeemed as described under "Optional Redemption" above,

(5) make any Note payable in money other than that stated in the Note,

(6) make any change to the subordination provisions of the Indenture that adversely affects the rights of any Holder,

(7) impair the right of any Holder to receive payment of principal of, and interest 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,

(8) make any change in the amendment provisions which require each Holder's consent or in the waiver provisions,

(9) modify the Subsidiary Guarantees in any manner adverse to the Holders or

(10)

(A) release the security interest granted for the benefit of the Holders in the Collateral other than pursuant to the terms of the Security Agreements, the Parent Intercompany Loan Pledge, the Intercreditor Agreement or the Junior Subordinated Parent Intercompany Loan Intercreditor Agreement or as otherwise permitted by the Indenture, or

(B) release any other security interest that may have been granted in favor of the Holders of the Notes other than pursuant to the terms of such security interest or as otherwise permitted by the Indenture.

With respect to the Notes, without the consent of any Holder, Parent, the Issuer, the Subsidiary Guarantors, the Trustee and the Junior Security Agent may amend the Indenture to:

- cure any ambiguity, omission, defect or inconsistency; *provided* that such amendment does not, in the opinion of the Trustee, adversely affect the rights of any Holder in any material respect,

- provide for the assumption by a successor corporation of the obligations of the Issuer under the Indenture,

- provide for uncertificated Notes in addition to or in place of certificated Notes (*provided*, *however*, that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code, or in a manner such that the uncertificated Notes are described in Section 163(f)(2)(B) of the Code),

- to make any change in the subordination provisions of the Indenture that would limit or terminate the benefits available to any holder of Senior Indebtedness of the Issuer or a Subsidiary Guarantor (or any Representative thereof) under such subordination provisions,

- add additional Guarantees with respect to the Notes or to release Subsidiary Guarantors from Subsidiary Guarantees as provided by the terms of the Indenture,

- add to the covenants of the Issuer for the benefit of the Holders or to surrender any right or power conferred upon the Issuer or any of its subsidiaries,

- make any change that does not in the opinion of the Trustee adversely affect the rights of any Holder, subject to the provisions of the Indenture,

- provide for the issuance of Additional Notes,

- further secure the Notes or release all or any portion of the Collateral pursuant to the terms of the Security Agreements,

- mortgage, pledge, hypothecate or grant a security interest in any Collateral or other property for the benefit of any Person; *provided, however*, that the granting of such security interest is not prohibited by the Indenture and the covenants described under "Certain Covenants—Impairment of Security Interest" and "—Limitation on Liens" are complied with or

- the extent permitted by the covenant described under "Additional Intercreditor Agreements."

However, no amendment may be made to the subordination provisions of the Indenture that adversely affects the rights of any holder of Senior Indebtedness of a Subsidiary Guarantor then outstanding unless the holders of such Senior Indebtedness (or any group or Representative thereof authorized to give a consent) consent to such change.

The Indenture will contain provisions governing the conduct of meetings of Holders. Among other things, these provisions will provide that (a) the Issuer or Holders of at least 20% in aggregate principal amount of the Notes outstanding will be permitted to call a meeting of Holders for the purpose of amendments to or modifications of the terms of the Notes or the Indenture by publishing a notice in accordance with Belgian law (in addition to any notice requirements imposed by the Luxembourg Stock Exchange, for so long as the Notes are listed thereon), (b) the quorum requirement for such meeting will be the presence (either in person or by proxy) of Holders of at least 50% in aggregate principal amount of the Notes outstanding, (c) if a quorum is not present at upon the first convocation of a meeting, a second meeting may be convened for the same purpose for which there is no quorum requirement and (d) in the case of clause (b) or (c), the affirmative vote of Holders of a majority in aggregate principal amount of the Notes outstanding or the vote of each Holder affected thereby, as applicable, would be required to approve a proposed amendment or modification.

After an amendment becomes effective, the Issuer is required to mail to Holders a notice briefly describing such amendment. However, the failure to give such notice to all Holders, or any defect therein, will not impair or affect the validity of the amendment.

There is some uncertainty as to whether Belgian law may impose different requirements for amendments and other modifications than those described above. See "Risk Factors—Risks Related to the Subsidiary Guarantees, Pledges and Belgian Law—It is possible that a court may apply voting and meeting provisions of Belgian law which are different than the requirements in the indenture which may prejudice your interests."

Acts by Holders

In determining whether the Holders of the required principal amount of the Notes have concurred in any direction, waiver or consent, the Notes owned by the Issuer, any Subsidiary Guarantor or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuer or any Subsidiary Guarantor will be disregarded and deemed not to be outstanding.

Defeasance

The Issuer may at any time terminate all its obligations under the Notes and the Indenture ("legal defeasance"), except for certain obligations, including those respecting the defeasance trust and obligations to register the transfer or exchange of the Notes, to replace mutilated, destroyed, lost or stolen Notes and to maintain a registrar and paying agent in respect of the Notes.

In addition, the Issuer may at any time terminate:

(1) its obligations under the covenants described under "Certain Covenants" and

(2) the operation of the cross-acceleration provision, the bankruptcy provisions with respect to Telenet Bidco and Significant Subsidiaries and the judgment default provision described under "Defaults" above and the limitation contained in clause (3) under the first paragraph of "Merger and Consolidation"

above ("covenant defeasance").

In the event that the Issuer exercises its legal defeasance option or its covenant defeasance option, each Subsidiary Guarantor will be released from all of its obligations with respect to its Subsidiary Guarantee and the Collateral (other than the Collateral deposited in the defeasance trust (as described below)) will be released.

The Issuer may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect thereto. If the Issuer exercises its covenant defeasance option, payment of the Notes may not be accelerated because of an Event of Default specified in clause (4), (6), (7) (with respect only to Telenet Bidco and Significant Subsidiaries) or (8) under "Defaults" above or because of the failure of the Issuer to comply with clause (3) under the first paragraph of "Merger and Consolidation" above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "defeasance trust") with the Trustee money in euros, in an amount sufficient or Government Obligations denominated in euros, the principal of and interest on which will be sufficient, or a combination thereof sufficient, to pay the principal, premium (if any) and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of an Opinion of Counsel to the effect that Holders will not recognize income, gain or loss for U.S. Federal, U.K. or Belgian income tax purposes as a result of such deposit and defeasance and will be subject to U.S. Federal, U.K. and Belgian income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and, in the case of legal defeasance only, such Opinion of Counsel must be based on a ruling of the Internal Revenue Service or other change in applicable U.S. Federal income tax law).

Additional Intercreditor Agreements

The Indenture will provide that, (a) at the request of the Issuer at the time of, or prior to, the Issuer or any Restricted Subsidiary Incurring or Guaranteeing any Bank Indebtedness permitted pursuant to paragraph (a) or clause (1), (3) (to the extent relating to Bank Indebtedness under the Existing Credit Facility outstanding on the Closing Date) or (12) (or, to the extent relating to any of the foregoing, clause (7)) of paragraph (b) of the covenant described under "Certain Covenants—Limitation on Indebtedness" or securing such Indebtedness with any of the Collateral, the Issuer, the relevant Restricted Subsidiaries, the Trustee and the Junior Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized agents) an intercreditor agreement on substantially the same terms as described above under "Description of Other Indebtedness—Intercreditor Agreement," including containing substantially the same terms with respect to the subordination and release of Guarantees and enforcement of security interests (or terms more favorable to the Holders) or (b) at the time of, or prior to, the Issuer Incurring any Permitted Shareholder Funding pursuant to clause (11) of paragraph (b) of the covenant described under "Certain Covenants—Limitation on Indebtedness," the Issuer and the Junior Security Agent shall enter into with the holders of such Permitted Shareholder Funding (or their duly authorized agents) an intercreditor agreement on substantially the same terms as the Junior Subordinated Parent Intercompany Loan Intercreditor Agreement (or terms more favorable to the Holders). Pursuant to any intercreditor agreement entered into pursuant to clause (a) of the preceding sentence, such other Indebtedness may constitute Senior Indebtedness, Senior Subordinated Indebtedness that is *pari passu* with the Subsidiary Guarantees or Subordinated Obligations and any Guarantee or security interest described in clause (a) of the preceding sentence with respect to Indebtedness of the Issuer shall provide for its release and termination on substantially the same terms (or terms more favorable to the Holders) as the Subsidiary Guarantees.

The Indenture also will provide that, at the direction of the Issuer and without the consent of Holders, the Trustee (in accordance with the Indenture) will from time to time enter into, and direct the Junior Security Agent to enter into, one or more amendments to any intercreditor agreement to (1) cure any ambiguity, omission, defect or inconsistency in such intercreditor agreement, (2) increase the amount of Indebtedness of the types covered by such intercreditor agreement that may be Incurred by the Issuer or a Restricted Subsidiary that is subject to such intercreditor agreement (including the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes and Subsidiary Guarantees), (3) add guarantors to such intercreditor agreement, (4) further secure the Notes, (5) secure other Indebtedness with the Collateral so long as the granting of such security interest, and ranking of such security interest in relation to the priority of the security interest in the Collateral securing the Notes and the Subsidiary Guarantees, is permitted under the Indenture, (6) permit payments to be made to the Issuer that would not otherwise have been pursuant to the terms of such intercreditor agreement or (7) make any other such change to an intercreditor agreement that does not in the opinion of the Trustee adversely affect the Holders in any material respect. The Issuer will not otherwise direct the Trustee to enter into, or to direct the Junior Security Agent to enter into, any amendment to an intercreditor agreement without the consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding. For the avoidance of doubt, nothing in the foregoing paragraphs shall limit the application of the covenant described under "Certain Covenants—Impairment of Security Interests."

Parent Guarantee

Telenet Group Holding, as primary obligor and not merely as surety, will guarantee on a senior unsecured basis the performance and full and punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, of all obligations of the Issuer under the Indenture (including obligations to the Trustee) and the Notes, whether for payment of principal of or interest on or in respect of the Notes, expenses, indemnification or otherwise. This Guarantee will be limited to an amount not to exceed the maximum amount that can be Guaranteed by Telenet Group Holding without rendering such Guarantee voidable under applicable law relating to fraudulent conveyance, fraudulent transfer or similar laws affecting the rights of creditors generally. This Guarantee will rank *pari passu* with the Senior Discount Notes.

Prescription

Claims against Telenet Group Holding, the Issuer and the Subsidiary Guarantors for the payment of principal on the Notes will be prescribed ten years after the applicable due date for the payment thereof. Claims against Telenet Group Holding, the Issuer and the Subsidiary Guarantors for the payment of interest or Additional Amounts, if any, on the Notes will be prescribed five years after the applicable due date for payment of interest.

Concerning the Trustee

The Bank of New York is to be the Trustee under the Indenture and has been appointed by the Issuer as a paying agent with regard to the Notes.

Governing Law

The Indenture and the Notes will be governed by, and construed in accordance with, the laws of the State of New York without giving effect to applicable principles of conflicts of law to the extent that the application of the law of another jurisdiction would be required thereby.

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of Telenet Group Holding, the Issuer or any Subsidiary Guarantor, as such will have any liability for any obligations of Telenet Group Holding, the Issuer or any Subsidiary Guarantor under the Notes, the Subsidiary Guarantees or the Indenture, or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under U.S. Federal securities laws.

Enforceability of Judgments

Since the Issuer and the Subsidiary Guarantors are incorporated in Belgium and all their operating assets and the operating assets of their Subsidiaries are outside the United States, any judgment obtained in the United States against the Issuer or the Subsidiary Guarantors, including judgments with respect to the payment of principal, premium, interest, Additional Amounts and any purchase price with respect to the Notes, may not be collectable within the United States. See "Service of Process and Enforcement of Liabilities."

Consent to Jurisdiction and Service of Process

The Issuer will appoint CT Corporation System as its agent for service of process in any suit, action or proceeding with respect to the Indenture or the Notes brought in any U.S. Federal or state court located in New York City and each of the parties thereto will submit to the jurisdiction thereof.

Certain Definitions

"Additional Assets" means:

(1) any property or assets (other than Indebtedness and Capital Stock) to be used by the Issuer or a Restricted Subsidiary in a Permitted Business;

(2) the Capital Stock of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Issuer or another Restricted Subsidiary; or

(3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary;

provided, however, that: any such Restricted Subsidiary described in clause (2) or (3) above is primarily engaged in a Permitted Business.

"Additional Proceeds Loan Agreement" means a loan agreement (1) substantially in the form of the Bidco Proceeds Loan Agreement dated as of the Closing Date and (2) entered into after the Closing Date pursuant to which (A) the Issuer loans to a Restricted Subsidiary the entire gross proceeds of an Incurrence of Senior Indebtedness by the Issuer or (B) a Restricted Subsidiary that is a borrower under a loan described in clause (A) loans to another Restricted Subsidiary all or a portion of the proceeds it receives under such loan.

"Additional Share Pledge" means a share pledge agreement, substantially in the form (except as to ranking if the Indebtedness secured thereby constitutes Senior Indebtedness or Subordinated Obligations) of the Share Pledges entered into on the Closing Date, entered into after the Closing Date pursuant to which the Issuer or a Restricted Subsidiary pledges shares of one of its Subsidiaries in accordance with the covenant described under "Certain Covenants—Impairment of Security Interest."

"Affiliate" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing. For purposes of the covenant described under "Certain Covenants—Limitation on Transactions with Affiliates" only, "Affiliate" shall also mean any beneficial owner of shares representing 10% or more of the total voting power of the Voting Stock (on a fully diluted basis) of the Issuer or of rights or warrants to purchase such Voting Stock (whether or not currently exercisable) and any Person who would be an Affiliate of any such beneficial owner pursuant to the first sentence hereof.

"Annualized Pro Forma EBITDA" means, as of any date of determination, the product of Pro Forma EBITDA for the Issuer's most recently completed fiscal quarter for which financial statements have been previously furnished to Holders pursuant to the covenant described under "Certain Covenants—Ongoing Reporting," multiplied by four.

"Applicable Premium" means, with respect to a Note at any time, the greater of (1) 1.0% of the principal amount of such Note at such time and (2) the excess of (A) the present value at such time of (i) the redemption price of such Note at December 15, 2008 (such redemption price being described in the table appearing in the first paragraph under the heading "Optional Redemption", exclusive of any accrued interest) plus (ii) any required interest payments due on such Note through December 15, 2008 (including any accrued and unpaid interest) computed using a discount rate equal to the Bund Rate, plus 50 basis points, over (B) the principal amount of such Note.

"Asset Disposition" means any sale, lease, transfer or other disposition (or series of related sales, leases, transfers or dispositions) by the Issuer or any Restricted Subsidiary, including any disposition by means of a merger, consolidation, or similar transaction (each referred to for the purposes of this definition as a "disposition"), of:

(1) any shares of Capital Stock of a Restricted Subsidiary (other than directors' qualifying shares or shares required by applicable law to be held by a Person other than the Issuer or a Restricted Subsidiary),

(2) all or substantially all the assets of any division or line of business of the Issuer or any Restricted

Subsidiary or

(3) any other assets of the Issuer or any Restricted Subsidiary outside of the ordinary course of business of the Issuer or such Restricted Subsidiary,

other than, in the case of (1), (2) and (3) above,

(A) a disposition by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to a Subsidiary Guarantor,

(B) a disposition by a Restricted Subsidiary that is not a Subsidiary Guarantor to another Restricted Subsidiary that is not a Subsidiary Guarantor,

(C) for purposes of the covenant described under "Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock" only, a disposition subject to the covenant described under "Certain Covenants—Limitation on Restricted Payments,"

(D) any disposition of all or substantially all the assets of the Issuer effected pursuant to the provisions described under "Merger and Consolidation,"

(E) the Incurrence of a Permitted Lien (solely to the extent such Incurrence constitutes a disposition of the asset subject to such Lien under applicable law) and

(F) a disposition of assets with a Fair Market Value of less than €5 million.

"Attributable Debt" in respect of a Sale/Leaseback Transaction means, as at the time of determination, the present value (discounted at the interest rate reasonably determined in good faith by a responsible financial or accounting officer of the Issuer to be the interest rate implicit in such Sale/Leaseback Transaction in accordance with GAAP) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended).

"Average Life" means, as of the date of determination, with respect to any Indebtedness or Preferred Stock, the quotient obtained by dividing:

(1) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal payment of such Indebtedness or scheduled redemption or similar payment with respect to such Preferred Stock multiplied by the amount of such payment by

(2) the sum of all such payments.

"Bank Indebtedness" means any and all amounts payable under or in respect of an agreement, instrument or other document relating to a Credit Facility (including security documents, fee letters and intercreditor agreements related thereto), including principal, premium (if any), interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Person liable thereunder whether or not a claim for post-filing interest is allowed in such proceedings), fees, charges, expenses, reimbursement obligations, Guarantees and all other amounts payable thereunder or in respect thereof, and any and all Refinancing Indebtedness Incurred in respect of any such amount (including amounts in respect of Refinancing Indebtedness), whether Incurred under or in respect of an agreement relating to a Credit Facility or otherwise (including Public Debt); *provided*, *however*, that Bank Indebtedness Incurred pursuant to clause (1) of paragraph (b) of the covenant described under "Certain Covenants—Limitation on Indebtedness" shall not Refinance Subordinated Obligations owed to Affiliates. It is understood and agreed that Refinancing Indebtedness in respect of a Credit Facility may be Incurred from time to time after termination of such Credit Facility.

"Bidco Proceeds Loan Agreement" means the Bidco Proceeds Loan Agreement dated as of the Closing Date between the Issuer and Telenet Bidco pursuant to which the Bidco Proceeds Loan (as defined under "Description of Other Indebtedness—Proceeds Loans") is made.

"Board of Directors" means the Board of Directors of the Issuer or any committee thereof duly authorized to act on behalf of the Board of Directors of the Issuer.

"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 redemption date to December 15, 2008, 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 December 15, 2008; *provided*, *however*, that, if the period from such redemption date to December 15, 2008, 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 Trustee 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 Trustee in consultation with the Issuer; 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 Trustee 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 Trustee by such Reference German Bund Dealer at 3.30 p.m. Frankfurt, Germany, time on the third Business Day preceding the relevant date.

"Business Day" means each day which is not a Legal Holiday.

"Canal+ Content Disposition" means a sale or other disposition of one or more content contracts and related assets, in each case, acquired from Groupe Canal+ SA or any of its subsidiaries pursuant to the transaction described elsewhere in this offering memorandum.

"Capital Stock" of any Person means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"Capitalized Lease Obligation" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes in accordance with GAAP, and the amount of Indebtedness represented by such obligation shall be the capitalized amount of such obligation determined in accordance with GAAP; and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"Code" means the U.S. Internal Revenue Code of 1986, as amended.

"Collateral" means all the collateral described in the Security Agreements.

"Consolidated Interest Expense" means, for any period, the total interest expense of the Issuer and its Consolidated Restricted Subsidiaries, plus, to the extent Incurred by the Issuer and its Consolidated Restricted Subsidiaries in such period but not included in such interest expense, without duplication:

(1) interest expense attributable to Capitalized Lease Obligations and the interest expense attributable to

leases constituting part of a Sale/Leaseback Transaction,

(2) amortization of debt discount and debt issuance costs,

(3) capitalized interest and interest paid in the form of additional Indebtedness,

(4) cash or noncash interest expense,

(5) commissions, discounts and other fees and charges attributable to letters of credit and bankers' acceptance financing,

(6) interest accruing on any Indebtedness of any other Person to the extent such Indebtedness is Guaranteed by, or secured by a Lien on the assets of, the Issuer or any Restricted Subsidiary,

(7) net costs associated with Hedging Obligations (including amortization of fees),

(8) dividends in respect of all Disqualified Stock of the Issuer and all Preferred Stock of any of the Subsidiaries of the Issuer, to the extent held by Persons other than the Issuer or a Wholly Owned Subsidiary of the Issuer,

(9) interest Incurred in connection with investments in discontinued operations and

(10) the cash contributions to any employee share ownership plan or similar trust to the extent such contributions are used by such plan or trust to pay interest or fees to any Person (other than the Issuer) in connection with Indebtedness Incurred by such plan or trust.

"Consolidated Net Income" means, for any period, the net income of the Issuer and its Consolidated Subsidiaries for such period; *provided*, *however*, that there shall not be included in such Consolidated Net Income:

(1) any net income (or loss) of any Person (other than the Issuer) if such Person is not a Restricted Subsidiary, except that:

(A) subject to the limitations contained in clause (4) below, the Issuer's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Issuer or a Restricted Subsidiary as a dividend or other similar distribution (subject, in the case of a dividend or similar other distribution made to a Restricted Subsidiary, to the limitations contained in clause (3) below) and

(B) the Issuer's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income;

(2) any net income (or loss) of any Person acquired by the Issuer or a Subsidiary of the Issuer in a pooling of interests transaction for any period prior to the date of such acquisition;

(3) any net income (or loss) of any Restricted Subsidiary to the extent such Restricted Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Issuer (other than any restriction permitted under clause (A), (C) (solely to the extent relating to clause (A)) or (G) of the covenant described under "Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries"), except that:

(A) subject to the limitations contained in clause (4) below, the Issuer's equity in the net income of any such Restricted Subsidiary for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other similar distribution (subject, in the case of a dividend or other similar distribution made to another

Restricted Subsidiary, to the limitation contained in this clause) and

(B) the Issuer's equity in a net loss of any such Restricted Subsidiary for such period shall be included in determining such Consolidated Net Income;

(4) any gain (or loss) realized upon the sale or other disposition of any asset of the Issuer or its Consolidated Subsidiaries (including pursuant to any Sale/Leaseback Transaction) that is not sold or otherwise disposed of in the ordinary course of business and any gain (or loss) realized upon the sale or other disposition of any Capital Stock of any Person;

(5) any extraordinary gain or loss;

(6) any impairment loss of the Issuer or its Restricted Subsidiaries relating to goodwill or other intangible assets; and

(7) the cumulative effect of a change in accounting principles.

Notwithstanding the foregoing, for the purpose of the covenant described under "Certain Covenants—Limitation on Restricted Payments" only, there shall be excluded from Consolidated Net Income any repurchases, repayments, redemptions or releases of Investments, proceeds realized on the sale or liquidation of Investments, and dividends, repayments of loans or advances or other transfers of assets from Unrestricted Subsidiaries to the Issuer or a Restricted Subsidiary to the extent such amounts increase the amount of Restricted Payments permitted under such covenant pursuant to clause (a)(4)(C)(iv) or (a)(4)(C)(v) thereof.

"Consolidation" means the consolidation of the accounts of each of the Restricted Subsidiaries with those of the Issuer in accordance with GAAP consistently applied; *provided*, *however*, that "Consolidation" will not include consolidation of the accounts of any Unrestricted Subsidiary, but the interest of the Issuer or any Restricted Subsidiary in an Unrestricted Subsidiary will be accounted for as an investment. The term "Consolidated" has a correlative meaning.

"Credit Facilities" means debt facilities or commercial paper facilities (including the Existing Credit Facility), in each case with a lender or a syndicate of lenders providing for revolving credit loans, term loans, receivables financing or letters of credit, in each case, as amended, restated, refunded, renewed, replaced or refinanced in whole or in part from time to time by a lender or a syndicate of lenders.

"Currency Agreement" means with respect to any Person any foreign exchange contract, currency swap agreements or other similar agreement or arrangement to which such Person is a party or of which it is a beneficiary.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Disqualified Stock" means, with respect to any Person, any Capital Stock which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable or exercisable) or upon the happening of any event:

(1) matures or is mandatorily redeemable (other than redeemable only for Capital Stock of such Person that is not itself Disqualified Stock) pursuant to a sinking fund obligation or otherwise,

(2) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock convertible or exchangeable solely at the option of the Issuer or a Restricted Subsidiary; *provided*, *however*, that any such conversion or exchange shall be deemed an Incurrence of Indebtedness or Disqualified Stock, as applicable) or

(3) is redeemable at the option of the holder thereof, in whole or in part,

in the case of each of clauses (1), (2) and (3), on or prior to the first anniversary of the Stated Maturity of the Notes; *provided*, *however*, that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the first anniversary of the Stated Maturity of the Notes shall not constitute Disqualified Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are not more favorable to the holders of such Capital Stock than the provisions of the covenants described under "Change of Control" and "Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock."

"EBITDA" for any period means the Consolidated Net Income for such period, plus, without duplication, the following to the extent deducted in calculating such Consolidated Net Income:

(1) income tax expense of the Issuer and its Consolidated Restricted Subsidiaries,

(2) Consolidated Interest Expense,

(3) depreciation expense of the Issuer and its Consolidated Restricted Subsidiaries,

(4) amortization expense of the Issuer and its Consolidated Restricted Subsidiaries (excluding amortization expense attributable to a prepaid cash item that was paid in a prior period) and

(5) all other non-cash charges of the Issuer and its Consolidated Restricted Subsidiaries (excluding any such noncash charge to the extent it represents an accrual of or reserve for cash expenditures in any future period) less all non-cash items of income of the Issuer and its Consolidated Restricted Subsidiaries (excluding any such non-cash item of income to the extent it will result in receipt of cash payments in any future period),

in each case for such period.

Notwithstanding the foregoing, the provision for taxes based on the income or profits of, and the depreciation and amortization and noncash charges of, a Restricted Subsidiary of the Issuer shall be added to Consolidated Net Income to compute EBITDA only to the extent (and in the same proportion) that the net income of such Restricted Subsidiary was included in calculating Consolidated Net Income and only to the extent that a corresponding amount would be permitted at the date of determination to be dividended or distributed, directly or indirectly, to the Issuer by such Restricted Subsidiary without breaching or violating a restriction, directly or indirectly, applicable to such Restricted Subsidiary (disregarding for this purpose any restriction permitted under clause (A), (C) (solely to the extent relating to clause (A)) or (G) of the covenant described under "Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries").

"Euro Equivalent" means with respect to any monetary amount in a currency other than euros, at any time of determination thereof, the amount of euros obtained by converting such foreign currency involved in such computation into euros at the average of the spot rates for the purchase and sale of euros with the applicable foreign currency as published in *The Financial Times* on the date two Business Days prior to such determination. Whenever it is necessary to determine whether the Issuer has complied with any covenant in the Indenture or a Default has occurred and an amount is expressed in a currency other than euros, such amount shall be treated as the Euro Equivalent determined as of the date such amount is initially determined in such currency.

"Exchange Act" means the U.S. Securities Exchange Act of 1934.

"Existing Credit Facility" means the facilities under the credit agreement dated July 12, 2002, as amended and restated on or about December 1, 2003, among (1) Telenet Bidco, Telenet Operaties, Telenet Vlaanderen, Telenet Holding and MixtICS, as original borrowers and guarantors, (2) Banca Monte Paschi Belgio S.A., European Investment Bank, GE Capital Structured Finance Group Limited, J.P. Morgan plc, KBC Bank NV, Lloyds TSB Bank plc, Brussels Branch, Merrill Lynch International, NIB Capital Bank, Belgium Branch, The Royal Bank of Scotland plc, Société Générale and WestLB AG, as mandated lead arrangers, the lenders party thereto, The Royal Bank of Scotland plc, as facility agent, and KBC Bank NV, as security agent.

"Existing Intercompany Loan Agreement" means the Amended and Restated Holdco Intercompany Loan Agreement dated as of the Closing Date between the Issuer and Telenet Bidco.

"Fair Market Value" means, with respect to any asset or property, the price which could be negotiated in an arm's-length, free market transaction, for cash, between a willing seller and a willing and able buyer, neither of whom is under undue pressure or compulsion to complete the transaction. For purposes of the covenants described under "Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock" and "Certain Covenants—Limitation on Sale or Issuance of Capital Stock or Restricted Subsidiaries," the Fair Market Value of property or assets other than cash which involves an aggregate amount in excess of €10 million, shall be set forth in a resolution approved by at least a majority of the Board of Directors. For all other purposes of the Indenture, Fair Market Value will be determined in good faith by the Board of Directors, whose determination will be conclusive and evidenced by a resolution of the Board of Directors.

"GAAP" means generally accepted accounting principles in the United States of America as in effect as of the Closing Date, including those set forth in:

(1) the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants,

(2) statements and pronouncements of the Financial Accounting Standards Board,

(3) such other statements by such other entities as approved by a significant segment of the accounting profession, and

(4) the rules and regulations of the SEC governing the inclusion of financial statements (including pro forma financial statements) in periodic reports required to be filed pursuant to Section 13 of the Exchange Act, including opinions and pronouncements in staff accounting bulletins and similar written statements from the accounting staff of the SEC.

All ratios and computations based on GAAP contained in the Indenture shall be computed in conformity with GAAP. At any time after the Closing Date, the Issuer may elect to apply IAS in lieu of GAAP and, upon any such election, references herein to GAAP shall thereafter be construed to mean IAS as in effect on the date of such election; *provided* that any such election, once made, shall be irrevocable. The Issuer shall give notice of any such election to the Trustee and the Holders.

"Global Notes" means the global notes representing the Notes sold within the United States to qualified institutional buyers in reliance on Rule 144A of the Securities Act and the global notes representing the Notes sold outside the United States in reliance on Regulation S under the Securities Act.

"Government Obligations" means AAA-rated sovereign obligations of the European Union or a Member State that are payable in euro for the timely payment of which its full faith and credit is pledged, in each case which are not callable or redeemable at the issuer's option.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and any obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or

(2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part);

provided, *however*, that the term "Guarantee" shall not include (i) endorsements for collection or deposit in the ordinary course of business or (ii) a contractual commitment by a Person to make an Investment in another Person so long as such Investment is reasonably expected to constitute a Permitted Investment under clause (1) or (2) of the definition of "Permitted Investment." The term "Guarantee" used as a verb has a corresponding meaning. The term "Guarantor" shall mean any Person Guaranteeing any obligation.

"Hedging Obligations" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement or any Currency Agreement.

"Holder" means (a) for the purposes of the Indenture and Securities, in the case of any Global Note in bearer form, the holders of Book-Entry Interests therein; *provided*, *however*, that in the case of payments of principal, premium, if any, and interest on such Global Security, the holders of Book-Entry Interests (as shown in the records of the NBB) shall be treated as the "Holders" of such Global Security to the extent of such Book-Entry Interests or (b) in any other case, the Person in whose name a Note is registered on the registrar's books.

"IAS" means the accounting standards adopted by the International Accounting Standards Board and its predecessor.

"Incur" means issue, assume, Guarantee, incur or otherwise become liable for; *provided*, *however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Subsidiary (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be Incurred by such Person at the time it becomes a Subsidiary. The term "Incurrence" when used as a noun shall have a correlative meaning.

Solely for purposes of determining compliance with the covenant described under "Certain Covenants—Limitation on Indebtedness," the following will not be deemed to be the Incurrence of Indebtedness: (1) amortization of debt discount or the accretion of principal with respect to a non-interest bearing or other discount security; (2) the payment of regularly scheduled interest in the form of additional Indebtedness of the same instrument or the payment of regularly scheduled dividends on Capital Stock in the form of additional Capital Stock of the same class and with the same terms; (3) the obligation to pay a premium in respect of Indebtedness arising in connection with the issuance of a notice of redemption or the making of a mandatory offer to purchase such Indebtedness; and (4) a change in GAAP that results in an obligation of such Person that exists at such time, and is not theretofore classified as Indebtedness, becoming Indebtedness.

"Indebtedness" means, with respect to any Person on any date of determination, without duplication:

(1) the principal of and premium (if any) in respect of indebtedness of such Person for borrowed money;

(2) the principal of and premium (if any) in respect of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (including reimbursement obligations with respect thereto), other than reimbursement obligations with respect to letters of credit securing obligations (other than obligations described in (1), (2) and (5) of this definition) entered into in the ordinary course of business of such Person to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the fifth Business Day following receipt by such Person of a demand for reimbursement following payment on the letter of credit;

(4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services (except Trade Payables), which purchase price is due more than six months after the date of placing such property in service or taking delivery and title thereto or the completion of such services;

(5) all Capitalized Lease Obligations and all Attributable Debt of such Person;

(6) the amount of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock or, with respect to any Subsidiary of such Person, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) all obligations referred to in other clauses of this definition of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided*, *however*, that the amount of Indebtedness of such Person shall be the lesser of:

(A) the Fair Market Value of such asset at such date of determination and

(B) the amount of such Indebtedness of such other Persons;

(8) Hedging Obligations of such Person; and

(9) all obligations of the type referred to in clauses (1) through (8) of other Persons and all dividends of other Persons for the payment of which, in either case, such Person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including by means of any Guarantee.

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingent obligations at such date as determined in accordance with GAAP. The amount of Indebtedness under Hedging Obligations of a Person will be calculated by reference to the net liability of such Person thereunder (as determined in accordance with GAAP as of the date of the most recent financial statements distributed to Holders under the covenant described under "Certain Covenants—Ongoing Reporting").

"Independent Financial Advisor" means an investment banking firm of international standing or any third-party appraiser of international standing; *provided* that such firm or appraiser is not an Affiliate of the Issuer.

"Intercreditor Agreement" means the Restated Intercreditor Deed dated July 12, 2002, as amended and restated on or about December 1, 2003, between the lenders under the Existing Credit Facility and certain other Senior Indebtedness, Parent and certain subsidiaries of the Issuer, as creditors, The Royal Bank of Scotland plc, as facility agent under the Existing Credit Facility, the Senior Security Agent, the Trustee, the Junior Security Agent and the obligors under the Existing Credit Facility, as the same may be amended, modified, supplemented, extended or replaced from time to time, in each case in accordance with the terms of the Indenture.

"Interest Rate Agreement" means with respect to any Person any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or of which it is a beneficiary.

"Investment" in any Person means any direct or indirect advance, loan (other than advances to customers in the ordinary course of business that are recorded as accounts receivable on the balance sheet of the lender) or other extension of credit (including by way of Guarantee or similar arrangement) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by such Person. For purposes of the definition of "Unrestricted Subsidiary" and the covenant described under "Certain Covenants—Limitation on Restricted Payments,"

(1) "Investment" shall include the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the Fair Market Value of the net assets of any Subsidiary of the Issuer at the time that such Subsidiary is designated an Unrestricted Subsidiary; *provided*, *however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Issuer shall be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to:

(A) the Issuer's "Investment" in such Subsidiary at the time of such redesignation less

(B) the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the Fair Market Value of the net assets of such Subsidiary at the time of such redesignation; and

(2) any property transferred to or from an Unrestricted Subsidiary shall be valued at its Fair Market Value at the time of such transfer.

"Junior Security Agent" means the security agent under the Security Agreements.

"Junior Subordinated Parent Intercompany Loan" means the loan made pursuant to the Junior Subordinated

Parent Intercompany Loan Agreement.

"Junior Subordinated Parent Intercompany Loan Agreement" means the Junior Subordinated Parent Intercompany Loan Agreement dated as of the Closing Date, between Telenet Group Holding, as lender, and the Issuer, as borrower.

"Junior Subordinated Parent Intercompany Loan Intercreditor Agreement" means the Subordination Agreement dated as of the Closing Date relating to the Junior Subordinated Parent Intercompany Loan Agreement.

"Legal Holiday" means a Saturday, Sunday or other day on which banking institutions are not required by law or regulation to be open in Brussels, Belgium, the State of New York or London, England.

"Leverage Ratio" means the ratio of:

(a) the outstanding Indebtedness (other than the Junior Subordinated Parent Intercompany Loan and Permitted Shareholder Funding) of the Issuer and the Restricted Subsidiaries on a Consolidated basis, to

(b) the Annualized Pro Forma EBITDA.

"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).

"Majority Lenders" has the meaning assigned to such term in the agreement governing the Existing Credit Facility in effect on the Closing Date and any analogous term in any agreement governing any Credit Facility pursuant to which Bank Indebtedness is Incurred.

"Member State" means any country that is a member of the European Union.

"MixtICS Proceeds Loan Agreement" means the MixtICS Proceeds Loan Agreement dated as of the Closing Date between Telenet Operaties and MixtICS pursuant to which the MixtICS Proceeds Loan (as defined under "Description of Other Indebtedness—Proceeds Loans") is made.

"Net Available Cash" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other noncash form) therefrom, in each case net of:

(1) all legal, accounting and investment banking fees and expenses, title and recording tax expenses, commissions and other fees and expenses incurred, and all national, regional, state, provincial, foreign and local taxes required to be paid or accrued as a liability under GAAP, as a consequence of such Asset Disposition,

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon or other security agreement of any kind with respect to such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law be repaid out of the proceeds from such Asset Disposition,

(3) all distributions and other payments required to be made to minority interest holders in Subsidiaries or joint ventures as a result of such Asset Disposition and

(4) appropriate amounts to be provided by the seller as a reserve, in accordance with GAAP, against any liabilities associated with the property or other assets disposed of in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition.

"Net Cash Proceeds," with respect to any issuance or sale of Capital Stock, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees actually incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"Notes" means the Issuer's 9% Senior Notes due 2013.

"Officer" means the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, the President, any Vice President, the Treasurer or the Secretary of the Issuer. "Officer" of a Subsidiary Guarantor has a correlative meaning.

"Officers' Certificate" means a certificate signed by two Officers.

"Operaties Proceeds Loan Agreement" means the Operaties Proceeds Loan Agreement dated as of the Closing Date between Telenet Bidco and Telenet Operaties pursuant to which the Operaties Proceeds Loan (as defined under "Description of Other Indebtedness—Proceeds Loans") is made.

"Opinion of Counsel" means a written opinion from legal counsel of recognized standing. The counsel may be an employee of or counsel to the Issuer, a Subsidiary Guarantor or the Trustee.

"Parent Intercompany Loan Agreement Pledge" means a pledge agreement in respect of the pledge of receivables arising under the Junior Subordinated Parent Intercompany Loan Agreement.

"Permitted Business" means any business engaged in by the Issuer or any Restricted Subsidiary on the Closing Date and any Related Business.

"Permitted Collateral Liens" means any of the following Liens:

(1) Liens on the Capital Stock of Telenet Bidco, Telenet Operaties or MixtICS to secure any Indebtedness of the Issuer or a Restricted Subsidiary that is permitted to be Incurred under paragraph (a) or clause (1), (3) (to the extent relating to Bank Indebtedness under the Existing Credit Facility outstanding on the Closing Date) or (12) (or, to the extent relating to any of the foregoing, clause (7)) of paragraph (b), in each case, of the covenant described under "Certain Covenants—Limitation on Indebtedness," or any Refinancing Indebtedness in respect of such Indebtedness; *provided* that (A) such Lien ranks (x) equal to all other Liens on such Collateral securing Senior Indebtedness of the Issuer or such Restricted Subsidiary, as applicable, if such Indebtedness is Senior Indebtedness of the Issuer or such Restricted Subsidiary, as applicable, (y) equal to all other Liens on such Collateral securing Senior Subordinated Indebtedness of a Subsidiary Guarantor if such Indebtedness is Senior Subordinated Indebtedness or (z) junior to the Liens securing the Notes or the Subsidiary Guarantees and (B) an Additional Share Pledge creating such Lien will have been entered into;

(2) Liens on receivables arising under any Proceeds Loan Agreement or the Junior Subordinated Parent Intercompany Loan Agreement to secure any Senior Indebtedness of the Issuer or Senior Subordinated Indebtedness of a Subsidiary Guarantor Incurred pursuant to paragraph (a) or clause (1), (3) (to the extent relating to Bank Indebtedness under the Existing Credit Facility outstanding on the Closing Date) or (12) (or, to the extent relating to any of the foregoing, clause (7)) of paragraph (b) of the covenant described under "Certain Covenants—Limitation on Indebtedness; *provided* that (x) with respect to receivables arising under Proceeds Loan Agreements:

    (A) there will be a Proceeds Loan Agreement between the Issuer, as lender, and Telenet Bidco, as borrower, in an aggregate principal amount not less than the gross proceeds of such Senior Indebtedness, the receivables of which are not otherwise pledged to secure Indebtedness of the Issuer, and receivables arising under such Proceeds Loan Agreement will have been pledged (i) on the same terms (including with respect to priority) as the pledge of receivables arising under the Bidco Proceeds Loan Agreement entered into on the Closing Date and (ii) pursuant to a Proceeds Loan Agreement Pledge entered into on the Closing Date;

(B) receivables arising under any Proceeds Loan Agreements pursuant to which the proceeds of any Proceeds Loans made using the proceeds of such Senior Indebtedness will be loaned to any Restricted Subsidiary will have been pledged to the Junior Security Agent (i) on the same terms (including with respect to priority) as the pledge of receivables arising under the Bidco Proceeds Loan Agreement entered into on the Closing Date and (ii) pursuant to a Proceeds Loan Agreement Pledge; and

(C) the Issuer will have delivered to the Trustee an Opinion of Counsel with respect to any Additional Proceeds Loan Agreements and Proceeds Loan Agreement Pledges, in form and substance satisfactory to the Trustee (which shall be deemed satisfactory if in the form of the relevant opinions delivered to the Trustee on the Closing Date with respect to the Bidco Proceeds Loan Agreement and the Proceeds Loan Agreement Pledges entered into on the Closing Date); and

(y) with respect to receivables arising under the Junior Subordinated Parent Intercompany Loan Agreement, receivables arising thereunder will have been pledged to secure such other Indebtedness (i) on the same terms (including with respect to priority) as the Parent Intercompany Loan Agreement Pledge (or terms more favorable to the Holders) entered into on the Closing Date and (ii) pursuant to a pledge agreement substantially in the form (except as to ranking, subject to compliance with the foregoing clause (i)) of the Parent Intercompany Loan Agreement Pledge entered into on the Closing Date; and

(3) Liens on receivables under any Proceeds Loan Agreements to secure Bank Indebtedness of a Restricted Subsidiary Incurred pursuant to clause (2) of paragraph (a) or clause (1), (3) (to the extent relating to Bank Indebtedness under the Existing Credit Facility outstanding on the Closing Date) or (12) (and, to the extent relating to any of the foregoing, clause (7)) of paragraph (b) of the covenant described under "Certain Covenants—Limitation on Indebtedness;" *provided* that such Lien ranks equal to all other Liens on such Collateral securing Bank Indebtedness of such Restricted Subsidiary.

"Permitted Investment" means an Investment by the Issuer or any Restricted Subsidiary in:

(1) the Issuer, a Restricted Subsidiary or a Person that will, upon the making of such Investment, become a Restricted Subsidiary; *provided*, *however*, that the primary business of such Restricted Subsidiary is a Permitted Business;

(2) another Person if as a result of such Investment such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary; *provided*, *however*, that such Person's primary business is a Permitted Business;

(3) Temporary Cash Investments;

(4) receivables owing to the Issuer or any Restricted Subsidiary if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; *provided*, *however*, that such trade terms may include such concessionary trade terms as the Issuer or any such Restricted Subsidiary deems reasonable under the circumstances;

(5) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) loans, advances or Guarantees of loans or advances to employees made in the ordinary course of business of the Issuer or such Restricted Subsidiary and not exceeding €5 million in the aggregate outstanding at any one time;

(7) shares, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary or in satisfaction of judgments;

(8) any Person (other than any Affiliate of the Issuer, except a joint venture or similar entity that would constitute an Affiliate of the Issuer solely because the Issuer or a Restricted Subsidiary owns an equity interest in or otherwise controls such joint venture or similar entity) made out of the Net Cash Proceeds of the issue and sale (other than to a Subsidiary) after the Closing Date of Capital Stock (other than Disqualified Stock) of the Issuer to the extent that such Net Cash Proceeds have not been used to make a Restricted Payment pursuant to the covenant described under "Certain Covenants—Limitation on Restricted Payments;" *provided*, *however*, that any Net Cash Proceeds applied to make Investments pursuant to this clause (8) shall not increase the amount of Restricted Payments permitted to be made pursuant to the covenant described under "Certain Covenants—Limitation on Restricted Payments" (including upon any redesignation of an Unrestricted Subsidiary);

(9) any Person to the extent such Investment represents the noncash portion of the consideration received for an Asset Disposition that was made pursuant to and in compliance with the covenant described under "Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock;"

(10) any Person, if such Investment is in existence on the Closing Date and any Investment in any person to the extent such Investment Refinances an Investment in such Person existing on the Closing Date in an amount not exceeding the amount of the Investment being Refinanced; *provided*, *however*, that such new Investment is on terms and conditions no less favorable to the Issuer or the applicable Restricted Subsidiary than the Investment being Refinanced;

(11) Guarantees permitted to be Incurred by the covenant described under "Certain Covenants—Limitation on Indebtedness;"

(12) lease, utility and workers' compensation, performance and other similar deposits made in the ordinary course of business; and

(13) any Person (other than any Affiliate of the Issuer, except a joint venture or similar entity that would constitute an Affiliate of the Issuer solely because the Issuer or a Restricted Subsidiary owns an equity interest in or otherwise controls such joint venture or similar entity); *provided*, *however*, that such Investment (having a Fair Market Value measured on the date such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (13) since the Closing Date, shall not exceed 2.0% of Total Assets at any time outstanding; *provided*, *further, however*, that Investments made in any Unrestricted Subsidiary pursuant to this clause (13) shall not increase the amount of Restricted Payments permitted to be made under the covenant described under "Certain Covenants—Limitation on Restricted Payments" upon any redesignation of any such Unrestricted Subsidiary as a Restricted Subsidiary.

"Permitted Liens" means, with respect to any Person:

(1) pledges or deposits by such Person under worker's compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party, or deposits to secure public or statutory obligations of such Person or deposits of cash or Temporary Cash Investments to secure surety or appeal bonds to which such Person is a party, or deposits as security for contested taxes or customs duties in connection with the importation of goods or for the payment of rent, in each case Incurred in the ordinary course of business;

(2) Liens imposed by law, such as carriers', warehousemen's and mechanics' Liens, in each case for sums not yet due or being contested in good faith by appropriate proceedings or other Liens arising out of judgments or awards against such Person with respect to which such Person shall then be proceeding with an appeal or other proceedings for review;

(3) Liens for property taxes or assessments not yet due or payable or subject to penalties for non-payment or which are being contested in good faith by appropriate proceedings;

(4) Liens in favor of issuers of surety bonds, performance bonds or letters of credit, bankers' acceptances or other obligations of a like nature issued pursuant to the request of and for the account of such Person in the ordinary course of its business; *provided*, *however*, that such letters of credit or bankers' acceptances do not constitute Indebtedness;

(5) minor survey exceptions, minor encumbrances, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property or Liens incidental to the conduct of the business of such Person or to the ownership of its properties which were not Incurred in connection with Indebtedness and which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(6) Liens securing Indebtedness Incurred to finance the construction, purchase or lease of, or repairs, improvements or additions to, property of such Person; *provided*, *however*, that the Lien may not extend to any other property owned by such Person or any of its Subsidiaries at the time the Lien is Incurred, and the original principal amount of the Indebtedness secured by the Lien may not be Incurred more than 180 days after the later of the acquisition, completion of construction, repair, improvement, addition or commencement of full operation of the property subject to the Lien;

(7) Liens to secure Bank Indebtedness Incurred pursuant to paragraph (a) or clause (1), (3) (to the extent relating to Bank Indebtedness under the Existing Credit Facility outstanding on the Closing Date) or (12) (and, to the extent relating to any of the foregoing, clause (7)) of paragraph (b) of the covenant described under "Certain Covenants—Limitation on Indebtedness;"

(8) Liens existing or created on the Closing Date;

(9) Liens on property or shares of shares of another Person at the time such other Person becomes a Subsidiary of such Person; *provided*, *however*, that such Liens are not created, Incurred or assumed in connection with, or in contemplation of, such other Person becoming such a Subsidiary; *provided further*, *however*, that such Liens do not extend to any other property owned by such Person or any of its Subsidiaries;

(10) Liens on property at the time such Person or any of its Subsidiaries acquires the property, including any acquisition by means of a merger or consolidation with or into such Person or any Subsidiary of such Person; *provided*, *however*, that such Liens are not created, Incurred or assumed in connection with, or in contemplation of, such acquisition; *provided further*, *however*, that the Liens do not extend to any other property owned by such Person or any of its Subsidiaries;

(11) Liens securing Indebtedness or other obligations of a Subsidiary of such Person owing to a Restricted Subsidiary or the Issuer (other than Indebtedness or other obligations owing by a Subsidiary Guarantor to a Subsidiary that is not a Subsidiary Guarantor);

(12) Liens securing Hedging Obligations so long as such obligations relate to Indebtedness that is, and is permitted under the Indenture to be, secured by a Lien on the same property securing such obligations;

(13) Liens to secure any Refinancing (or successive Refinancings) as a whole, or in part, of any Indebtedness secured by any Lien referred to in the foregoing clauses (6), (8), (9) and (10); *provided*, *however*, that:

   (A) such new Lien shall be limited to all or part of the same property that secured the original Lien (plus improvements to or on such property) and

   (B) the Indebtedness secured by such Lien at such time is not increased to any amount greater than the sum of:

      (i) the outstanding principal amount or, if greater, committed amount of the Indebtedness secured by Liens described under clause (6), (8), (9) or (10) at the time the original

Lien became a Permitted Lien under the Indenture and

(ii) an amount necessary to pay any fees and expenses, including premiums, related to such Refinancings;

(14) Permitted Collateral Liens;

(15) Liens securing the Notes, the Subsidiary Guarantees and other obligations of the Issuer and its Subsidiaries under the Indenture;

(16) Liens of a Restricted Subsidiary that is not a Subsidiary Guarantor securing Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor;

(17) Liens in favor of the Issuer or a Subsidiary Guarantor; and

(18) Liens Incurred in the ordinary course of business of the Issuer or any Restricted Subsidiary with respect to obligations (other than Indebtedness for borrowed money) that do not exceed €10 million at any time outstanding.

"Permitted Shareholder Funding" means Indebtedness of the Issuer (and any security into which such Indebtedness is convertible or for which it is exchangeable at the option of the holder) issued to and held by Parent or one or more shareholders of Parent that (1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such Indebtedness into Capital Stock (other than Disqualified Stock) of the Issuer or any Indebtedness meeting the requirements of this definition), (2) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other gross-ups, or any similar amounts, (3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any payment prior to the first anniversary of the Stated Maturity of the Notes, (4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Subsidiaries, (5) does not contain any covenants (financial or otherwise) other than a covenant to pay such Permitted Shareholder Funding and (6) is fully subordinated and junior in right of payment to the Notes pursuant to subordination terms no less favorable to the Holders than those contained in the Junior Subordinated Parent Intercompany Loan Intercreditor Agreement as in effect on the Closing Date.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"Preferred Stock", as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) that is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"principal" of a Note means the principal of the Note plus the premium, if any, payable on the Note which is due or overdue or is to become due at the relevant time.

"Proceeds Loan Agreement" means the Bidco Proceeds Loan Agreement, the Existing Intercompany Loan Agreement, the Operaties Proceeds Loan Agreement, the MixtICS Proceeds Loan Agreement or an Additional Proceeds Loan Agreement, as applicable.

"Proceeds Loan Agreement Pledge" means a pledge agreement in respect of the pledge of receivables arising under the Bidco Proceeds Loan Agreement, the Existing Intercompany Loan Agreement, the Operaties Proceeds Loan Agreement, the MixtICS Proceeds Loan Agreement or an Additional Proceeds Loan Agreement, as applicable.

"Proceeds Loans" means any loan made under a Proceeds Loan Agreement.

"Pro Forma EBITDA" means, for any period, the EBITDA of the Issuer and its Consolidated Restricted

Subsidiaries, after giving effect to the following:

if:

(a) since the beginning of such period, the Issuer or any Restricted Subsidiary shall have made any Asset Disposition or an Investment (by merger or otherwise) in any Restricted Subsidiary (or any Person that becomes a Restricted Subsidiary) or an acquisition of property;

(b) the transaction giving rise to the need to calculate Pro Forma EBITDA is such an Asset Disposition, Investment or acquisition; or

(c) since the beginning of such period any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Issuer or any Restricted Subsidiary since the beginning of such period) shall have made such an Asset Disposition, Investment or acquisition,

EBITDA for such period shall be calculated in good faith by a responsible financial or accounting officer of the Issuer after giving pro forma effect to such Asset Disposition, Investment or acquisition as if such Asset Disposition (and the application of the proceeds therefrom), Investment or acquisition occurred on the first day of such period.

"Public Debt" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale. The term "Public Debt", for the avoidance of doubt, shall not be construed to include any Indebtedness issued to institutional investors in a direct placement of such Indebtedness that is not underwritten by an intermediary (it being understood that, without limiting the foregoing, a financing that is distributed to not more than ten Persons (provided that multiple managed accounts and affiliates of any such Persons shall be treated as one Person for the purposes of this definition) shall not be deemed underwritten), or any Bank Indebtedness under any Credit Facility, Capitalized Lease Obligation or recourse transfer of any financial asset or any other type of Indebtedness Incurred in a manner not customarily viewed as a "securities offering."

"Public Equity Offering" means an underwritten offering of ordinary shares of the Issuer or any Telenet Holding Company as a result of which the ordinary shares of the issuer in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"Public Market" means any time after:

(1) a Public Equity Offering has been consummated and

(2) at least 15% of the total issued and outstanding ordinary shares of the issuer in such Public Equity Offering has been distributed pursuant to such Public Equity Offering.

"Purchase Money Indebtedness" means Indebtedness:

(1) consisting of the deferred purchase price of an asset, conditional sale obligations, obligations under any title retention agreement and other purchase money obligations, in each case where the maturity of such Indebtedness does not exceed the anticipated useful life of the asset being financed, and

(2) Incurred to finance the acquisition by the Issuer or a Restricted Subsidiary of such asset, including additions and improvements;

provided, *however*, that the original principal amount of such Indebtedness is Incurred within 180 days after the acquisition by the Issuer or such Restricted Subsidiary of such asset.

"Refinance" means, in respect of any Indebtedness, to refinance, extend, renew, refund, repay, prepay, redeem, defease or retire, or to issue other Indebtedness exchange or replacement for, such Indebtedness. "Refinanced" and "Refinancing" shall have correlative meanings.

"Refinancing Indebtedness" means any Indebtedness that Refinances any other Indebtedness, including any successive Refinancings, so long as:

(1) such Indebtedness is in an aggregate principal amount (or if Incurred with original issue discount, an aggregate issue price) not in excess of the sum of:

(A) the aggregate principal amount (or if Incurred with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being Refinanced, and

(B) an amount necessary to pay any fees and expenses, including premiums and defeasance costs, related to such Refinancing,

(2) the Average Life of such Indebtedness is equal to or greater than the Average Life of the Indebtedness being Refinanced,

(3) the Stated Maturity of such Indebtedness is no earlier than the Stated Maturity of the Indebtedness being Refinanced,

(4) the new Indebtedness shall not be senior in right of payment to the Indebtedness that is being Refinanced, and

(5) to the extent such Indebtedness directly or indirectly Refinances Indebtedness of a Restricted Subsidiary Incurred pursuant to clause (b)(4) under "Certain Covenants—Limitation on Indebtedness," such Refinancing Indebtedness shall be Incurred only by such Restricted Subsidiary;

provided, *however*, that Refinancing Indebtedness shall not include:

(x) Indebtedness of a Subsidiary that is not a Subsidiary Guarantor that Refinances Indebtedness of the Issuer or a Subsidiary Guarantor (unless the Indebtedness being Refinanced is Bank Indebtedness permitted to be Incurred under the Indenture or Senior Indebtedness of a Subsidiary Guarantor),

(y) Indebtedness of the Issuer or a Restricted Subsidiary that Refinances Indebtedness of an Unrestricted Subsidiary or

(z) Indebtedness of a Restricted Subsidiary that Refinances the Junior Subordinated Parent Intercompany Loan Agreement.

"Related Business" means any business related, ancillary or complementary to the businesses of the Issuer and the Restricted Subsidiaries on the Closing Date, including iDTV and any business related, ancillary or complimentary thereto.

"Representative" means the trustee, agent or representative (if any) for an issue of Senior Indebtedness.

"Restricted Subsidiary" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"Sale/Leaseback Transaction" means an arrangement relating to property now owned or hereafter acquired by the Issuer or a Restricted Subsidiary whereby the Issuer or a Restricted Subsidiary transfers such property to a Person and the Issuer or such Restricted Subsidiary leases it from such Person, other than leases between the Issuer and a Wholly Owned Subsidiary of the Issuer or between Wholly Owned Subsidiaries of the Issuer.

"SEC" means the U.S. Securities and Exchange Commission.

"Secured Indebtedness" means any Indebtedness of the Issuer secured by a Lien. "Secured Indebtedness" of a Subsidiary Guarantor has a correlative meaning.

"Securities Act" means the U.S. Securities Act of 1933.

"Security Agreements" means the Share Pledges, the Proceeds Loan Agreement Pledges and the Parent Inter-Company Loan Agreement Pledge.

"Senior Default" means an event of default as defined in the relevant Credit Facility.

"Senior Indebtedness" of the Issuer or any Subsidiary Guarantor means the principal of, premium (if any) and accrued and unpaid interest on (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization of the Issuer or any Subsidiary Guarantor, regardless of whether or not a claim for post-filing interest is allowed in such proceedings), and fees and other amounts owing in respect of, Bank Indebtedness and all other Indebtedness of the Issuer or any Subsidiary Guarantor, as applicable, whether outstanding on the Closing Date or thereafter Incurred, unless in the instrument creating or evidencing the same or pursuant to which the same is outstanding it is provided that such obligations are (a) subordinated in right of payment to the Notes, in the case of Indebtedness of the Issuer or (b) not superior, or are subordinated, in right of payment to the Subsidiary Guarantor's Subsidiary Guarantee, in the case of Indebtedness of the Subsidiary Guarantor; *provided*, *however*, that Senior Indebtedness of the Issuer or any Subsidiary Guarantor shall not include:

(1) any obligation of the Issuer to any Subsidiary of the Issuer or of such Subsidiary Guarantor to the Issuer or any other Subsidiary of the Issuer;

(2) any liability for national, regional, state, local or other taxes owed or owing by the Issuer or such Subsidiary Guarantor, as applicable;

(3) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including Guarantees thereof or instruments evidencing such liabilities);

(4) any Indebtedness or obligation of the Issuer or a Subsidiary Guarantor (and any accrued and unpaid interest in respect thereof) that by its terms is subordinate or junior in any respect to any other Indebtedness or obligation of the Issuer or such Subsidiary Guarantor, as applicable, including any Senior Subordinated Indebtedness and any Subordinated Obligations of the Issuer or such Subsidiary Guarantor, as applicable;

(5) any obligations with respect to any Capital Stock; or

(6) any Indebtedness Incurred in violation of the Indenture.

"Senior Payment Default" means a failure to make a payment when due in respect of Senior Indebtedness.

"Senior Security Agent" means KBC Bank NV, as security agent under the Existing Credit Facility and any successor thereto in its capacity as security agent under the Existing Credit Facility and any additional Senior Security Agent under the Intercreditor Agreement or any Person acting in such capacity under an additional intercreditor agreement relating to the Notes.

"Senior Subordinated Indebtedness" of a Subsidiary Guarantor means any Indebtedness of such Subsidiary Guarantor that specifically provides that such Indebtedness is to rank equally with the Subsidiary Guarantee of such Subsidiary Guarantor in right of payment and is not subordinated by its terms in right of payment to any Indebtedness or other obligation of such Subsidiary Guarantor which is not Senior Indebtedness.

"Share Pledges" means (1) the second ranking share pledge agreements in respect of the shares of Telenet Bidco, Telenet Operaties and MixtICS to be entered into on the Closing Date and (2) Additional Share Pledges entered into after the Closing Date.

"Significant Subsidiary" means any Restricted Subsidiary that would be a "Significant Subsidiary" of the Issuer within the meaning of Rule 1-02 under Regulation S-X promulgated by the SEC, except that for purposes of the covenant described in the second paragraph under "Subsidiary Guarantees—General" all references to 10% in the definition of "Significant Subsidiary" contained therein shall be deemed to be references to 5%.

"Specified Affiliate Transactions" means (1) the payment by the Issuer or any Restricted Subsidiary to an Affiliate of the Issuer of customary compensation for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with acquisitions or divestitures, which payments are approved in good faith by a majority of the members of the Board of Directors of the Issuer that are not affiliated with such Affiliate to which such payment is to be made and (2) the Strategic Services Agreement, the Management Agreement (each, as described in "Management and Governance—Senior Management") and any other customary agreement related to, and the payment of fees and related expenses to any Affiliate for, the performance by such Affiliate of management services for the Issuer or any of its Subsidiaries; *provided*, *however*, that such payments pursuant to clause (2) shall not exceed $5 million in the aggregate in any fiscal year of the Issuer.

"Stated Maturity" means, with respect to any security, the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency beyond the control of the issuer unless such contingency has occurred).

"Subordinated Obligation" means any Indebtedness of the Issuer or a Subsidiary Guarantor (whether outstanding on the Closing Date or thereafter Incurred) that is subordinate or junior in right of payment to the Notes (in the case of the Issuer) or the Subsidiary Guarantee of such Subsidiary Guarantor pursuant to a written agreement.

"Subsidiary" of any Person means any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Capital Stock or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by:

(1) such Person,

(2) such Person and one or more Subsidiaries of such Person or

(3) one or more Subsidiaries of such Person.

"Subsidiary Guarantee" means each Guarantee of the obligations with respect to the Notes issued by a Subsidiary of the Issuer pursuant to the terms of the Indenture.

"Subsidiary Guarantor" means any Person that has issued a Subsidiary Guarantee.

"Telenet Holding Company" means any Person, including Parent, of which the Issuer is a Wholly Owned Subsidiary.

"Temporary Cash Investments" means any of the following:

(1) any investment in direct obligations of any country that is a Member State on the Closing Date or the United States of America or any agency thereof or obligations Guaranteed by any country that is a Member State on the Closing Date or the United States of America or any agency thereof, and whose long-term debt is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act),

(2) investments in checking accounts, time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company that is organized under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America having capital, surplus and undivided profits aggregating in excess of €250,000,000 (or the foreign currency equivalent thereof) and whose long-term debt is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act),

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank meeting the qualifications described in

clause (2) above,

(4) investments in commercial paper, maturing not more than 90 days after the date of acquisition, issued by a corporation (other than an Affiliate of the Issuer) organized and in existence under the laws of the United States of America or any foreign country recognized by the United States with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's Investors Service, Inc. or "A-1" (or higher) according to Standard and Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc. ("S&P"), and

(5) investments in securities with maturities of six months or less from the date of acquisition issued or fully guaranteed by any country that is a Member State on the Closing Date, any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least "A" by S&P or "A" by Moody's Investors Service, Inc.

"Total Assets" means, as of any date of determination, the total assets shown on the most recent Consolidated balance sheet of the Issuer previously furnished to Holders pursuant to the covenant described under "Certain Covenants—Ongoing Reporting."

"Trade Payables" means, with respect to any Person, any accounts payable or any indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person arising in the ordinary course of business in connection with the acquisition of goods or services.

"Trustee" means the party named as such in the Indenture until a successor replaces it and, thereafter, means the successor.

"Trust Officer" means the Chairman of the Board, the President or any other officer or assistant officer of the Trustee assigned by the Trustee to administer its corporate trust matters.

"Unrestricted Subsidiary" means:

(1) any Subsidiary of the Issuer that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided below and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary of the Issuer) to be an Unrestricted Subsidiary unless such Subsidiary or any of its Subsidiaries owns any Capital Stock or Indebtedness of, or owns or holds any Lien on any property of, the Issuer or any other Subsidiary of the Issuer that is not a Subsidiary of the Subsidiary to be so designated; *provided*, *however*, that either:

(A) the Subsidiary to be so designated has total Consolidated assets of €1,000 or less or

(B) if such Subsidiary has Consolidated assets greater than € 1,000, then such designation would be permitted under the covenant described under "Certain Covenants—Limitation on Restricted Payments."

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided, however*, that immediately after giving effect to such designation:

(x) the Issuer could Incur €1.00 of additional Indebtedness under paragraph (a) of the covenant described under "Certain Covenants—Limitation on Indebtedness" and

(y) no Default shall have occurred and be continuing.

Any such designation of a Subsidiary as a Restricted Subsidiary or Unrestricted Subsidiary by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing provisions.

"Voting Stock" of a Person means all classes of Capital Stock or other interests (including partnership interests) of such Person then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof.

"Wholly Owned Subsidiary" means (1) in respect of any Person, a Person, all of the Capital Stock of which (other than directors' qualifying shares or an immaterial amount of shares required to be owned by other Persons pursuant to applicable law or to ensure limited liability) is owned by that Person directly or (2) indirectly by a Person that satisfies the requirements of clause (1).

"X/N System" means the securities clearing system recognized or approved in accordance with Articles 3 through 12 of the Law of January 2, 1991 on the market of public debt securities and the monetary policy instruments, as amended, the Law of August 6, 1993, as amended, and its implementing decrees, as amended, and the Law of July 15, 1998 and its implementing decrees, which is currently the securities clearing system operated by the NBB.

BOOK-ENTRY, FORM, CLEARANCE AND SETTLEMENT

Form of Notes

The Notes will be represented by one or more global notes, in bearer form, which will represent the entire principal amount of the Notes issued on the Closing Date. As discussed in more detail below, interests in the Notes will be available to investors only in book-entry form (during the period in which Notes are represented by Global Notes, as discussed in this section) or as Definitive Registered Notes (as defined below). Notes will not be issuable in definitive bearer form under any circumstances. Notes sold within the United States to qualified institutional buyers in reliance on Rule 144A under the Securities Act will initially be represented by a global note (the "Rule 144A Global Note"). Notes sold outside the United States in reliance on Regulation S under the U.S. Securities Act will initially be represented by a separate global note (the "Regulation S Global Note" and, together with the Rule 144A Global Note, the "Global Notes").

Pursuant to an agreement between the Issuer and the National Bank of Belgium (the "NBB"), Global Notes will be deposited on the Closing Date with the NBB as operator of a book-entry clearing system (the "X/N System"). Investors may hold interests in Notes directly in their securities accounts with the NBB or indirectly through an account with one of the participants in the X/N System, which include Euroclear and Clearstream, Luxembourg and most credit institutions and securities firms established in Belgium. In general, investors should be able to hold interests in Notes through securities accounts in Euroclear and Clearstream, Luxembourg in the same way as they would for any other debt securities. Interests in Notes can be held and cleared in Euroclear and Clearstream, Luxembourg in accordance with their usual rules and operating procedures.

The person shown in the records of the NBB or the direct or indirect participants in the X/N System as the holder of a particular nominal amount of Notes (in which regard any certificate or other document issued by the NBB, or the relevant direct or indirect participants in the X/N System, shall be conclusive and binding for all purposes save in the event of manifest error) shall for all purposes be treated by the Issuer and any paying agent as the holder of such nominal amount of Notes, other than with respect to the payment of principal, premium (if any), cash interest on such Global Notes, the right to which will be vested, as against the Issuer and the Trustee, solely in the person shown in the records of NBB as the holder of such principal amount at maturity of Global Notes.

Original Issue

On or before the date of completion of the offering of the Notes, ING Belgium SA/NV, the Principal Paying Agent, on behalf of the Issuer, will deliver duly executed and authenticated Global Notes in bearer form to the NBB, where they will be immobilized. Upon receipt of the Global Notes, the NBB will credit the Principal Paying Agent's exempt securities account in the X/N System with an amount equivalent to the principal amount of the Global Notes. On the date of completion of the offering of the Notes, the Principal Paying Agent will credit Euroclear's and/or Clearstream, Luxembourg's exempt securities account in the X/N System with an amount equivalent to their respective portion of the principal amount of the Global Notes. Following payment to the Issuer of the net proceeds for the issue of the Notes, Euroclear and/or Clearstream, Luxembourg will credit the holders of book-entry interests in the Notes by crediting their securities accounts as participants of Euroclear and/or Clearstream, Luxembourg, in accordance with the principal amount of Notes purchased by each of them.

Payments on Global Notes

Payments of any amounts owing in respect of the Global Notes will be made by us to the Principal Paying Agent. The Principal Paying Agent will make payments to the NBB, which will in turn make payments to Euroclear and/or Clearstream, Luxembourg.

Issuance of Definitive Registered Notes

Book-entry interests in the Global Notes will be exchangeable in whole but not in part for individual definitive registered notes ("Definitive Registered Notes") only if (A) (i) the NBB ceases to operate the X/N System and (ii) a successor operator is not appointed within 120 days of notice of such event, (B) both Euroclear and Clearstream, Luxembourg notify the Issuer that they are unwilling or unable to continue to act as depository and a successor depository is not appointed by the Issuer within 120 days of notice of such event or (C) if, as a result of any amendment to, or change in, the laws or regulations of Belgium, another Member State or the United States (or any political sub-division of any of the foregoing) or of any authority therein or thereof having power to tax or in the interpretation, by a revenue authority or a court, or administration of such laws or regulations which become effective after the Closing Date, the Issuer reasonably concludes that continuing to settle the Notes through the X/N System would require it to make a deduction or withholding from any payment in respect of the Notes which would not then be required in respect of Definitive Registered Notes.

In the event that Definitive Registered Notes become issuable pursuant to clause (A) above:

(i) the NBB shall deliver to the Principal Paying Agent a request for the issue of Definitive Registered Notes in an aggregate principal amount equal to the principal amount of the Global Notes; and

(ii) the Principal Paying Agent shall: (A) arrange for Definitive Registered Notes to be issued in the amount of and in the name of the holders of book-entry interests in the Global Notes based on instructions received by it from the NBB, Euroclear or Clearstream, Luxembourg, as applicable; (B) request the NBB to deliver the Global Notes to the Principal Paying Agent within five business days after such request; (C) upon receipt of the Global Notes, cancel the Global Notes; and (D) arrange for the entry of the Definitive Registered Notes in the register kept by the Issuer or an agent appointed by the Issuer and the delivery of certificates evidencing the entry of the Definitive Registered Notes in such register in the name of the relevant holders.

In the event that Definitive Registered Notes become issuable pursuant to clause (B) or (C) above:

(i) the Issuer shall deliver to the Principal Paying Agent a request for the issue of Definitive Registered Notes in an aggregate principal amount equal to the principal of the Global Notes; and

(ii) the Principal Paying Agent shall: (A) arrange for Definitive Registered Notes to be issued in the amount of and in the name of the holders of book-entry interests in the Global Notes based on instructions received by it from the NBB, Euroclear or Clearstream, Luxembourg, as applicable; (B) request the NBB to deliver the Global Notes to the Principal Paying Agent within five business days after such request; (C) upon receipt of the Global Notes, cancel the Global Notes; and (D) arrange for the entry of the Definitive Registered Notes in the register kept by the Issuer or an agent appointed by the Issuer and delivery of certificates evidencing the entry of the Definitive Registered Notes in such register in the name of the relevant holders.

So long as the Notes are listed on the Luxembourg Stock Exchange, in the event that Definitive Registered Notes are issued, a notice will be published in Luxembourg in a daily leading newspaper with general circulation in Luxembourg (expected to be the *Luxemburger Wort*).

In addition, book-entry interests in the Global Notes will be exchangeable in whole or in part for Definitive Registered Notes at the request of any holder of such book-entry interests within 60 days following notice given by the Issuer or the Trustee of an Event of Default described in clauses (1), (2), (6), (7) or (8) under "Description of the Notes—Defaults," with respect to the Notes. Any such request must include the principal amount of the Definitive Registered Notes to be issued at the request of such holder, together with such holder's name and account number in the X/N System, Euroclear or Clearstream, Luxembourg, as applicable.

In the event that the Principal Paying Agent receives a request to issue Definitive Registered Notes in accordance with the preceding paragraph, the Principal Paying Agent shall: (A) notify the NBB of such holder's request; (B) deliver to the NBB a "schedule of amendment of the principal" to be annexed, according to the provisions of the clearing agreement among the Issuer, the Principal Paying Agent and the NBB (the "Clearing Agreement"), to the relevant Global Note reflecting the remaining principal amount of such Global Note (after giving effect to the issuance of the Definitive Registered Notes pursuant to the sentence); and (C) notify the registrar thereof of the amount of and the name in which such Definitive Registered Notes are to be issued, based on the details provided in such holder's request, in order that the registrar (i) enter the Definitive Registered Notes in the register and (ii) cause the delivery of certificates evidencing the entry of the Definitive Registered Notes in such register in the name of such holder.

Definitive Registered Notes will not be eligible for settlement through the X/N System. All Definitive Registered Notes will be subject to the relevant restrictive legends referred to in "Transfer Restrictions" unless that legend is not required by the Indenture or applicable laws.

Transfer of Notes

The Global Notes may be transferred only in accordance with the Indenture, the Clearing Agreement and subject to the restrictions on transfer and certification described in "Transfer Restrictions." Holders may exchange or transfer their Notes upon notification and certification given to the Principal Paying Agent (attention: Financial Markets Support Fixed Income), at fax number +32-2-557-1972 or at its address as set forth under "Description of the Notes." The Global Notes will bear a legend as described under "Transfer Restrictions." The Clearing Agreement provides that the Global Notes will represent the entries in the securities accounts at the X/N System and constitute a unique deposit governed by the principle of fungibility.

Book-entry interests in the 144A Global Note ("restricted book-entry interests") may be transferred to a person who takes delivery in the form of book-entry interests in the Regulation S Global Note ("unrestricted book-entry interests") only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that the transfer is made in accordance with Regulation S under the Securities Act and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Prior to 40 days after the date of initial issuance of the Notes, any sale or transfer of interests to U.S. persons will not be permitted unless the resale or transfer is made pursuant to Rule 144A.

Unrestricted book-entry interests may be transferred to a person who takes delivery in the form of restricted book-entry interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that the 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 state of the United States or any other jurisdiction.

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 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 that other Global Note for as long as that person retains the book-entry interests.

Definitive Registered Notes may be transferred only in accordance with the Indenture, subject to the restrictions on transfer and certification described in "Transfer Restrictions," and in accordance with the following procedure:

Holders of the Definitive Registered Notes will be recorded in the register kept by the Issuer, or an agent appointed by the Issuer. Title to the Definitive Registered Notes will pass upon the registration of transfer in the register. The Issuer, its paying agents and the Trustee may (to the fullest extent permitted by applicable laws) deem and treat the registered Holder of any Definitive Registered Note as the absolute owner for all purposes (whether or not the Note shall be overdue and notwithstanding any notice of ownership or writing on such Definitive Registered Note or any notice of previous loss or theft of such Definitive Registered Note or of any trust or interest therein). Transfer of the Definitive Registered Notes will only be registered upon the surrender of the Definitive Registered Notes being transferred at the specified office of the Issuer or a paying agent. The Issuer, the Trustee and each paying agent may require appropriate endorsement or transfer documents and the payment of a sum sufficient to cover any tax, assessment or other governmental charge payable in connection with certain transfers or exchanges.

Notwithstanding the foregoing, the Issuer will not be required to register the transfer of any of the Definitive Registered Notes selected for redemption or due to be redeemed:

(1) for a period of 5 days before the date fixed for redemption; or

(2) for a period of 5 days before an Interest Payment Date.

Secondary Market Trading

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg or purchases of book-entry interests in the Notes through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the normal procedures applicable to conventional eurobonds.

The Clearing Systems

NBB

The NBB is the central bank of Belgium. The NBB operates the X/N System for, among other securities, corporate debt securities which may be traded on a fungible basis. In order for the Notes to be traded on a fungible basis, the initial purchasers have, and each purchaser of Notes will agree and will be deemed to have, agreed to the application of the fungibility system as provided for in Royal Decree No. 62 of November 10, 1967 on the promotion of the circulation of securities, as amended. The X/N System is accessible to investors and financial intermediaries through its participants. The participants include most Belgian banks, some Luxembourg banks, Belgian investment firms, Euroclear and Clearstream, Luxembourg. For a description of the tax implications of the clearing of the Notes through the X/N System and a description of the Eligible Investors qualified to hold the Notes, see "Certain Income Tax Considerations—Belgian Tax Considerations—Belgian Withholding Tax."

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for participating organizations and 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, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

Distributions of principal, interest and other payments with respect to book-entry interests in the Notes held through Euroclear and/or Clearstream, Luxembourg will be credited, to the extent received by the Principal Paying Agent, to the cash accounts of Euroclear and/or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

Non-participants of Euroclear and Clearstream, Luxembourg may hold and transfer book-entry interests in the Notes through accounts with a direct participant of Euroclear and/or Clearstream, Luxembourg or any other securities intermediary that holds a book-entry interest in the Notes through one or more securities intermediaries standing between such other securities intermediary and Euroclear or Clearstream, Luxembourg.

Euroclear has advised us as follows:

Under Belgian law, investors that are credited with securities on the records of Euroclear have a co-ownership right in the fungible pool of interests in securities on deposit with Euroclear in an amount equal to the amount of interests in securities credited to their accounts. In the event of the insolvency of Euroclear, Euroclear participants would have a right under Belgian law to the return of the amount and type of interests in securities credited to their accounts with Euroclear. If Euroclear does not have a sufficient amount of interests in securities on deposit of a particular type to cover the claims of all participants credited with such interests in securities on Euroclear's records, all participants having an amount of interests in securities of such type credited to their accounts with Euroclear would have the right under Belgian law to the return of their *pro rata* share of the amount of interests in securities actually on deposit.

Under Belgian law, Euroclear is required to pass on the benefits of ownership in any interest in securities on deposit with it (such as interest and principal payments, voting rights and other entitlements) to each person credited with interests in securities on its records.

Clearstream, Luxembourg has advised us as follows:

Clearstream, Luxembourg is incorporated under the laws of Luxembourg as a bank and is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector (*Commission de Surveillance de Secteur Financier*).

Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions among them through electronic book-entry transfers between their accounts, thereby eliminating the need for physical movement of securities.

Clearstream, Luxembourg provides other services to its customers, including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing.

Clearstream, Luxembourg interfaces with domestic securities markets in over 30 countries through established depositary and custodial relationships.

Clearstream, Luxembourg's customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Clearstream, Luxembourg's U.S. customers are limited to securities brokers and dealers and banks.

Indirect access to Clearstream, Luxembourg is also available to other institutions such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream, Luxembourg customer.

Clearstream, Luxembourg has established an electronic link with Euroclear to facilitate settlement of trades between Clearstream, Luxembourg and Euroclear.

General

Although the foregoing sets out the procedures of the X/N System, Euroclear and Clearstream, Luxembourg in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of the X/N System, Euroclear and Clearstream, Luxembourg, none of the NBB, Euroclear or Clearstream, Luxembourg is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Issuer, the guarantors of the Notes nor any of their respective agents will have responsibility for the performance of the NBB, Euroclear or Clearstream, Luxembourg or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

The information in this section concerning the NBB, Euroclear and Clearstream, Luxembourg and their respective book-entry systems has been obtained from sources that we believe to be reliable, but we take no responsibility for the accuracy thereof.

CERTAIN INCOME TAX CONSIDERATIONS

Belgian Tax Considerations

The following is a summary of the principal Belgian tax consequences for investors of receiving interest in respect of, and disposing of, Notes and is of a general nature based on the Issuer's understanding of current law and practice. Except as otherwise indicated, this summary only addresses the position of investors who do not have any connection with Belgium other than the holding of Notes. Investors should consult their professional advisers on the possible tax consequences of subscribing for, purchasing, holding or selling Notes under the laws of their countries of citizenship, residence, ordinary residence or domicile.

The present section does not address the tax situation of natural persons residing in Belgium.

Belgian Withholding Tax

Notes in Book-Entry Form

The interest component of payments on Notes is, as a rule, subject to Belgian withholding tax at the rate of 15%, subject to such relief as may be available under applicable domestic or tax treaty provisions.

All payments of interest by or on behalf of the Issuer shall be made without deduction of withholding tax for Notes held in book-entry form by eligible investors (the "Eligible Investors") in an exempt securities account (an "X-Account") with the X/N System or with a participant or sub-participant in such system (a "Participant").

Eligible Investors are those persons referred to in Article 4 of the Royal Decree of May 26, 1994, including, *inter alia*:

1° Belgian resident companies subject to corporate income tax within the meaning of Article 2, §2, 2° of the Income Tax Code 1992 ("ITC 1992");

2° without prejudice to Article 262, 1° and 5° of ITC 1992, Belgian insurance or pension undertakings within the meaning of Article 2, §3 of the Law of July 9, 1975 on supervision of insurance companies (other than those referred in points 1° and 3° of said Article);

3° State-linked social security organizations and institutions assimilated therewith within the meaning of Article 105, 2° of the Royal Decree of August 27, 1993 implementing ITC 1992;

4° non-residents of Belgium within the meaning of Article 105, 5° of said Royal Decree of August 27, 1993;

5° mutual funds within the meaning of Article 115 of said Royal Decree of August 27, 1993;

6° companies, entities or partnerships within the meaning of Article 227, 2° of ITC 1992 which are subject to non-resident income tax in Belgium in accordance with Article 233 of ITC 1992 and whose Notes are held as part of a taxable business activity in Belgium;

7° the Belgian State, with respect to its investments exempted from withholding tax in accordance with Article 265 of ITC 1992;

8° mutual funds organized under foreign law which are structured as an undivided estate managed by a management company on behalf of certificateholders, provided that their certificates are no publicly offered or otherwise marketed in Belgium; and

9° Belgian resident companies not referred to in point 1 above whose sole or principal activity consists in granting credits or loans.

Eligible Investors do not include natural persons residing in Belgium or not-for-profit organizations (other than those referred to in points 2 and 3 above). Participants to the X/N System must keep the Notes they hold for non-Eligible Investors in a non-exempt securities account (an "N-Account"). All payments of interest on such Notes will be made subject to deduction of withholding tax at the rate of 15%. In addition, the transfer of Notes by holders of an N-Account is subject to withholding tax at the rate of 15% on the *pro rata* interest accrued since the last preceding interest payment date.

Upon opening an X-Account with the X/N System or with a Participant, an Eligible Investor is required to certify its eligible status on a standard form approved by the Minister of Finance. There are no ongoing certification requirements for Eligible Investors, but direct Participants are required to annually report to the X/N System as to the eligible status of each holder for whom they hold Notes in an X-Account.

In addition, an X-Account may be opened with a Participant by an intermediary (an "Intermediary") in respect of Notes that such Intermediary holds for the account of its clients (the "Beneficial Owners"), provided that each Beneficial Owner is an Eligible Investor. In such a case, the Intermediary is required to certify on a standard form approved by the Minister of Finance that (i) it is an Eligible Investor, and (ii) the Beneficial Owners holding their Notes through it are also Eligible Investors. A Beneficial Owner is also required to certify its eligible status on a standard form approved by the Minister of Finance and to be delivered to the Intermediary.

However, none of these certification or reporting requirements apply in respect of Notes held in Euroclear or Clearstream, Luxembourg in their capacity as Participants to the X/N System, provided that Euroclear or Clearstream, Luxembourg must be able to identify each holder for whom they hold notes in an Exempt Account.

In accordance with rules and procedures of the X/N System, a Noteholder who is withdrawing Notes from an X-Account may, following payment of interest accrued on such Notes from the last preceding interest payment date, be entitled to claim an indemnity from the Belgian tax authorities of an amount equal to the withholding tax, if any, applied on interest payable on the Notes for the period running from the last preceding interest payment date through the date of withdrawal of the Notes from the X/N System.

Definitive Registered Notes

Definitive Registered Notes will not be eligible for clearing and settlement through the X/N System. Payments of interest on Definitive Registered Notes will in principle be subject to Belgian withholding tax at the rate of 15%, subject to such relief as may be available under domestic or tax treaty provisions.

Payments of interest by or on behalf of the Issuer will be made without deduction of withholding tax in respect of Definitive Registered Notes held by non-residents of Belgium or certain Belgian financial institutions (and assimilated entities) or certain state-linked social security organizations (and institutions assimilated therewith), subject to the following requirements:

1° interest payments on Definitive Registered Notes are exempt from Belgian interest withholding tax if made to non-residents of Belgium, provided that such a non-resident investor certifies on each interest payment date in a form delivered to the Issuer that (i) it was the legal owner, or held the *usufructus* of the Definitive Registered Notes during the entire interest period to which the interest payment relates, (ii) it is a non-resident for Belgian income tax purposes, (iii) Definitive Registered Notes are not held as part of a taxable business activity in Belgium, and (iv) the Definitive Registered Notes have been registered with the Issuer in the name of such non-resident investor during the entire interest period to which the interest payment relates;

2° interest payments on Definitive Registered Notes are exempt from Belgian interest withholding tax if made to Belgian financial institutions or assimilated entities within the meaning of article 105, 1° of the Royal Decree of August 27, 1993 implementing ITC 1992, provided that such a financial institution or assimilated entity certifies on each interest payment date in a form delivered to the Issuer that (i) it was the legal owner, or held the *usufructus* of the Definitive Registered Notes during the entire interest period to which the interest payment relates, and (ii) the Definitive Registered Notes have been registered with the Issuer in the name of such investor during the entire interest period to which the interest payment relates; and

3° interest payments on Definitive Registered Notes are exempt from Belgian interest withholding tax if made to state-linked social security organizations and institutions assimilated therewith within the meaning of Article 105, 2° of the Royal Decree of August 27, 1993 implementing ITC1992, provided that such an organization or institution certifies on each interest payment date in a form delivered to the Issuer that (i) it was the legal owner, or held the usufructus of the Definitive Registered Notes during the entire interest period to which the interest payment relates, and (ii) the Definitive Registered Notes have been registered with the Issuer in the name of such investor during the entire interest period to which the interest payment relates.

Guarantee Payments

A Belgian resident Guarantor making payments under its Guarantee to non-residents of Belgium should be able to make such payment without withholding for or on account of Belgian tax, although this is not free of uncertainty given the limited availability of guidelines from the Belgian tax authorities or case law in this regard.

EU Savings Directive

On June 3, 2003, the EU Council adopted a directive regarding the taxation of savings income. Under this directive, each Member State other than Austria, Belgium and Luxembourg will be required to provide the tax authorities of each other Member State with details of payments of interest or other similar income paid by a person within its jurisdiction to individuals resident in such other Member State. Austria, Belgium and Luxembourg will be required to impose a withholding tax on such income. The withholding tax rate would initially be 15%, increasing to 20% after 2006 and 35% after 2009. These measures are scheduled to be applied by Member States from January 1, 2005, provided that Switzerland, Liechtenstein, Monaco, Andorra, San Marino and relevant dependent or associated territories of the United Kingdom and the Netherlands adopt similar measures from the same date. If and when (i) the European Union enters into exchange of information agreements with Switzerland, Liechtenstein, Monaco, Andorra and San Marino and (ii) the Council of the European Union confirms that the United States is sufficiently committed to exchange of information pursuant to bilateral agreements, Austria, Belgium and Luxembourg would, as of the end of the first fiscal year following such agreements, cease to apply the withholding tax and would instead comply with the automatic exchange of information rules applicable to the other Member States. Noteholders should consult their own tax advisers regarding the implications of the directive in their particular circumstances.

Capital Gains

Capital gains realized with respect to the Notes are subject to Belgian tax only if the Notes are held as part of a taxable business activity in Belgium.

For natural persons residing in Belgium and for Belgian legal entities subject to the Belgian income tax on legal entities (*impôt des personnes morales/rechtspersonenbelasting*), the *pro rata* interest included in a capital gain on the Notes is taxable as interest at a rate of 15%.

Transfer Taxes

A stamp tax may be levied at the rate of 0.07% on the sale and on the purchase of Notes in Belgium, and at the rate of 0.14% on the issuance of Notes to investors in Belgium, provided in each case that such transaction are carried out through intermediation of a professional intermediary in Belgium. Such tax will, however, be limited to a maximum amount of €250 per taxable transaction. Moreover, an exemption from this tax is available under Article 126/1, 2° of the Code on Taxes assimilated with Stamp Tax as regards parties to securities trades who are intermediaries within the meaning of Article 2 of the Law of April 6, 1995 on secondary markets and the status and supervision of investment firms, intermediaries and investment advisers, acting for their own account, insurance undertakings within the meaning of Article 2, §1 of the Law of July 9, 1975 on supervision of insurance companies, pension funds within the meaning of Article 2, §3, 6° of the Law of July 9, 1975 on supervision of insurance companies, pension funds within the meaning of Article 2, §3, 6° of the Law of July 9, 1975 on supervision of insurance companies and of the Royal Decree of May 15, 1985 on the activities of private pension institutions, collective investment schemes, or non-residents.

A stamp tax may also be levied at the rate of 0.2% on the physical delivery of definitive Notes issued in bearer form following their subscription or in connection with their purchase through intermediation of a professional intermediary in Belgium. The Belgian Government has announced its intention to increase this tax to 0.6% for deliveries as of January 1, 2004. An exemption from this tax is available under Article 159 of the Code on Taxes assimilated with Stamp Tax as regards parties to securities trades who are intermediaries within the meaning of Article 2, §1 of said Law of April 6, 1995. This tax does not apply to the issue, or subsequent trading, of Notes in book-entry form and to Definitive Registered Notes.

U.S. Federal Income Tax Considerations

The following discussion summarizes the material U.S. federal income tax consequences for a U.S. holder of purchasing, owning, and disposing of the Notes. You will be a U.S. holder if you are a citizen or resident of the United States, a U.S. domestic corporation, or otherwise subject to U.S. federal income tax on a net income basis in respect of income from the Notes. This summary deals only with U.S. holders that purchase Notes at their issue price as part of the initial distribution and that hold Notes as capital assets. It does not address considerations that may be relevant to you if you are an investor that is subject to special tax rules, such as a bank, thrift, real estate investment trust, regulated investment company, insurance company, dealer in securities or currencies, trader in securities or commodities that elects mark-to-market treatment, person that holds Notes as a hedge against currency risk or as a position in a "straddle" or conversion transaction, tax-exempt organization, or person whose "functional currency" is not the U.S. dollar.

The U.S. federal tax treatment of a partner in a partnership generally will depend on the status of the partner and the activities of the partnership. A partner of a partnership holding the Notes should consult its tax advisors.

This summary is based on laws, regulations, rulings, and decisions in effect as of the date hereof, all of which may change. Any change could apply retroactively and could affect the continued validity of this summary. You should consult your own tax advisers about the tax consequences of purchasing, owning, and disposing of Notes, including the relevance to your particular situation of the considerations discussed below, as well as the relevance to your particular situation of state, local, foreign or other tax laws.

Interest on the Notes

Payments or accruals of interest on the Notes will be taxable to you as ordinary interest income from foreign sources at the time that you receive or accrue such amounts (in accordance with your regular method of tax accounting).

If you use the cash method of tax accounting, the amount of interest income you will realize will be the U.S. dollar value of the payment in euro, calculated based on the exchange rate in effect on the date you receive the payment, regardless of whether you convert the payment into U.S. dollars.

If you are an accrual-basis U.S. holder, the amount of interest income you will realize will be based on the average exchange rate in effect during the interest accrual period (or, with respect to an interest accrual period that spans two taxable years, during the partial period within the taxable year). Alternatively, as an accrual-basis U.S. holder, you may elect to translate all interest income on the Notes at the spot rate on the last day of the accrual period (or the last day of the taxable year, in the case of an accrual period that spans more than one taxable year) or on the date that you receive the interest payment if that date is within five business days of the end of the accrual period (or taxable year). If you make this election, you must apply it consistently to all debt instruments from year to year and you cannot change the election without the consent of the U.S. Internal Revenue Service ("IRS"). If you use the accrual method of accounting for tax purposes, you will recognize foreign currency gain or loss on the receipt of an interest payment in euro if the exchange rate in effect on the date the payment is received differs from the rate applicable to a previous accrual of that interest income. This foreign currency gain or loss will be treated as ordinary income or loss, but generally will not be treated as an adjustment to interest income received on the Notes in euro.

With certain exceptions, interest payments on a Note will be treated as "passive" income or, in the case of certain U.S. holders, "financial services" income for purposes of computing the U.S. holder's foreign tax credit allowable under U.S. federal income tax law. The rules relating to foreign tax credits and the timing thereof are complex and U.S. holders should consult their own tax advisors regarding the availability of a foreign tax credit and the application of foreign tax credit limitations to their particular situation.

Purchase, Sale and Retirement of the Notes

Initially, your tax basis in a Note generally will equal the U.S. dollar value of the purchase price for the Note in euro, calculated at the exchange rate in effect on the date of purchase. If you sell or exchange a Note, or if a Note that you hold is retired, you generally will recognize gain or loss equal to the difference between the amount you realize on the transaction (less any accrued interest, which will be subject to tax in the manner described above under "—Interest on the Notes") and your tax basis in the Note. If you sell a Note for euro, or receive euro on the retirement of a Note, the amount you will realize for U.S. tax purposes generally will be the U.S. dollar value of the euro that you receive, calculated at the exchange rate in effect on the date the Note is sold or retired.

Except as discussed below with respect to foreign currency gain or loss, any gain or loss that you recognize on the sale, exchange or retirement of a Note generally will be capital gain or loss, and will be long-term capital gain or loss if you have held the Note for more than one year on the date of disposition. Net long-term capital gain recognized by an individual U.S. holder generally will be subject to taxation at a reduced rate. The ability of U.S. holders to offset capital losses against ordinary income is limited.

Despite the foregoing, gain or loss that you recognize on the sale, exchange or retirement of a Note generally will be treated as ordinary income or loss to the extent that the gain or loss is attributable to changes in exchange rates during the period in which you held the Note. This foreign currency gain or loss will not be treated as an adjustment to interest income that you receive on the Note.

U.S. Information Reporting and Backup Withholding Rules

Payments in respect of the Notes that are made within the United States or through certain U.S.-related financial intermediaries are subject to information reporting and may be subject to backup withholding unless you (i) are a corporation or other exempt recipient or (ii) provide a taxpayer identification number and certify that no loss of exemption from backup withholding has occurred. Holders that are not U.S. persons generally are not subject to information reporting or backup withholding; however, such holders may be required to provide a certification to establish their non-U.S. status in connection with payments received within the United States or from certain U.S.-related payors.

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.

PLAN OF DISTRIBUTION

Subject to the terms and conditions in the purchase agreement among the Issuer, Telenet Group Holding, the Subsidiary Guarantors and the initial purchasers dated December 17, 2003, 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 obligations of the initial purchasers under the purchase agreement, including their agreement to purchase Notes from the Issuer, are several and not joint. The purchase agreement provides that the initial purchasers will purchase all the Notes if any of them are purchased.

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, Telenet Group Holding and the Subsidiary Guarantors have agreed that:

- The Issuer, Telenet Group Holding and their subsidiaries will not offer or sell any debt securities issued or guaranteed by the Issuer, Telenet Group Holding or their subsidiaries (other than the Notes and the Senior Discount Notes) with a tenor of more than one year for a period of 180 days after December 17, 2003 without the prior consent of J.P. Morgan Securities Ltd. or Goldman Sachs International.

- The Issuer, Telenet Group Holding and the Subsidiary Guarantors 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 Notes have not been registered under the U.S. Securities Act or the securities laws of any other place. In the purchase agreement, each initial purchaser has agreed that:

- The Notes may not be offered or sold within the United States or to U.S. persons except pursuant to an exemption from the registration requirements of the U.S. Securities Act or in transactions not subject to those registration requirements.

- During the initial distribution of the Notes, it will offer or sell Notes in the United States only to qualified institutional buyers in compliance with Rule 144A and outside the United States in compliance with Regulation S.

In addition, until 40 days following the commencement of this offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the U.S. Securities Act.

In the purchase agreement, each initial purchaser has also agreed that:

- It has not offered or sold and, prior to the date six months after the date of issuance of the Notes, will not offer or sell any Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended).

- It has only communicated or caused to be communicated and 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 Financial Services and Markets Act 2000) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the Financial Services and Markets Act 2000 does not apply to the Issuer, Telenet Group Holding or the Subsidiary Guarantors.

- It has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

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." We do not intend to apply for the Notes to be listed on any securities exchange other than the Luxembourg Stock Exchange or to arrange for the Notes to be quoted on any quotation system. The initial purchasers have advised us 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. Accordingly, we 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, J.P. Morgan Securities Ltd. 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 J.P. Morgan Securities Ltd. engages in stabilizing or syndicate covering transactions, it may discontinue them at any time.

Goldman Sachs International proposes to offer Rule 144A Notes through its selling agent, Goldman, Sachs & Co., and Société Générale proposes to offer Rule 144A Notes through its selling agent, SG Cowen Securities.

The initial purchasers and their affiliates perform various financial advisory, investment banking and commercial banking services from time to time for us and our affiliates. J.P. Morgan plc (an affiliate of J.P. Morgan Securities Ltd.), Goldman Sachs Credit Partners L.P. (an affiliate of Goldman Sachs International), Merrill Lynch International, The Royal Bank of Scotland plc, KBC Bank NV, Société Générale and WestLB AG (an affiliate of WestLB AG, London Branch) are mandated lead arrangers, principal lenders and agents under the senior credit facility, and JPMorgan Chase Bank (an affiliate of J.P. Morgan Securities Ltd.) has been engaged to coordinate certain amendments to the terms of the senior credit facility, including amendments related to the issuance of the Notes. See "Description of Other Indebtedness—Senior Credit Facility." As described under "Use of Proceeds," we intend to use a portion of the net proceeds of this offering to repay amounts outstanding under the senior credit facility. Merrill Lynch Private Equity (an affiliate of Merrill Lynch International), KBC Bank NV and KBC Verzekeringen NV (an affiliate of KBC Bank NV) are holders of a portion of our existing subordinated shareholder loans (mezzanine subordinated bonds, gap filling bonds and gap filling bonds, respectively), which will be repaid in connection with the Refinancing. In addition, KBC Bank NV holds 330,869 registered shares, KBC Verzekeringen NV holds 157,576 registered shares and J.P. Morgan Corporate Resources Limited (an affiliate of J.P. Morgan Securities Ltd.), Merrill Lynch International, The Royal Bank of Scotland and WestLB Finance (Credits) Limited (an affiliate of WestLB AG, London Branch) each hold 15,718 registered shares of Telenet Group Holding. See "Principal Shareholders—Additional Shareholders." As of the closing of this offering, Merrill Lynch Private Equity, KBC Bank NV and KBC Verzekeringen NV will hold certain warrants to purchase additional shares of Telenet Group Holding. See "Principal Shareholders—Subordinated Debt Warrants." Merrill Lynch Private Equity Associates LLC (an affiliate of Merrill Lynch International) owns 2.6% of the equity in CAI Belgium and Callahan Investco Belgium 2 S.à. R.L., which collectively own approximately 19% of Telenet Group Holding, and also has the right to attend meetings of the Telenet Group Holding board of directors as an observer. In addition, Cable Partners pledged all the shares of Callahan Associates Holdings Belgium to Merrill Lynch Capital Corporation (an affiliate of Merrill Lynch International) as collateral for a loan from Merrill Lynch Capital Corporation. We lease our headquarters building pursuant to a sale-leaseback arrangement with KBC Bank NV. See "Business—Properties." Frank Donck, a member of our boards of directors, is also a member of the board of directors of KBC Bank & Insurance Holding NV, KBC Lease NV and Centea NV, which are affiliates of KBC Bank NV. The initial purchasers of the Notes offered hereby are also acting as initial purchasers of the Senior Discount Notes.

TRANSFER RESTRICTIONS

United States

The Notes are subject to restrictions on transfer as summarized below. By purchasing Notes, you will be deemed to have made the following acknowledgements, representations to and agreements with the Issuer and the initial purchasers:

(1) You acknowledge that: the Notes have not been registered under the U.S. Securities Act or any other securities laws and are being offered for resale in transactions that do not require registration under the U.S. Securities Act or any other securities laws; and unless so registered, the Notes may not be offered, sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraph (4) below.

(2) You represent that you are not an affiliate (as defined in Rule 144 under the U.S. Securities Act) of the Issuer, that you are not acting on the Issuer's behalf and that either: you are a qualified institutional buyer (as defined in Rule 144A under the U.S. Securities Act) and are purchasing Notes for your own account or for the account of another qualified institutional buyer, and you are aware that the initial purchasers are selling the Notes to you in reliance on Rule 144A; or you are not a U.S. person (as defined in Regulation S under the U.S. Securities Act) or purchasing for the account or benefit of a U.S. person, other than a distributor, and you are purchasing Notes in an offshore transaction in accordance with Regulation S.

(3) You acknowledge that none of the Issuer, the guarantors of the Notes nor the initial purchasers nor any person representing the Issuer, the guarantors of the Notes or the initial purchasers has made any representation to you with respect to the Issuer, the guarantors of the Notes or the offering of the Notes, other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the Notes. You agree that you have had access to such financial and other information concerning the Issuer and the Notes as you have deemed necessary in connection with your decision to purchase Notes, including an opportunity to ask questions of and request information from the Issuer.

(4) You represent that you are purchasing Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the U.S. Securities Act, subject to any requirement of law that the disposition of your property or the property of that investor account or accounts be at all times within your or their control and subject to your or their ability to resell the Notes pursuant to Rule 144A or any other available exemption from registration under the U.S. Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing Notes, and each subsequent holder of the Notes by its acceptance of the Notes will agree, that until the end of the Resale Restriction Period (as defined below), the Notes may be offered, sold or otherwise transferred only:

(a) to the Issuer;

(b) pursuant to a registration statement that has been declared effective under the U.S. Securities Act;

(c) for so long as the Notes are eligible for resale under Rule 144A, to a person the seller reasonably believes is a qualified institutional buyer that is purchasing for its own account or for the account of another qualified institutional buyer and to whom notice is given that the transfer is being made in reliance on Rule 144A;

(d) pursuant to offers and sales that occur outside the United States within the meaning of Regulation S under the U.S. Securities Act; or

(e) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act;

subject in each of the above cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller or account's control.

You also acknowledge that:

- the above restrictions on resale will apply from the closing date until the date that is two years (in the case of Rule 144A Notes) or 40 days (in the case of Regulation S Notes) 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;

- the Issuer and the Trustee reserve the right to require in connection with any offer, sale or other transfer of Notes under clauses (d) and (e) above the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Issuer and the Trustee; and

- each Note will contain a legend substantially to the following effect:

  THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

(5) You acknowledge that the Issuer, the initial purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of Notes is no longer accurate, you will promptly notify the Issuer and the initial purchasers. If you are purchasing any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to

make the above acknowledgments, representations and agreements on behalf of each account.

Belgium

This offering memorandum is not intended to constitute a public offer in Belgium. The Belgian Banking and Finance Commission has not reviewed or approved this document or commented on its accuracy or adequacy or recommended or endorsed the Notes described herein.

The Notes may not be publicly offered for sale, sold or marketed in Belgium by means of a public offer under Belgian law, nor may they be offered to any person qualifying as a consumer within the meaning of Article 1,7° of the Law of July 14, 1991 on consumer protection and trade practices, unless such sale is made in compliance with such law and with its implementing legislation.

Any offer to sell the Notes in Belgium will be permitted exclusively to either (i) persons who each subscribe for a minimum of €250,000 in principal amount of the Notes, or (ii) qualifying institutional investors, acting for their own account and listed in Article 3,2° of the Royal Decree of July 7, 1999 on the public character of financial transactions.

The Netherlands

The Notes (including rights representing an interest in a Note in global form) may only be offered in The Netherlands, as part of their initial distribution or as part of any re-offering, and this offering memorandum may only be distributed and circulated, and any offer of these Notes shall only be announced in writing (whether electronically or otherwise) in The Netherlands, to individuals or legal entities who or which trade in securities in the conduct of a business of profession ("Professional Investors," which term includes, but is not limited to, banks, securities intermediaries (including dealers and brokers), insurance companies, pension funds, collective investment institutions, other institutional investors and commercial enterprises with a treasury department which as an ancilliary activity regularly invest in securities), *provided* that each of the initial purchasers will undertake with the Issuer and the Guarantors that it will mention upon making any such offers and in any documents or advertisements in which this offering of the Notes is announced that, in The Netherlands, an offer to sell the Notes will be made exclusively to such Professional Investors.

LEGAL MATTERS

The validity of the Notes and certain other matters relating to the offering will be passed upon for us by Cleary, Gottlieb, Steen & Hamilton, our U.S., English and Belgian counsel. Certain legal matters relating to the offering will be passed upon for the initial purchasers by Cravath, Swaine & Moore LLP, their U.S. counsel, and by Allen & Overy, their Belgian counsel.

INDEPENDENT AUDITORS

The annual financial statements as of and for the years ended December 31, 2002 and 2001 included in this offering memorandum have been audited by independent auditor PricewaterhouseCoopers Bedrijfsrevisoren, a civil company having the form of a cooperative company with limited liability incorporated under the laws of Belgium.

SERVICE OF PROCESS AND ENFORCEMENT OF LIABILITIES

The Issuer is a limited liability company organized under the laws of Belgium with its registered office and principal place of business in Belgium. Its parent company and subsidiaries, including the guarantors of the Notes, are non-residents of the United States. Most of the directors and senior management of the Issuer and the other Telenet entities are not residents of the United States, and all or a substantial portion of their assets are located outside the United States. Substantially all of the assets of the Issuer and the guarantors of the Notes are also located outside the United States. The Issuer and the guarantors of the Notes have agreed, in accordance with the terms of the indenture, to accept service of process in any suit, action or proceeding with respect to the indenture, the Notes or the guarantees of the Notes brought in any federal or state court located in The City of New York by an agent designated for such purpose, and to submit to the jurisdiction of such courts in connection with such suits, actions or proceedings. However, it may not be possible for you to effect service of process within the United States upon the directors and senior management of the Issuer or the guarantors of the Notes or to enforce against these persons, or the Issuer and the guarantors of the Notes, judgments of U.S. courts predicated upon civil liability provisions of the federal securities laws of the United States.

The United States currently does not have a treaty with Belgium providing for the reciprocal recognition and enforcement of judgments, other than arbitral awards, in civil and commercial matters. Consequently, a final judgment rendered by any federal or state court in the United States, whether or not predicated solely upon U.S. federal or state securities laws, would not automatically be enforceable in Belgium.

Our Belgian counsel has advised us that a U.S. judgment may be recognized and enforced upon request by the courts of Belgium if a Belgian court confirms the substantive correctness of the judgment of the U.S. court and is satisfied that:

- the judgment is not contrary to the principles of international public policy in Belgium or rules of Belgian public law;
- the judgment did not violate the due process rights of the defendant;
- the judgment is not subject to further appeal under U.S. law;
- the U.S. court did not accept its jurisdiction solely on the basis of the nationality of the plaintiff; and
- the judgment submitted to it is authentic.

In addition, with regard to the enforcement through legal proceedings in Belgium (including the exequatur of foreign court decisions in Belgium), a registration tax at the rate of 3% of the amount of the judgment is payable by the debtor, if the sum of money which the debtor is ordered to pay by a Belgian court, or by a foreign court judgment that is either (i) automatically enforceable and registered in Belgium or (ii) rendered enforceable by a Belgian court, exceeds €12,500. The registration tax is payable by the debtor The creditor is jointly liable up to a maximum of one-half of the amount the creditor recovers from the debtor.

In addition, it is questionable whether a Belgian court would accept jurisdiction and impose civil liability if proceedings were commenced in Belgium predicated solely upon U.S. federal securities laws.

WHERE YOU CAN FIND MORE INFORMATION

If you purchase Notes from the initial purchasers, you will be furnished with a copy of this offering memorandum and, to the extent provided by us to the initial purchasers for such purpose, any related amendment or supplement to this offering memorandum. When you receive this offering memorandum and any such amendment or supplement you acknowledge that:

- you have been afforded an opportunity to request from us and to review, and have received from us, all additional information considered by you to be necessary to verify the accuracy and completeness of the information herein;

- you have not relied on the initial purchasers or any person affiliated with the initial purchasers in connection with your investigation of the accuracy of such information or your investment decision; and

- except in each case as provided above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein, and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the initial purchasers.

During the period in which we are not a reporting issuer under the U.S. Securities Exchange Act of 1934 (the "U.S. Exchange Act") or exempt therefrom pursuant to Rule 12g3-2(b) under the U.S. Exchange Act, we have agreed that, for so long as any Notes remain outstanding and are "restricted securities" within the meaning of Rule 144 under the U.S. Securities Act, we will furnish to the holders of such Notes and prospective purchasers of such Notes (as designated by the then current holder of such Notes), upon their written request, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act. Any such request should be directed to the Issuer at Liersesteenweg 4, B-2800 Mechelen, Belgium.

We have not been and will not be required to file reports with the SEC pursuant to the periodic reporting and other information requirements of the U.S. Exchange Act. However, we will furnish to the holders of the Notes, without charge, the quarterly and annual financial statements and related notes and an accompanying Management's Discussion and Analysis of Financial Condition and Results of Operations in the format and including substantially the same information that would be required to be included in the periodic reports filed with the SEC if we were subject to the information requirements of the U.S. Exchange Act.

So long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such stock exchange so require, copies of such information will also be available during the normal business hours on any business day at the office of The Bank of New York (Luxembourg) SA.

LISTING AND GENERAL INFORMATION

Listing

Application has been made to list the Notes on the Luxembourg Stock Exchange in accordance with the rules of that exchange. Prior to the listing, a legal notice relating to the issue of the Notes and the certified organizational documents of the Issuer will be deposited with the Trade and Companies Register (*Régistre de Commerce et des Sociétés*) in Luxembourg, where such documents may be examined and copies obtained. 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 (which is expected to be the *Luxemburger Wort*).

For so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange require, copies of the following documents (including any future amendments thereto) may be inspected and obtained, free of charge, at the specified office of the listing agent in Luxembourg during normal business hours on any weekday:

- the organizational documents of the Issuer;
- our most recent audited consolidated financial statements, and unaudited condensed consolidated interim financial statements published by us;
- this offering memorandum;
- the purchase agreement relating to the Notes; and
- the indenture relating to the Notes (which includes the form of the Notes).

We have appointed The Bank of New York (Luxembourg) SA as our paying agent in Luxembourg. We will maintain a paying and transfer agent in Luxembourg for as long as any of the Notes are listed on the Luxembourg Stock Exchange. We reserve the right to vary such appointment and we will publish notice of such change of appointment in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*).

Our fiscal year ends December 31 and we will prepare separate audited statutory accounts for the Issuer for the fiscal year ending December 31, 2003. These will be available free of charge at the office of our Luxembourg paying agent. The Issuer's most recent unaudited Belgian accounts are or will be available free of charge at the office of our Luxembourg paying agent. Our group's present and future audited Belgian accounts are or will be made available free of charge at the office of our Luxembourg paying agent.

According to the rules and regulations of the Luxembourg Stock Exchange, the Notes are freely transferable and therefore no transaction made on the Luxembourg Stock Exchange shall be cancelled.

Clearing Information

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 X/N System, Euroclear and Clearstream, Luxembourg.

The common code numbers for the Notes sold pursuant to Rule 144A and Regulation S of the U.S. Securities Act are 18240602 and 18241099, respectively.

The international securities identification numbers for the Notes sold pursuant to Rule 144A and Regulation S of the U.S. Securities Act are BE0119279660 and BE0119280676, respectively.

Legal Information

1. The Issuer is a limited liability company and was incorporated on December 1, 2000 and operates under the laws of the Kingdom of Belgium. The issued share capital of the Issuer is € 1,419,042,873.38 divided into

28,380,858 fully paid registered shares with no par value and each representing a *pro rata* portion of the share capital.

2. The registered office of the Issuer is Liersesteenweg 4, B-2800 Mechelen, Belgium. The Issuer is registered in the register of commerce of Mechelen under number 90032.

3. The creation and issuance of the Notes and execution of the Indenture has been authorized by a resolution of the Issuer's board of directors, dated November 28, 2003.

4. The giving of the Note guarantees has been authorized by the resolution of the board of directors (or the equivalent body) of each of the Telenet entities providing a guarantee, as follows:

   - Telenet Group Holding NV, by a resolution passed on November 28, 2003.
   - Telenet Bidco NV, by a resolution passed on November 28, 2003.
   - Telenet Holding NV, by a resolution passed on November 28, 2003.
   - Telenet Operaties NV, by a resolution passed on November 28, 2003.
   - Telenet Vlaanderen NV, by a resolution passed on November 28, 2003.

5. Telenet Group Holding NV is a limited liability company and was incorporated on May 31, 2002 and operates under the laws of the Kingdom of Belgium. The issued share capital of Telenet Group Holding is € 1,427,929,900.00 divided into 28,558,598 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 commerce of Mechelen under number 90008 and in the register of enterprises under number 0477.702.333.

6. Telenet Bidco NV is a limited liability company and was incorporated on December 1, 2000 and operates under the laws of the Kingdom of Belgium. The issued share capital of Telenet Bidco is € 2,106,277,297.09 divided into 28,379,618 fully paid registered shares with no par value and each representing a *pro rata* portion of the share capital. Telenet Bidco's registered address is Liersesteenweg 4, B-2800 Mechelen, Belgium. Telenet Bidco is registered in the register of commerce of Mechelen under number 89835 and in the register of enterprises under number 0473.416.418.

7. Telenet Holding NV is a limited liability company and was incorporated on September 23, 1996 and operates under the laws of the Kingdom of Belgium. The issued share capital of Telenet Holding is € 400,997,800.34 divided into 16,176,210 fully paid registered shares with no par value and each representing a *pro rata* portion of the share capital. Telenet Holding's registered address is Liersesteenweg 4, B-2800 Mechelen, Belgium. Telenet Holding is registered in the register of commerce of Mechelen under number 83075 and in the register of enterprises under number 0458.837.813.

8. Telenet Operaties NV is a limited liability company and was incorporated on December 22, 1989 and operates under the laws of the Kingdom of Belgium. The issued share capital of Telenet Operaties is € 628,520,893.70 divided into 2,535,447 fully paid registered shares with no par value and each representing a *pro rata* portion of the share capital. Telenet Operaties' registered address is Liersesteenweg 4, B-2800 Mechelen, Belgium. Telenet Operaties is registered in the register of commerce of Mechelen under number 82218 and in the register of enterprises under number 0439.840.857.

9. Telenet Vlaanderen NV is a limited liability company and was incorporated on September 23, 1996 and operates under the laws of the Kingdom of Belgium. The issued share capital of Telenet Vlaanderen is € 114,578,320.72 divided into 4,622,078 fully paid registered shares with no par value and each representing a *pro rata* portion of the share capital. Telenet Vlaanderen's registered address is Liersesteenweg 4, B-2800 Mechelen, Belgium. Telenet Vlaanderen is registered in the register of commerce of Mechelen under number 83076 and in the register of enterprises under number 0458.840.088.

10. Throughout the term of the Notes and from the date hereof, copies of the deed of incorporation and coordinated articles of association (*statutes*) (and any amendments thereto) of Telenet Group Holding, the Issuer, Telenet Bidco, Telenet Holding, Telenet Operaties and Telenet Vlaanderen will be available free of charge at the offices of the paying agent in Luxembourg.

11. The Issuer, Telenet Group Holding, Telenet Bidco and Telenet Holding are holding companies with no operations of their own. Telenet Operaties provides the commercial services, marketing, customer service and network management for our broadband Internet and data and telephony services. Telenet Vlaanderen holds a 50-year right to use the PICs network, which it has licensed to Telenet Operaties to use capacity on the PICs Network for the provision of certain point-to-point telecommunications, video- and multimedia services.

12. The most recent audited, unconsolidated financial statements for each of Telent Group Holding, the Issuer, Telenet Bidco, Telenet Holding, Telenet Operaties and Telenet Vlaanderen are for the year ended December 31, 2002. These audited, unconsolidated financial statements will be deposited with, and will be available free of charge from, the paying agent in Luxembourg. These audited, unconsolidated financial statements have been prepared in accordance with Belgian GAAP. None of the Issuer, Telenet Bidco, Telenet Holding, Telenet Operaties or Telenet Vlaanderen currently prepares consolidated financial statements.

13. Audited, consolidated financial statements are available for Telenet Group Holding for the year ended December 31, 2002 and for each of Telenet Bidco and Telenet Holding for the year ended December 31, 2001. These audited, consolidated financial statements will be deposited with, and will be available free of charge from, the paying agent in Luxembourg. These audited, consolidated financial statements have been prepared in accordance with Belgian GAAP.

14. The financial statements described in paragraphs 12 and 13 represent all available financial statements for each of the Issuer, Telenet Group Holding, Telenet Bidco, Telenet Holding, Telenet Operaties and Telenet Vlaanderen (other than the audited, consolidated financial statements of Telenet Group Holding prepared in accordance with U.S. GAAP and presented in this offering memorandum). The financial statements described in paragraphs 12 and 13 are incorporated by reference in this offering memorandum. See “Incorporation by Reference.”

15. Copies of the statutory annual and quarterly reports required to be delivered under the covenant described under "Description of the Notes—Certain Covenants—Ongoing Reporting" will be available free of charge at the offices of the paying agent in Luxembourg. Audited statutory annual consolidated financial statements for Telenet Group Holding will be deposited with and be available free of charge from the paying agent in Luxembourg.

16. We will deposit copies of this offering memorandum, the Indenture, the Receivables Pledge Agreement by and among Telenet Group Holding, the Issuer, Telenet Bidco and Telenet Operaties dated December 19, 2003, the Share Pledge Agreement between the shareholders of Telenet Bidco and the Junior Security Agent dated December 19, 2003, the Share Pledge Agreement between the shareholders of Telenet Operaties and the Junior Security Agent dated December 19, 2003 and the Share Pledge Agreement between the shareholders of MixtICS and the Junior Security Agent dated December 19, 2003 with the paying agent in Luxembourg, copies of which will be available free of charge.

17. Except as disclosed in this offering memorandum, there has been no material adverse change in the financial condition of Telenet Group Holding, the Issuer or the Subsidiary Guarantors since our last audited financial statements and the last audited financial statements of the Subsidiary Guarantors. Except as disclosed in this offering memorandum, there have been no material recent developments in relation to the Subsidiary Guarantors since the date of their last financial statements.

18. There is currently no material litigation pending against the Issuer or the Guarantors other than that described in this offering memorandum.

19. Each of Telenet Bidco, Telenet Holding, Telenet Operaties and MixtICS represent more than 10% of the net profit and loss of the Issuer.

20. The addresses of Telenet Bidco, Telenet Holding and Telenet Operaties are set forth in paragraphs 6, 7 and 8 above. The registered address of MixtICS is Liersesteenweg 4, B-2800 Mechelen, Liersesteenweg 4, Belgium.

21. The activities of each of Telenet Bidco, Telenet Holding and Telenet Operaties are set forth in paragraph 7 above. MixtICS provides cable television services to our customers.

22. The following table presents additional information about each of the companies that represents more than 10% of the profit or loss of the Issuer. The financial data in the table below is set forth in the audited, unconsolidated financial statements of the relevant company as indicated in the relevant footnotes.

	Proportion of Capital Held by the Issuer	Issued Capital	Reserves	Profit (Loss) Arising out of Ordinary Activities (before tax)	Amount to be Paid up on Shares Held by the Issuer	Dividends Received by the Issuer during the last fiscal year
		(euro in thousands)	(euro in thousands)	(euro in thousands)	(euro)	(euro)
Telenet Bidco	99.99%	2,106,277	0(1)	(83,174)(2)	0	0
Telenet Holding	99.99%(3)	400,998	0(4)	(164)(5)	0	0
Telenet Operaties	99.99%(6)	628,521	3(7)	(146,072)(8)	0	0
MixtICS	99.99%(9)	30,844(10)	0(11)	(20,092)(12)	0	0

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(1) This figure is taken from the audited, unconsolidated annual accounts of Telenet Bidco for the year ended December 31, 2002.

(2) This figure is taken from the audited, unconsolidated annual accounts of Telenet Bidco for the year ended December 31, 2002.

(3) The Issuer holds its interest in Telenet Holding indirectly through Telenet Bidco.

(4) This figure is taken from the audited, unconsolidated annual accounts of Telenet Holding for the year ended December 31, 2002.

(5) This figure is taken from the audited, unconsolidated annual accounts of Telenet Holding for the year ended December 31, 2002.

(6) The Issuer holds its interest in Telenet Operaties indirectly through Telenet Bidco and Telenet Holding.

(7) This figure is taken from the audited, unconsolidated annual accounts of Telenet Operaties for the year ended December 31, 2002.

(8) This figure is taken from the audited, unconsolidated annual accounts of Telenet Operaties for the year ended December 31, 2002.

(9) The Issuer holds its interest in MixtICS indirectly through Telenet Operaties (which it holds indirectly through Telenet Bidco and Telenet Holding).

(10) The share capital of MixtICS is divided into 9,133,731 fully paid registered shares.

(11) This figure is for the period from August 9, 2002 (the date of the MixtICS Acquisition) through December 31, 2002 and has been prepared in accordance with Belgian GAAP).

(12) This figure is for the period from August 9, 2002 (the date of the MixtICS Acquisition) through December 31, 2002 and has been prepared in accordance with Belgian GAAP).

INCORPORATION BY REFERENCE

We incorporate by reference herein the below described financial statements of Telenet Group Holding, the Issuer, Telenet Bidco, Telenet Holding, Telenet Operaties and Telenet Vlaanderen (prepared for Belgian legal and statutory purposes in accordance with Belgian generally accepted accounting principles), which means that we are disclosing important information to you by referring you to those documents. The financial statements referred to below represent all available financial statements for the above referenced entities. The information we incorporate by reference is an important part of these listing particulars. We incorporate by reference the following documents:

- Telenet Group Holding's audited, consolidated financial statements for the year ended December 31, 2002 (Telenet Group Holding was incorporated in July 2002 and became the parent holding company of the Telenet group following the MixtICS Acquisition in August 2002 (see "Our History—MixtICS Acquisition")) and, accordingly, financial statements for Telenet Group Holding for years preceding 2002 are not available;

- Telenet Group Holding's audited, unconsolidated financial statements for the year ended December 31, 2002;

- the Issuer's audited, unconsolidated financial statements for the years ended December 31, 2001 and December 31, 2002;

- Telenet Bidco's audited, consolidated financial statements for the year ended December 31, 2001 (Telenet Bidco was the parent holding company of the Telenet group upon its acquisition of Telenet Holding in March 2001);

- Telenet Bidco's audited, unconsolidated financial statements for the years ended December 31, 2001 and December 31, 2002;

- Telenet Holding's audited, consolidated financial statements for the year ended December 31, 2001 (Telenet Holding was the parent holding company of the Telenet group until its acquisition by Telenet Bidco in March 2001);

- Telenet Holding's audited, unconsolidated financial statements for the years ended December 31, 2001 and December 31, 2002;

- Telenet Operaties' audited, unconsolidated financial statements for the years ended December 31, 2001 and December 31, 2002; and

- Telenet Vlaanderen's audited, unconsolidated financial statements for the years ended December 31, 2001 and December 31, 2002.

Copies of the documents incorporated by reference herein are available free of charge from The Bank of New York (Luxembourg) S.A., the Luxembourg listing agent, paying agent and transfer agent for the Notes.

None of the above listed companies produces interim financial statements. In accordance with the terms of the Notes offered by this offering, Telenet Group Holding will produce unaudited financial statements and certain comparative financial and operating information within 60 days of the end of each fiscal quarter. See "Description of the Notes—Certain Covenants—Ongoing Reporting." These periodic reports will be deposited and will be available free of charge at the offices the paying agent in Luxembourg as described in Paragraph 15 under the heading "Listing and General Information."

INDEX TO FINANCIAL STATEMENTS

REPORTS OF INDEPENDENT AUDITORS

Report of Independent Auditors

To the Board of Directors and Shareholders of Telenet Group Holding NV:

In our opinion, the accompanying consolidated balance sheets and the related statements of operations, shareholders' equity and cash flows present fairly, in all material respects, the successor financial position of Telenet Group Holding NV and its subsidiaries (the "Company") at December 31, 2002 and December 31, 2001, and the successor results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in Belgium, as issued by the Institute of Company Auditors, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. In accordance with those standards, we evaluated the Company's administrative and accounting organisation, as well as its internal control procedures in respect of financial reporting. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

November 26, 2003

PricewaterhouseCoopers
Reviseurs d'Entreprises/Bedrijfsrevisoren
Represented by

B. Gabriëls

Report of Independent Auditors

To the Board of Directors and Shareholders of Telenet Group Holding NV:

In our opinion, the accompanying consolidated statements of operations, shareholders' equity and cash flows present fairly, in all material respects, the predecessor results of operations and cash flows of Telenet Group Holding NV and its subsidiaries (the "Company") for the period from January 1, 2001 to March 30, 2001, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in Belgium, as issued by the Institute of Company Auditors, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. In accordance with those standards, we evaluated the Company's administrative and accounting organisation, as well as its internal control procedures in respect of financial reporting. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

November 26, 2003

PricewaterhouseCoopers
Reviseurs d'Entreprises/Bedrijfsrevisoren
Represented by

B. Gabriëls

TELENET GROUP HOLDING NV CONSOLIDATED BALANCE SHEET As of December 31, 2002 and 2001

	Successor 2002	2001
	(in thousands of Euro)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	18,298	10,044
Accounts receivable, net of allowance for doubtful accounts of 9,674 and 3,586 at December 31, 2002 and 2001, respectively	44,445	26,954
Other receivables (Note 4)	45,633	6,713
Total current assets	108,376	43,711
PROPERTY AND EQUIPMENT, Net (Note 5)	1,012,899	541,997
GOODWILL, Net (Note 6)	1,366,868	1,460,628
INTANGIBLE ASSETS, Net (Note 6)	242,390	346,118
DEFERRED FINANCE COSTS	71,842	4,179
OTHER ASSETS	965	620
TOTAL ASSETS	2,803,340	2,397,253
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Line of credit and other short-term borrowings (Note 7)	-	504,995
Current portion of long-term debt (Note 7)	23,089	7,579
Accounts payable	112,102	186,898
Accrued expenses and other current liabilities (Note 8)	66,080	36,250
Unearned revenue (Note 13)	72,564	1,903
Total current liabilities	273,835	737,625
LONG-TERM DEBT, LESS CURRENT PORTION (Note 7)	1,331,539	1,015,928
OTHER LIABILITIES (Note 14)	50,010	3,426
COMMITMENTS AND CONTINGENCIES (Note 14)	-	-
SHAREHOLDERS' EQUITY		
Contributed Capital - 28,400,163 and 9,225,095 ordinary shares issued and outstanding as at December 31, 2002 and 2001, respectively (Note 12)	2,295,738	924,829
Deferred stock based compensation	-	(1,217)
Accumulated deficit	(1,147,782)	(283,338)
Total shareholders' equity	1,147,956	640,274
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,803,340	2,397,253

See notes to consolidated financial statements.

TELENET GROUP HOLDING NV CONSOLIDATED STATEMENT OF OPERATIONS For the years ended December 31, 2002 and 2001
and for the period from January 1, 2001 to March 30, 2001

	Year ended December 31, 2002	Year ended December 31, 2001	January 1, 2001 to March 30, 2001
	Successor (in thousands of Euro)		Predecessor (in thousands of Euro)
REVENUES (Note 13)	307,092	135,550	36,731
COSTS AND EXPENSES			
Operating (excluding depreciation and amortization)	(133,028)	(78,209)	(28,983)
Selling, general and administrative[(1)]	(91,492)	(67,080)	(16,626)
Depreciation	(109,441)	(52,982)	(14,939)
Amortization	(36,455)	(107,902)	(6,617)
Total costs and expenses	(370,416)	(306,173)	(67,165)
OPERATING LOSS	(63,324)	(170,623)	(30,434)
OTHER INCOME (EXPENSE):			
Interest expense	(137,678)	(117,235)	(13,607)
Interest income	3,470	4,754	306
Foreign exchange loss	(400)	(2,333)	(2,557)
Foreign exchange gain	1,122	2,099	1,870
Total other income (expense)	(133,486)	(112,715)	(13,988)
NET LOSS BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	(196,810)	(283,338)	(44,422)
INCOME TAX EXPENSE (Note 10)	(6)	-	-
NET LOSS BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	(196,816)	(283,338)	(44,422)
CUMULATIVE EFFECT OF ACCOUNTING CHANGE, NET OF TAXES (Note 6)	(667,628)	-	-
NET LOSS	(864,444)	(283,338)	(44,422)

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(1) Including €1,217, €1,184, and €380 of amortization for deferred stock based compensation for the years ended December 31, 2002, December 31, 2001 and the period from January 1, 2001 to March 30, 2001, respectively.

See notes to consolidated financial statements.

TELENET GROUP HOLDING NV CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY For the years ended December 31, 2002 and 2001
and for the period from January 1, 2001 to March 30, 2001

	Contributed Capital				
	Shares	**Amount**	**Accumulated Deficit**	**Deferred Stock Based Compensation**	**Total**
		(in thousands of Euro, except share data)			
Predecessor					
January 1, 2001	16,119,685	402,029	(317,960)	(2,781)	81,288
- Stock based compensation	-	-	-	380	380
- Net Loss	-	-	(44,422)	-	(44,422)
March 30, 2001	16,119,685	402,029	(362,382)	(2,401)	(37,246)
Successor					
January 1, 2001	620	62	-	-	62
Issuance of shares and warrants					
- Capital increase through contribution in kind	9,224,475	922,448	-	-	922,448
- Reduction capital for costs of capital increase	-	(371)	-	-	(371)
- Deferred stock based compensation:					
Telenet Holding, NV acquisition	-	2,401	-	(2,401)	-
Movement in period	-	289	-	1,184	1,473
- Net loss	-	-	(283,338)	-	(283,338)
December 31, 2001	9,225,095	924,829	(283,338)	(1,217)	640,274
Telenet BidCo NV capital increases:					
- Contingent consideration	209,469	10,474	-	-	10,474
- Vendor Notes extinguishment	11,675,758	882,960	-	-	882,960
- Contribution of MixtICS NV shares to Telenet BidCo NV	4,029,296	201,465	-	-	201,465
- Capital increases	3,240,000	162,000	-	-	162,000
Telenet Group Holding NV restructuring:					
- Incorporation of Telenet HoldCo NV	1,240	62	-	-	62
- Incorporation of Telenet Group Holding NV	1,240	62	-	-	62
- Contribution of ESOP shares	18,065	903	-	-	903
Costs for Telenet Bidco NV capital increases and Telenet Group Holding NV restructuring	-	(500)	-	-	(500)
Warrants (Note 12)	-	113,483	-	-	113,483
Deferred stock based compensation	-	-	-	1,217	1,217
Net loss	-	-	(864,444)	-	(864,444)
December 31, 2002	28,400,163	2,295,738	(1,147,782)	-	1,147,956

See notes to consolidated financial statements.

TELENET GROUP HOLDING NV CONSOLIDATED STATEMENT OF CASH FLOWS For the years ended December 31, 2002 and 2001
and for the period from January 1, 2001 to March 30, 2001

	Year ended December 31, 2002	Year ended December 31, 2001	January 1, 2001 to March 30, 2001
	Sucessor (in thousands of Euro)		Predecessor (in thousands of Euro)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	(864,444)	(283,338)	(44,422)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	145,896	160,884	21,556
Amortization of financing cost & debt discount	11,690	4,100	-
Provision for liabilities and charges	(16,164)	451	-
Loss on derivative instruments, net	15,687	2,037	4,584
Increase (decrease) in allowance for bad debt	4,105	(187)	409
Deferred stock based compensation	1,217	1,473	380
Accrued interest expense	33,660	67,979	-
Loss on disposal of fixed assets	1,342	-	-
Cumulative effect of change in accounting principle	667,628	-	-
Changes in operating assets and liabilities net of effects from acquisitions:			
Accounts receivable	2,394	(2,537)	(2,042)
Other current assets	(18,015)	2,414	3,363
Accounts payable	6,206	28,239	(8,042)
Accrued expenses and other current liabilities	28,185	6,501	108
Unearned revenue	(8,242)	269	185
Net cash used in operating activities	11,145	(11,715)	(23,921)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(54,555)	(134,671)	(50,593)
Purchases of intangibles	(10,840)	(12,655)	(2,561)
Acquisitions of consolidated companies, net of cash acquired	(390,194)	(29,754)	-
Other investments	(2,042)	-	-
Net cash used in investing activities	(457,631)	(177,080)	(53,154)

See notes to consolidated financial statements.

	Year ended December 31, 2002	Year ended December 31, 2001	January 1, 2001 to March 30, 2001
	Sucessor (in thousands of Euro)		Predecessor (in thousands of Euro)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments of long-term borrowings	(62,098)	(7,539)	(487)
Proceeds from long-term borrowings	983,000	-	-
Net borrowings (payments) on line of credit and other short-term borrowing	(557,506)	164,930	34,495
Principal repayments on capital leases	(883)	(131)	(44)
Proceeds from the issuance of capital, net of costs	162,527	49,567	-
Payments for debt issuance costs	(70,300)	(8,050)	-
Net cash provided by financing activities	454,740	198,777	33,964
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,254	9,982	(43,111)
CASH AND CASH EQUIVALENTS:			
Beginning of year	10,044	62	51,913
End of year	18,298	10,044	8,802
SUPPLEMENTAL DISCLOSURE OF CASH TRANSACTIONS:			
Interest Paid	46,332	18,810	4,077
NON CASH INVESTING AND FINANCING ACTIVITIES:			
Acquisition of network user rights in exchange for debt	37,726	-	49,269
Purchase of Telenet Holding with the issuance of:			
Ordinary shares	-	872,510	-
Vendor notes	-	810,750	-
Acquisitions of property and equipment utilizing capital leases	6,886	-	-
Issuance of equity for contingent consideration in Telenet Holding Acquisition	10,474	-	-
Purchase of MixtICS with the issuance of:			
Ordinary shares	201,465	-	-
Deferred long-term debt	338,623	-	-
Financing of payables for HFC upgrade	81,000	-	-

See notes to consolidated financial statements.

(in thousands of Euro, except per share amounts, unless otherwise stated)

1. BASIS OF PRESENTATION, SIGNIFICANT ACQUISITIONS AND NATURE OF OPERATIONS

Basis of Presentation

The accompanying consolidated financial statements present the operations of Telenet Group Holding NV ("Telenet") and its subsidiaries (hereafter collectively referred to as the "Company"). The consolidated statement of operations is split between successor and predecessor periods to reflect the acquisition of Telenet Holding NV ("Telenet Holding") and its subsidiaries Telenet Operaties NV ("Telenet Operaties") and Telenet Vlaanderen NV ("Telenet Vlaanderen") on March 30, 2001. The successor was incorporated as Telenet BidCo NV ("BidCo") on December 1, 2000 and prior to March 30, 2001 did not have any activities. BidCo, Telenet HoldCo NV and Telenet are each limited liability companies organized under Belgian law.

Acquisition of Telenet Holding

BidCo acquired 100% of the outstanding shares of Telenet Holding and its subsidiaries on March 30, 2001 for an aggregate purchase price of approximately €1,683,260 plus transaction costs of €38,556 (the "Telenet Holding Acquisition"). The Telenet Holding Acquisition was financed by the issuance of subordinated vendor notes ("Vendor Notes") in an aggregate principal amount of €810,750 (see Note 7) and approximately 8.7 million shares of BidCo with a fair value of approximately €872,510.

The Telenet Holding Acquisition was accounted for using the purchase method of accounting and, accordingly, all assets and liabilities of Telenet Holding and its subsidiaries have been recorded at their fair value as of the date of acquisition. The excess of the purchase price over the fair value of the assets and liabilities has been recorded as goodwill. The purchase price (including transaction costs) was allocated to the net assets acquired based on their estimated fair values as follows:

Current assets, including cash acquired of €8,802	42,758
Fixed assets	460,748
Liabilities assumed	(683,683)
Identifiable intangible assets	364,490
Goodwill	1,537,503
	1,721,816

BidCo completed and finalized its purchase price allocation related to the Telenet Holding Acquisition during 2001, which resulted in approximately €174,000 of additional intangible assets.

Acquisition of MixtICS NV

The Company acquired MixtICS NV ("MixtICS") in August 2002 (see Note 3). In connection with the acquisition of MixtICS, the shareholders of BidCo contributed their shares in BidCo to Telenet HoldCo NV ("HoldCo") in exchange for the issuance of new shares in HoldCo. Subsequently, all of the shareholders of HoldCo contributed their shares in HoldCo to Telenet in exchange for the issuance of new shares in Telenet. These exchanges of shares were made on a one-for-one basis.

Nature of Operations

The Company is a provider of broadband cable services in Belgium. Through its broadband network in Flanders, the Company offers analog cable television, broadband Internet and telephony services, primarily to residential subscribers. The Company is managed and operates in one operating segment, broadband communications.

In 1996, the Pure Intercommunale Companies ("PICs"), through Interkabel Vlaanderen CVBA ("Interkabel"), and the Mixed Intercommunale Companies ("MICs") entered into contracts with Telenet Vlaanderen granting it a one percent ownership interest in the original MICs cable network and exclusive user rights to a certain bandwidth in exchange for Telenet Vlaanderen shares which were exchanged for Telenet Holding shares. The contracts called for the original cable network to be upgraded to allow for two-way communication (the "HFC Upgrade"). Originally, the MICs and PICs were responsible for the HFC Upgrade, along with the maintenance of the Network. Upon the acquisition of MixtICS, the Company became responsible for the HFC Upgrade and maintenance of the portion of the Network previously owned by the MICs.

The MICs are separate legal entities individually owned by a number of Belgian "communes" (local municipal and provincial governments) and one or more private companies, principally, Electrabel SA ("Electrabel") which is a related party of the Company. Electrabel is a Belgian energy company whose main activities include the generation, trading, distribution and sales of electricity, natural gas and derived energy products and services. The activities of some of the MICs include the distribution of electricity, gas, cable broadcasting and water through a dedicated distribution network in Belgium.

The MICs are detailed as follows:

MICs providing multiple distribution services:	**MICs providing only cable services:**
Gaselwest CVBA	Interteve CVBA
Imea CVBA	Telekempo CVBA
Intergem CVBA	Tevelo CVBA
Iveka CVBA	Teveoost NV
Iverlek CVBA (I, II & III)	Tevewest NV

The PICs are separate legal entities (i.e., Interelectra CVBA; Integan CVBA; WVEM CV; Havi-TV CV; PBE CVBA and VEM CVBA referred to hereafter, collectively, as the "PICs") owned by local municipal and provincial governments. In their relationship with the Company, the PICs operate through Interkabel, which is a related party of the Company (Note 15).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Accounting Principles Generally Accepted in the United States of America ("U.S. GAAP"). The Company's functional and reporting currency is euros ("€"), which is also the functional currency of each of the Company's subsidiaries.

Management's Use of Estimates

The presentation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Consolidation

The consolidated financial statements of the successor include the accounts of Telenet and all entities that it directly or indirectly controls. The consolidated financial statements of the predecessor include the accounts of Telenet Holding and all entities that it directly or indirectly controls. All intercompany accounts and transactions among consolidated entities have been eliminated.

Cash and Cash Equivalents

Cash equivalents consist principally of money market funds and certificates of deposit with maturities of three months or less when purchased. The carrying amounts of the Company's cash equivalents approximate their fair value.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Buildings and improvements	33 years
Operating facilities	3-20 years
Other equipment	3-10 years

Prior to the acquisition of the MixtICS, the 1% co-ownership in the existing cable network with the MICs was depreciated on a straight-line basis over 20 years. However, upon the purchase of MixtICS, the Company began depreciating the acquired Network as operating facilities.

The costs associated with the construction of cable transmission and distribution facilities and also Internet and telephony service installations are capitalized and depreciated over 3 to 20 years. Costs include all direct labor and materials as well as certain indirect costs. Costs associated with subsequent installations of additional services are capitalized, and subsequently depreciated over 3 to 10 years, to the extent that they are incremental and directly attributable to the installation of expanded services; costs associated with subsequent disconnection of existing customers are expensed as incurred.

Expenditures for repairs and maintenance are charged to operating expense as incurred.

Typically, interest costs incurred during the construction period (i.e. the period of time necessary to bring a constructed fixed asset to the condition and location necessary for its intended use) are capitalized. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the fixed asset's estimated useful life.

Capitalized interest was nil for the years ended December 31, 2002 and 2001 as there were no qualifying assets during such period.

Goodwill and Intangible Assets

Goodwill and intangible assets are stated at cost less accumulated amortization. Amortization is computed using the straight-line method over the estimated useful lives as follows:

Goodwill	15 years (prior to January 1, 2002)
Network user rights	10-20 years
Customer lists	15 years
Trade name	15 years
Software development costs	3 years (but not exceeding the expected life)

On January 1, 2002, the Company adopted Statement of Financial Accounting Standard ("SFAS") No. 142, *Goodwill and Other Intangible Assets* ("SFAS No. 142"), which requires that goodwill and certain intangible assets with indefinite useful lives, including those recorded in past business combinations, no longer be amortized, but instead be tested for impairment at least annually. The standard also requires the completion of a transitional impairment test with any resulting impairment identified treated as a cumulative effect of a change in accounting principle. See Note 6 for additional information.

Prior to its adoption of SFAS No. 142, the Company assessed goodwill for impairment based on the guidance in SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of* ("SFAS No. 121").

Software Development and Acquisition Costs

Costs associated with software developed or obtained for internal use are capitalized when both the preliminary project stage is completed and the Company's management has authorized further funding for the project, which it deems probable of completion and use for the function intended. Capitalized internal-use software costs include only (1) external direct costs of materials and services consumed in developing or obtaining the software, (2) payroll and payroll-related costs for employees who are directly associated with and who devote time to the project, and (3) interest costs incurred, when material, while developing the software. Capitalization of these costs ceases no later than the point at which the project is substantially complete and ready for its intended purpose.

Research and development costs and other computer software maintenance costs related to software development are expensed as incurred.

Impairment of Long-Lived Assets

On January 1, 2002, the Company adopted SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("SFAS No. 144"), which addresses financial accounting and reporting for the impairment and disposition of long-lived assets. The Company evaluates the recoverability of long-lived assets, other than indefinite lived intangible assets and goodwill, for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Indications of impairment are determined by reviewing undiscounted projected future cash flows. If an impairment is indicated, it is measured as the amount by which the carrying value exceeds the fair value of the asset.

Prior to the adoption of SFAS No. 144, the Company followed the provisions in SFAS No. 121.

Financial Instruments

The Company accounts for its derivative instruments in accordance with the provisions of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS No. 133") and related interpretations and amendments. SFAS No. 133 requires the recognition of derivatives as assets or liability on a company's balance sheet and the measurement of those instruments at fair value. Changes in the fair value of derivatives are recorded in earnings, unless (i) the normal purchase or sale exception or (ii) hedge, other than fair value hedges, accounting is elected. The Company has determined that its outstanding derivative instruments do not qualify for normal purchase and sale exception or hedge accounting; therefore all changes in the fair value of these instruments are recognized as a gain or loss within the statement of operations.

Moreover, SFAS No. 133 also requires certain embedded derivatives to be separated from the host contracts and recorded as either an asset or a liability on a company's balance sheet, measured at fair value. Specifically, if the economic characteristics of an embedded derivative instrument and its host contract are not clearly and closely related, SFAS No. 133 requires that the embedded derivative instrument be separated (bifurcated) and accounted for as a stand- alone derivative instrument. The Company has determined that it has no embedded derivative instruments that are required to be bifurcated and measured at fair value.

Warrants

Detachable warrants to purchase shares issued in connection with debt are accounted for under Accounting Principles Board ("APB") Opinion No. 14, *Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants* ("APB Opinion No. 14"). Accordingly, the portion of the proceeds of debt securities issued with detachable warrants to purchase shares, which is allocable to those warrants, is accounted for as paid-in capital. The allocation is based on the relative fair values of the two securities at the time of issuance. Any resulting discount or premium on the debt securities is recognized using the effective interest rate method over the contractual term of the debt.

The Company accounts for freestanding warrants in accordance with Emerging Issues Task Force ("EITF") Issue No. 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock* as interpreted by EITF Issue No. 01-6, *The Meaning of "Indexed to a Company's Own Stock".* Accordingly, the Company assesses whether these warrants are to be classified within shareholder's equity or as a liability. Warrants accounted for as permanent equity are recorded at their initial fair value and subsequent changes in fair value are not recognized unless a change in the classification of those warrants occurs. Warrants not qualifying for permanent equity accounting are recorded at fair value as a liability with subsequent changes in fair value recognized through the statement of operations.

Deferred Financing Costs

Costs associated with the refinancing and issuance of debt as well as debt discounts, if any, are deferred and expensed as interest over the term of the related debt agreement using the effective interest rate method.

Foreign Currency Transactions

Transactions denominated in foreign currencies are reported at the exchange rates prevailing at year-end and any resulting gains and losses are included in the consolidated statement of operations.

Stock-Based Compensation

The Company accounts for its stock-based compensation plan, which is more fully described in Note 11, under the intrinsic value method, which follows the recognition and measurement principles of APB Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB Opinion No. 25"), Financial Accounting Standards Board ("FASB") Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Compensation (an Interpretation of APB Opinion No. 25)*, and EITF Issue No. 00-23, *Issues Related to the Accounting for Stock Compensation under APB Opinion No. 25 and FASB Interpretation No. 44*. Pro forma net loss disclosures required by SFAS No. 123, *Accounting for Stock-Based Compensation* ("SFAS No. 123"), are included in Note 11.

Revenue Recognition

We account for the revenue, costs and expenses related to cable television, Internet and telephony services as the related services are performed in accordance with SFAS No. 51, *Financial Reporting by Cable Television Companies* ("SFAS No. 51").

Installation revenue for cable television, Internet and telephony services is recognized to the extent of direct selling costs incurred. The remainder is deferred and amortized to income over the estimated average period that subscribers are expected to remain connected to the system. Based on a review of historical data, the average subscriber period for cable television customers is currently estimated as being 10 years. Direct selling costs have exceeded installation revenue in all reported periods for Internet and telephony services. As a result, installation revenue was recognized as new subscribers were connected to our network.

In compliance with SFAS No. 51, we capitalize initial subscriber installation costs. These installation costs are depreciated over a period no longer than the period used for the network. Installation costs relating to our broadband Internet and telephony business are depreciated over a period of five years. Installation costs relating to the cable television are depreciated over 20 years, which is in line with the depreciation of the cable television plant.

Operating Expenses

Operating expenses consist of interconnection costs, network operating and maintenance and repair costs and cable programming costs. We exclude depreciation from our operating expenses and capitalize most of our installation cost, including labour cost. Copyright fees paid to copyright beneficiaries 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.

Fair Values

The Company has estimated the fair value of its financial instruments in these consolidated financial statements using available market information or other appropriate valuation methodologies. Considerable judgment, however, is required in interpreting market data to develop the 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. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. The carrying amount of cash, accounts and other receivables, and accounts and other payables approximates fair value because of the short maturity of those instruments.

Income Taxes

The Company provides for income taxes using the liability method in accordance with SFAS No. 109, *Accounting for Income Taxes* ("SFAS No. 109"). SFAS No. 109 requires an asset and liability-based approach in accounting for income taxes. Deferred income taxes reflect the net tax effect on future years of temporary differences between the carrying amount of assets and liabilities for financial statement and income tax purposes and for operating loss and tax credit carryforwards. The financial effect of changes in tax laws or rates is accounted for in the period of enactment.

Valuation allowances reduce deferred tax assets to an amount that represents management's best estimate of such deferred tax assets that more likely than not will be realized. In view of the Company's history of losses, all deferred tax assets have been subject to a full valuation allowance.

Pensions

The Company provides defined benefit and defined contribution plans to its employees, directors and certain members of management. These plans are accounted for in accordance with SFAS No. 87, *Employers' Accounting for Pensions* ("SFAS No. 87"). The assets of these plans are held in separate funds. The funds are funded by payments from the participants and the Company. During the years ended December 31, 2002 and 2001, the Company's only defined benefit plan was accounted for as a defined contribution plan due to its insignificance. Accordingly, contributions to the funds of all existing plans are recognized as an expense in the period in which the employee renders the related service.

Recent Accounting Pronouncements

In June 2001, the FASB issued SFAS No. 143, *Accounting for Asset Retirement Obligations* ("SFAS No. 143"). SFAS No. 143 establishes accounting standards for recognition and measurement of a liability at fair value for an asset retirement obligation and an addition to the associated asset retirement cost. The accretion of interest expense each period is subsequently recorded as an operating expense and added to the liability. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. The Company adopted SFAS No. 143 on January 1, 2003 which had no material impact on its results of operations and financial position.

In April 2002, the FASB issued SFAS No. 145, *Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections* ("SFAS No. 145"). SFAS No. 145 rescinds SFAS No. 4, *Reporting Gains and Losses from Extinguishment of Debt*, which required all gains and losses from the extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of related income tax effect. SFAS No. 145, which is effective in periods beginning after May 15, 2002, requires that gains or losses from the extinguishment of debt be classified as extraordinary items only if they meet the criteria of APB Opinion No. 30. The Company adopted the provisions of SFAS No. 145 on January 1, 2003, which had no material effect on its consolidated financial statements.

In June 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* ("SFAS No. 146"). This Statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)* ("EITF Issue No. 94-3"). SFAS No. 146 eliminates the definition and requirements for recognition of exit costs in EITF Issue No. 94-3. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF Issue No. 94-3, a liability for an exit cost was recognized at the date of an entity's commitment to an exit plan. Under SFAS No. 146, an entity's commitment to a plan, by itself, does not create a present obligation to others that meets the definition of a liability. SFAS No. 146 establishes that fair value is the objective for initial measurement of the liability. SFAS No. 146 is effective for all exit or disposal activities initiated after December 31, 2002. The Company adopted SFAS No. 146 on January 1, 2003. The adoption of SFAS No. 146 had no impact on the Company's results of operations and financial position.

In November 2002, the EITF reached a final consensus related to *Revenue Arrangement with Multiple Deliverables* ("EITF Issue No. 00-21"). The consensus requires that revenue arrangements with multiple deliverables should be divided into separate units of accounting if (a) a delivered item has value to the customer on a stand-alone basis, (b) there is objective and reliable evidence of the fair value of the undelivered item and (c) if the arrangement includes a general right of return, delivery or performance of the undelivered items is considered probable and substantially in the control of the vendor. Arrangement consideration should be allocated among the separate units of accounting based on their relative fair value and appropriate revenue recognition criteria would be applied to each separate unit of accounting. EITF agreed the effective date for the consensus will be for all revenue arrangements entered into in fiscal periods beginning after June 15, 2003, with early adoption permitted. The Company is still evaluating the impact of this EITF on its financial statements. This EITF will be effective for the Company for revenue arrangements entered into after January 1, 2004.

In November 2002, the FASB issued interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* ("FIN No. 45"). FIN No. 45 requires certain guarantees to be recorded at fair value, which is different from current practice, which is generally to record a liability only when a loss is probable and reasonably estimable. FIN No. 45 also requires a guarantor to make significant new disclosures, even when the likelihood of making any payments under the guarantee is remote. The disclosure provisions of FIN No. 45 were effective immediately in 2002. The Company is required to adopt the recognition and measurement provisions of FIN No. 45 on a prospective basis with respect to guarantees issued or modified after December 31, 2002. The Company does not believe the adoption of the recognition and measurement provisions of FIN No. 45 will have a material effect on its consolidated financial statements. The Company adopted the initial recognition and initial measurement provisions of FIN No. 45 on January 1, 2003, which had no material impact on the Company's results of operations and financial positions.

In December 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation, Transition and Disclosure* ("SFAS No. 148"). SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. SFAS No. 148 also requires that disclosures of the pro forma effect of using the fair value method of accounting for stock-based employee compensation be displayed more prominently and in a tabular format. Additionally, SFAS No. 148 requires disclosure of the pro forma effect in interim financial statements. The transition and annual disclosure requirements of SFAS No. 148 are effective for fiscal years ended after December 15, 2002. The interim disclosure requirements of SFAS No. 148 are effective for interim periods beginning after December 15, 2002. The Company adopted SFAS No. 148 in the year ended December 31, 2002 which had no material impact on its results of operations and financial position as the Company continues to apply the provisions in APB Opinion No. 25.

In January 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities* ("FIN No. 46") which interprets Accounting Research Bulletin (ARB) 51, *Consolidated Financial Statements* ("ARB 51"). FIN No. 46 clarifies the application of ARB 51 with respect to the consolidation of certain entities (variable interest entities—"VIEs") to which the usual condition for consolidation described in ARB 51 does not apply because the controlling financial interest in VIEs may be achieved through arrangements that do not involve voting interests. In addition, FIN No. 46 requires the primary beneficiary of VIEs and the holder of a significant variable interest in VIEs to disclose certain information relating to their involvement with the VIEs. The provisions of FIN No. 46 apply immediately to VIEs created after January 31, 2003, and to VIEs in which an enterprise obtains an interest after that date. FIN No. 46 applies in the first fiscal year beginning after June 15, 2003, to VIEs in which an enterprise holds a variable interest that it acquired before February 1, 2003. The Company does not believe that the impact of the adoption of FIN No. 46 will have a material effect on its financial statements.

In April 2003 the FASB issued SFAS No. 149, *Amendment of SFAS No. 133 on Derivative Instruments and Hedging Activities* ("SFAS No. 149"). The Statement amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. In particular, it (1) clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative as discussed in SFAS No. 133, (2) clarifies when a derivative contains a financing component, (3) amends the definition of an underlying to conform it to the language used in FIN No. 45 and (4) amends certain other existing pronouncements. Most of the provisions in SFAS No. 149 are effective for contracts entered into or modified after June 30, 2003. The Company does not expect that the adoption of this Statement will have a material impact on its results of operations and financial position.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity* ("SFAS No. 150"). SFAS No. 150 establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. In accordance with SFAS No. 150, certain financial instruments that embody obligations of the issuer are required to be classified as liabilities. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise shall be effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS No. 150 in the third quarter of fiscal 2003 is not expected to have a material impact on the Company`s financial condition or results of operations.

3. ACQUISITION OF MIXTICS

On 21 February 2001, Callahan Investco Belgium 1 Sa rl, a limited liability company organized under Luxembourg law ("CAI Belgium"), HoldCo, BidCo and the MICs entered into a put option agreement pursuant to which the MICs were granted the option to contribute all of their cable activities to MixtICS, a limited liability company organized under Belgian law, and to subsequently transfer all of the shares in MixtICS to BidCo (the "MixtICS Put Option").

On June 8, 2001, the MICs exercised the MixtICS Put Option and, pursuant to the terms of the MixtICS Put Option, on June 15, 2001, a Share Transfer Agreement was signed between Callahan Belgium, Bidco, Holdco and the MICs, to sell the shares of MixtICS, holding certain assets and liabilities of the cable activities of the MICs operating in the Flemish region of Belgium, to Bidco and Holdco (the "MixtICS Acquisition").

The MixtICS Put Option originally expired on June 11, 2001, however, due to market conditions at that time, the parties agreed to extend the maturity date of the MixtICS Put Option. In August 2002, the MixtICS Acquisition was completed. Upon the closing of the MixtICS Acquisition on August 9, 2002, the MICs transferred shares of MixtICS to BidCo in exchange for consideration consisting of cash, certain deferred payment obligations and newly issued shares of BidCo and warrants for Telenet shares. Callahan Belgium, JP Morgan, Merrill Lynch, Electrabel, GIMV, the Financial Consortium and Interkabel acquired, directly or indirectly, the remainder of the shares of MixtICS, which were thereafter contributed to BidCo. In addition, all the Vendor Notes were transferred by the holders in exchange for newly issued shares in BidCo and the warrants issued to Callahan Belgium upon the closing of the Telenet Holding Acquisition, were surrendered in consideration for options to purchase shares in the Company from other shareholders.

Additionally, all the shareholders of BidCo contributed their shares in BidCo to HoldCo in exchange for the issuance of new shares in HoldCo, and subsequently all of the shareholders of HoldCo contributed their shares in HoldCo to Telenet in exchange for the issuance of new shares in Telenet. These exchanges of shares were made on a one-for-one basis.

The total consideration equaled €930,309 based on estimated fair values of the issued debt, warrants and ordinary shares. The total consideration included €363,000 of cash, €314,932 in debt, € 201,465 in equity, €23,691 in warrants and € 27,221 of transaction costs. The purchase price was allocated to the assets acquired based on their estimated fair values as follows (preliminary allocation):

Current assets, net of cash acquired	44,026
Fixed assets	430,252
Intangible assets	244
Non-current assets	99,403
Liabilities assumed	(204,968)
Goodwill	561,352
	930,309

The above purchase price allocation is preliminary with respect to the valuation of fixed assets acquired and liabilities assumed. In addition to the debt assumed by the sellers of MixtICS, the transaction was financed by a new credit facility totaling €1,250,000 (of which €825,000 was drawn to refinance existing debt and to finance a portion of the purchase price), two loans from different groups of shareholders totaling €73,000 and €162,000 raised by issuing additional equity to existing shareholders. The equity shares issued as consideration for the purchase of MixtICS were valued at €50 per share based on the price paid by the existing shareholders for additional shares of Telenet issued on the same day. Telenet also issued six different classes of detachable warrants of which three are contingently exercisable if debt payments are not made in accordance with the agreement or if additional equity shares are issued below a certain price. The terms and conditions of the debt instruments issued in connection with the MixtICS Acquisition are discussed at Note 7 and the warrants at Note 12.

The unaudited pro forma financial information below assumes that the Company acquired MixtICS at the beginning of 2001 and includes the effect of amortization of goodwill and other acquired identifiable intangible assets from that date. The financial information also includes the results from Telenet Holding for the period from January 1, 2001 through March 30, 2001 in order to show pro forma results for the full year of 2001. This pro forma financial information is presented for informational purposes only and is not necessarily indicative of the results of future operations that would have been achieved had the acquisitions taken place at the beginning of 2001. Pro forma information follows:

	Successor	
	Year Ended December 31, 2002	**Year Ended December 31, 2001**
Revenues	385,221	312,478
Net loss before cumulative effect of accounting change	(840,135)	(351,184)
Net loss	(198,132)	(351,184)

4. OTHER RECEIVABLES

Other receivables consisted of the following:

	December 31, 2002	December 31, 2001
Financial instruments	2,211	2,038
Prepaid taxes & VAT	601	4,393
Electrabel	42,237	-
Other	584	282
	45,633	6,713

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	December 31, 2002	December 31, 2001
Land	2,144	1,681
Buildings and leasehold improvements	30,724	29,643
Network: operational	1,117,781	542,419
Network: construction in progress	9,152	10,009
Furniture, equipment and vehicles	16,061	11,227
	1,175,862	594,979
Less: accumulated depreciation	(162,963)	(52,982)
	1,012,899	541,997

Included in the balances of buildings and leasehold improvements and network are assets under capital lease as follows:

	December 31, 2002	December 31, 2001
Buildings and leasehold improvements	23,888	23,888
Head-ends	6,886	-
	30,774	23,888
Less: accumulated depreciation	(1,718)	(576)
	29,056	23,312

6. GOODWILL AND INTANGIBLE ASSETS

In connection with the adoption of SFAS No. 142 in January 2002, the Company completed a transitional impairment test of its goodwill. Goodwill was computed based on one reporting unit.

Fair value was determined based on discounted cash flows using reasonable and appropriate assumptions that are consistent with internal forecasts. As a result, the Company determined that goodwill was impaired and recorded the cumulative effect of a change in accounting principle of €667,628 for year ended December 2002. The charge reflects overall market declines since the Telenet Holding Acquisition and is not operational in nature. The tax impact recorded on the impairment is nil as a full valuation allowance is applied against all net deferred tax assets as discussed in Note 10.

The Company's other intangible assets which each have a finite life are comprised primarily of network user rights, software development and acquisition costs, customer lists, and trade name. These intangible assets are amortized 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. In connection with the Telenet Holding Acquisition and the MixtICS Acquisition, certain identifiable intangible assets, including customer lists and the "Telenet" trade name, were recorded separate from goodwill. The identified intangible assets are amortized on a straight line basis over 10 to 20 years, except for software development costs which are amortized on a straight line basis over 3 years.

Summarized below are the carrying value and accumulated amortization of intangible assets that will continue to be amortized under SFAS No. 142, as well as the carrying amount of goodwill, which will no longer be amortized.

	December 31, 2002			December 31, 2001		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Goodwill	1,443,743	(76,875)	1,366,868	1,537,503	(76,875)	1,460,628
Finite-lived intangible assets:						
Network user rights	81,759	(9,964)	71,795	171,153	(9,447)	161,706
Software	43,063	(26,168)	16,895	31,992	(12,880)	19,112
Customer list	53,000	(6,183)	46,817	53,000	(2,650)	50,350
Trade name	121,000	(14,117)	106,883	121,000	(6,050)	114,950
	298,822	(56,432)	242,390	377,145	(31,027)	346,118

Aggregate amortization expense for the year ended December 31, 2002 was €36,455. The Company estimates amortization expense to be €30,400 in 2003, and €15,900 per annum in 2004 through 2007. Actual amortization expense to be reported in future periods could differ from these estimates as a result of new intangible asset acquisitions, changes in useful lives and other relevant factors.

As required, SFAS No. 142 has not been retroactively applied to the results for the period prior to adoption. A reconciliation of net loss as if SFAS No. 142 had been adopted as of January 1, 2001 is presented below:

	Successor		Predecessor
	Year ended December 31, 2002	Year ended December 31, 2001	January 1, 2001 to March 30, 2001
Reported net loss	(864,444)	(283,338)	(44,422)
Add back goodwill amortization	-	76,875	-
Adjusted net loss	(864,444)	(206,463)	(44,422)

7. DEBT AND OTHER FINANCING

Debt and other financing consisted of the following:

	December 31, 2002	December 31, 2001

Bank facilities	910,000	475,000
Vendor notes	-	878,729
Short-term borrowings	-	29,995
Mezzanine subordinated bonds	51,700	-
Gap filling bonds	24,656	-
Deferral A	73,725	-
Deferral B	221,235	-
Deferred HFC upgrade amount	90,653	-
Clientele Fee	30,075	99,252
Annuity Fee	29,590	24,105
Capital lease obligations	27,424	21,421
	1,459,058	1,528,502
Less: unamortized discount on bank facilities, Deferral B and bonds (a)	(104,430)	-
	1,354,628	1,528,502
Less: current portion, short-term borrowings and the related unamortized discount	(23,089)	(512,574)
Total long-term debt	1,331,539	1,015,928

(a) Discounts are based on the following imputed interest rates:

Bank facilities	8.19%
Deferrals	18.72%
Mezzanine subordinated bonds	39.50%
Gap filling bonds	63.95%

Bank Facilities

2001 Facility

On March 29, 2001, Telenet Operaties obtained a credit facility for an amount of €550,000 (the "2001 Facility"). The rate of interest payable on a loan for any interest period under this facility was the aggregate of the applicable margin and Euribor. The terms of the 2001 Facility originally provided for a maturity date of March 29, 2002. This maturity was subsequently extended to August 9, 2002. As of December 31, 2002 and 2001, outstanding borrowings were nil and €475,000, respectively. The 2001 Facility included certain general and financial covenants. Throughout the term of this facility, the Company was in compliance with all of its covenants.

2002 Facility

In connection with the MixtICS Acquisition, the Company obtained in July 2002 a senior secured facility for a total of up to €1,250,000 of financing from a syndicate of lenders in the following tranches (the "2002 Facility"):

- Tranche A: The Tranche A facility provides for an amortizing term loan and guarantee facility expiring in 2009 for up to €825,000 to be used to refinance the Company's existing indebtedness; to finance the cash element of the consideration, including certain transaction costs, for the MixtICS Acquisition, and to refinance existing working capital facilities. Amounts under the facility bear interest at Euribor plus a margin of up to 3.25%. This margin decreases over time to the extent that the Company's leverage is reduced. A commitment fee of 0.75% per annum is payable on the undrawn balance of the facility. As of December 31, 2002, outstanding borrowings were €825,000.

- Tranche B: The Tranche B facility provides for an amortizing revolving credit facility, expiring in 2009, of up to €125,000 to be used principally to finance the Company's working capital and capital expenditure requirements and to provide financing for potential future acquisitions. Amounts under the facility bear interest at Euribor plus a margin of up to 3.25%. This margin decreases over time to the extent that the Company's leverage is reduced. A commitment fee of 0.75% per annum is payable on the undrawn balance of the facility. As of December 31, 2002, outstanding borrowings were €25,000 and undrawn availability was € 100,000.

- Tranche C: The Tranche C facility provides for two term facilities, one with a principal amount of €100,000 ("C1"), which is also an amortizing term loan, and the other with a principal amount of €150,000 ("C2"), to be used principally to finance the deferred element of consideration payable for the MixtICS Acquisition. The C1 facility matures in 2009 and the C2 facility matures in 2010. Amounts under the facilities bear interest at Euribor plus a margin of up to 2.625% and 4.0% for C1 and C2, respectively. These margins decrease over time to the extent that the Company's leverage is reduced. A commitment fee of 0.75% on both term loans is payable on the undrawn balance of each facility. As of December 31, 2002, total outstanding borrowings were €60,000 and total undrawn availability was €190,000.

- Tranche D: The Tranche D facility provides for a revolving credit facility, expiring in 2009, of €50,000 to be used for general corporate purposes. Amounts under the facility bear interest at Euribor plus a margin of up to 3.25%. This margin decreases over time to the extent that the Company's leverage is reduced. A quarterly commitment fee of 0.75% per annum is payable on the undrawn balance of the facility. The Company has not drawn this facility.

The credit facilities contain representations and warranties, covenants, information requirements, events of default and financial covenants. The availability of the undrawn credit facilities is subject to meeting certain covenant and access tests. The financial covenants, which are tested on a quarterly basis based on Belgian GAAP figures, measure performance against, among others, standards for leverage, debt service coverage, revenues, and earnings before interest, taxes, depreciation, and amortization ("EBITDA"). Additionally, the agreements contain provisions requiring mandatory loan prepayments under specific circumstances. As of December 31, 2002, the Company was in compliance with all of its financial covenants.

Obligations under the bank facilities are guaranteed and cross-guaranteed by certain subsidiaries of Telenet. The obligations are also secured by mortgages and by pledges of certain equity interests, material contracts, and other rights and claims held by certain of Telenet's subsidiaries.

The security agents, on behalf of the underwriters of the bank facilities, were granted 100,000 detachable warrants to purchase ordinary shares of the Company ("Bank Warrants") (see Note 12). As a consequence of the allocation of a portion of the proceeds of the bank facilities to the relative fair value of these warrants, the Company recognized a discount on these facilities.

These facilities were partially amended and drawn in 2003 (see Note 17).

Mezzanine Subordinated Bonds

In connection with the Company's acquisition of MixtICS, the Company issued €50,000 of mezzanine subordinated bonds due in 2007. The bonds bear interest semi-annually at 8.5%, and at 14% on any overdue amounts and are generally redeemable at the option of the Company. The bonds were issued with 1.6 million detachable warrants to purchase ordinary shares of the Company ("Mezzanine Warrants") (see Note 12). As a consequence of the allocation of a portion of the proceeds of the bonds to the relative fair value of these warrants, the Company recognized a discount on these bonds.

GAP Filling Bonds

In connection with the Company's acquisition of MixtICS, the Company issued €23,000 of bonds due in 2003 in an amount of €6,000 to the Financial Consortium (consisting of Finstrad NV, Gevaert NV, Ibel NV, KBC Bank NV, KBC Verzekeringen NV (KBC Insurance) and Sofinim NV), €15,000 to GIMV NV and €2,000 to Callahan Belgium. The bonds bear interest annually at 13%, are repayable on maturity with a 6% premium, and are generally redeemable at the option of the Company. Subject to certain conditions being met by the Company, the stated maturity date may be extended to 2006. The bonds were issued with 460,000 detachable warrants to purchase ordinary shares of the

Company ("GAP Warrants") (see Note 12). As a consequence of the allocation of a portion of the proceeds of the bonds to the relative fair value of these warrants, the Company recognized a discount on these bonds.

Deferrals

The Company entered into an agreement with the sellers of the MixtICS, to pay an additional amount of €330,575 plus interest. This agreement comprises two different arrangements, Deferral A and B, as follows:

	Deferral A		Deferral B	
Principal Amount at inception:	€127,748(a)		€202,827(a)	
Interest rate:	From February 1, 2002 to May 31, 2003	13%	From February 1, 2002 to July 1, 2005	13%
	From June 1, 2003 to October 31, 2003(b)	14%	Thereafter	16%
Maturity:	October 31, 2002	€81,136	The earlier of each time when and to the extent that funding becomes available to it or December 31, 2015	-
	December 31, 2002	€7,879		
	April 30, 2003	€21,664		
	July 31, 2003	€12,011		
	October 31, 2003	€5,058		
Contingent event:	Compliance with the 2002 Facility Availability Tests		First Agreed Equity Increase	

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(a) Includes interest accruals from February through August 2002 on various components of the purchase price.

(b) Late payment interest rate increases yearly by 1% up to a maximum of 16% beginning on June 1, 2005.

Deferral A has been classified as a long-term debt on the balance sheet as it will be repaid using proceeds from the 2002 Facility subject to meeting the availability tests. The maturity dates of Deferral A are extended if these tests are not met.

Deferral A and B were issued with 1.6 million detachable warrants to purchase ordinary shares of the Company ("Deferral Conversion Warrants" and "Penny Warrants") (see Note 12). As a consequence of the allocation of a portion of the principal amount of Deferral B to the relative fair value of these warrants, the Company recognized a discount on Deferral B.

In addition to Deferrals A and B, the Company has also to repay € 81,000 representing the amounts payable to the sellers of MixtICS for the upgrades of the MICs' cable network ("Deferred HFC Upgrade Amount"). This balance bears late payment interest of 13% from February 1, 2002 through the date of payment and 14% from June 1, 2003 through the date of payment. The late payment interest rate increases yearly by 1% up to a maximum of 16% beginning on June 1, 2005.

Vendor Notes

Subordinated vendor notes in the amount of €810,750 were issued on March 29, 2001 to GIMV (€216,204), the Financial Consortium (€ 216,204), Interkabel (€132,410) and the MICs (€245,932) upon the acquisition of the Telenet Holding shares by BidCo. These notes bore interest at Euribor plus a margin of up to 10.00%. Vendor notes outstanding at December 31, 2001 include accrued interest of €67,979.

In connection with the Company's acquisition of MixtICS, the vendor notes were contributed to the Company and BidCo shares were given in exchange.

Clientele and Annuity Agreements

In 1996, the Company entered into a Clientele Agreement with the MICs and the PICs and into an Annuity

(in thousands of Euro, except per share amounts, unless otherwise stated)

Agreement with the PICs.

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 MICs and 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 MICs and the PICs to recover part of their historical HFC Upgrade Investment.

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 amortized over 10 or 20 years depending on the useful life of the underlying assets that make up the HFC Upgrade.

In connection with the MixtICS Acquisition, the Company acquired full control of the portion of the HFC Upgrade previously owned by the MICs. Consequently, the balance of the clientele fee payable as of December 31, 2002 reflects solely the Company's outstanding obligation to the PICs.

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 has been capitalized as network user rights under intangible assets, and is amortized over 10 or 20 years depending on the useful life of the underlying assets that make up the HFC Upgrade.

7. DEBT AND OTHER FINANCING

Lease Obligations

The following schedule details, at December 31, 2002, the future minimum lease payments under capital and operating leases:

Year ended December 31:	**Capital Leases**	**Operating Leases**
2003	2,224	3,720
2004	2,312	3,463
2005	2,435	475
2006	2,613	236
2007	2,843	121
Thereafter	32,514	4
Total minimum lease payments	44,941	8,019
Less: amount representing interest	(17,517)	
Present value of minimum lease payments	27,424	

Head-end and Other Capital Leases

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.

Prior to 2001, Telenet Holding sold two buildings to third parties and subsequently entered into capital lease arrangements with the acquirors to lease the properties back until 2014. Upon the sale of these assets, Telenet Holding recognized a gain of €255 that was being amortized into the Predecessor's statement of operations over the useful life of the assets.

Operating Leases

The Company leases facilities, vehicles and equipment under non-cancelable operating leases. Rental expense under long-term operating leases of property, vehicles and other equipment was €2,635 and €3,229 for the years ended December 31, 2002 and December 31, 2001, respectively, and €904 for the period ended March 30 2001.

Repayment Schedule

Based upon outstanding indebtedness as of December 31, 2002, the amortization of term loans, and the maturity dates for all facilities and debt instruments other than capital leases, aggregate future principal payments on the total borrowings under all of the Company's debt agreements as of December 31, 2002, are as follows:

Year ended December 31:	Amount
2003	29,322
2004	21,119
2005	103,219
2006	185,335
2007	255,469
Thereafter	1,431,634

8. ACCRUED EXPENSES AND OTHER CURRENT LIABILTIES

Accrued expenses and other current liabilities consisted of the following:

	December 31, 2002	December 31, 2001
Financial instruments	21,118	5,259
Customer deposits	19,821	10,224
Compensation and employee benefits	8,371	8,767
Interest	4,133	11,536
VAT and withholding taxes	3,477	-
Other accrued expenses	6,926	464
Other current liabilities	2,228	-
Other current tax	6	-
	66,080	36,250

9. FINANCIAL INSTRUMENTS

The Company seeks to reduce its foreign currency exposure through a policy of matching, to the extent possible, assets and liabilities denominated in foreign currencies. In addition, the Company uses financial instruments in order to manage its exposure to exchange rate and interest rate fluctuations arising from its operations. As discussed in Note 2, the Company has elected not to account for these instruments as hedges. The Company is also exposed to credit risks.

Foreign Exchange Risk

The Company has used forward and option contracts in order to limit its exposure to the U.S. Dollar/EURO exchange rate fluctuations from foreign currency transactions. As of December 31, 2002 and 2001, the outstanding foreign exchange contracts are as follows:

	December 31, 2002	**December 31, 2001**
Forward purchase contracts		
Notional amount	-	14,000
Strike price	-	EURO/U.S. Dollar 0.889
Maturity	-	January and February 2002
Option contract		
Notional amount	-	7,000
Strike price	-	EURO/U.S. Dollar 0.879
Maturity	-	January 2002

Interest Rate Risk

The Company has incurred various floating rate debts. In order to manage its floating interest rate exposure, the Company entered into interest rate swap agreements and cap options. As of December 31, 2002 and 2001, the outstanding contracts are as follows:

	December 31, 2002	**December 31, 2001**
Interest rate swaps		
Notional amount	279,142	99,368
Average pay interest rate	4.7%	5.5%
Average receive interest rate	3.4%	4.6%
Maturity	From 2005 to 2010	From 2008 to 2010
Caps		
Notional amount	417,757	9,545
Average cap interest rate	4.2%	6.1%
Maturity	From 2002 to 2017	In 2017

	December 31, 2002	**December 31, 2001**
Best swap of cap		
Notional amount (in thousands)	284,179	-
Range of pay interest rate	Between 4.5% and 6.1%	-
Maturity	In 2009	-

Credit Risk

Credit risk relates to the risk of loss that the Company would incur as a result of non-performance by counterparties. 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 largest share of the gross assets subject to credit risk is accounts receivable from residential and small commercial customers. The risk of material loss from nonperformance from these customers is not considered likely. Reserves for uncollectible accounts receivable are provided for the potential loss from nonpayment by these customers based on historical experience.

In regards to credit risk on financial instruments, the Company maintains a policy of entering into such transactions only with highly rated European and U.S. financial institutions.

10. INCOME TAXES

Telenet and its consolidated subsidiaries each file separate tax returns in accordance with Belgian tax laws. For financial reporting purposes, Telenet 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 provision (benefit) for income taxes is comprised of the following:

	Successor		Predecessor
	Year Ended December 31, 2002	Year Ended December 31, 2001	January 1, 2001 to March 30, 2001
Current	6	-	-
Deferred	-	-	-
Total provision	6	-	-

(in thousands of Euro, except per share amounts, unless otherwise stated)

10. INCOME TAXES

The tax effects of significant temporary differences and tax loss carry-forwards are presented below:

	December 31, 2002	**December 31, 2001**
Deferred income tax assets		
Financial instruments	6,426	1,293
Bad debt allowance	2,614	1,441
Other	1,543	157
Investment credits	20,302	16,313
Tax loss carryforward	302,808	259,565
Total deferred tax assets	333,693	278,769
Valuation allowance	(322,267)	(264,415)
Net deferred income tax assets	11,426	14,354
Deferred income tax liabilities		
Property and equipment	10,705	13,736
Other	721	618
Total deferred tax liabilities	11,426	14,354
Net deferred income tax assets	-	-

As of December 31, 2002, Telenet and its subsidiaries had available combined cumulative tax loss carry-forwards of €890,872 and investment credits of €59,730. Under current Belgian tax laws, these loss carry-forwards and investment credits have an indefinite life and may be used to offset the future taxable income of Telenet and its subsidiaries. As Telenet and virtually all of its subsidiaries have never realized any taxable profits, a 100% valuation allowance has been recorded resulting in a net deferred tax asset of zero. The valuation allowance increased in 2002 by €112,502 as a result of the changes in the deferred tax assets and liabilities offset by a decrease in the new tax rate.

Effective January 1, 2003, the Belgian statutory tax rate decreased from 40.17% to 33.99%. The deferred tax assets and liabilities have been computed at December 31, 2002 using the new tax rate with an impact of €54,650.

A reconciliation of the Company's Belgian statutory tax provision (benefit) for income taxes at the federal statutory rate to the reported income tax provision (benefit) is as follows:

	Successor		**Predecessor**
	Year Ended December 31, 2002	**Year Ended December 31, 2001**	**January 1, 2001 to March 30, 2001**
Income tax benefit at statutory rates	293,824	113,817	17,844
Nondeductible amortization, impairment and other permanent differences	(242,114)	703	(547)
Change in valuation allowance	(106,360)	(114,520)	(17,297)
Change in tax rate	54,650	-	-
Total	-	-	-

11. BENEFIT PLANS

The Company has two defined contribution plans (one for its employees and one for certain members of management) and one defined benefit plan only for certain members of management.

The Company contributes to the defined contribution plans approximately 200% and 500% of the employee's and member of management's contribution, respectively. However, the participants' contribution is limited to a certain percentage of their salaries.

The participants of the pension plans described above are fully vested after one year of service. Also, such plans are available to all employees and certain members of management that are at least 25 years old and have a permanent employment contract.

As of December 31, 2002 and 2001, the defined benefit plan had 8 and 7 participants, respectively. The defined benefit plan was accounted for as a defined contribution plan due to its insignificance.

A group insurance plan is available to the certain members of management having a minimum age of 25. Rights are immediately vested, with the exception of rights built up through employer contribution during the first year of participation in the plan.

The Company's contributions for all of these plans totaled €1,025 and €965 in the years ended December 31, 2002 and 2001, respectively. As discussed in Note 2, these amounts were expensed as incurred.

12. SHAREHOLDERS' EQUITY

Ordinary Shares

The Company was incorporated on December 1, 2000 and following the acquisitions of Telenet Holding and MixtICS (see Note 1), the capital structure as at December 31, 2001 and 2002 is as follows:

	December 31, 2002		December 31, 2001	
Shareholders	**Number of Shares**	**Percentage**	**Number of Shares**	**Percentage**
CAI Belgium	6,123,837	22%	5,000,000	54%
Telenet Group Sellers Investment NV	13,925,227	49%	-	-
Mixed Intercommunales - Electrabel	5,310,939(a)	19%	1,281,643	14%
GIMV	1,126,712	4%	1,126,712	12%
Financial Consortium	1,126,712	4%	1,126,712	12%
Interkabel	690,028	2%	690,028	8%
Banks	96,000	-	-	-
Employees	708	-	-	-
Total	28,400,163		9,225,095	

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(a) Each party to the Mixed Intercommunales has one golden share on the Company which allows them to monitor the Public Interest Guarantees by participation in the Company<*>s regulatory board. Public Interest Guarantees include guarantees on price and content of the basic package, roll-out obligations for the digital platform and provision of public services which utilize new technologies.

Employee Stock Based Compensation

On November 23, 1999 (the "1999 Plan") and September 25, 1998 (the "1998 Plan"), Telenet Holding granted options to certain employees to purchase 77,500 and 42,250 of its shares, respectively, at an exercise price of €24.79 per share which was below the fair market value at the time of issuance. These options generally vest 33 $^{1}/_{3}$ percent on the anniversary of the date of the grant for three years. Unvested options forfeit upon termination of employment, initiated by either the employer or the Company, unless the Human Resource Committee decides to grant an exception.

Options granted in 1999 fully vested in January 2003 and can be exercised annually from 2003 to 2009 in the months March, June, September and December, with the exception of the last exercise period that runs from November 1 to November 15, 2009.

Options granted in 1998 fully vested in March 2002 and can be exercised annually from 2002 to 2008 in the months March, June, September and December, with the exception of the last exercise period that runs from November 1 to November 30, 2008.

In October 2001, the holders of options have been granted the contractual right pursuant to which they are entitled to sell 55% of the Telenet Holding shares, which they obtain upon the exercise of the options, to Callahan at the fair value of such shares at the time of exercise of the put option. The put option expires 8 days after the exercise of the related options and is only exercisable between March 1, 2002 and March 30, 2002, and January 1, 2003 and January 20, 2003 for the 1998 and 1999 options, respectively. The fair market value will be the valuation used in the most recent substantial transaction in which shares are issued to an unrelated party, or, of more recent, the market value determined for the purpose of the granting of new employee stock options.

As result of the put option being granted to employees in October 2001, the 1998 and 1999 plans were determined to have been modified for this share repurchase feature and will be accounted for as variable plans. Accordingly, compensation expense for either increases or decreases in the fair value of the shares will be recognized for the 1998 Plan from October 2001 to March 2002 and for the 1999 Plan from October 2001 to January 2003.

Also in October 2001, following the restructuring of the Company, Telenet Holding, on behalf of Telenet, granted to the option holders an additional contractual rights to convert shares, which they obtain upon the exercise of options to purchase Telenet Holding shares, to Telenet shares. The exchange ratio will reflect the fair market valuation of Telenet Holding and Telenet at the time of the exchange. These contractual rights can be exercised within a period of one month after the exercise of the options and will expire upon the maturity of the 1998 and 1999 plans.

A summary of the activity of the Company's stock options for the years ended December 31, 2002 and 2001 is as follows:

	Outstanding Options	
	Number of Options	**Weighted Average Exercise Price**
Balances, December 31, 2000	106,500	24.79
Balances, March 31, 2001	106,500	24.79
Options forfeited	(5,585)	24.79
Balances, December 31, 2001	100,915	24.79
Options exercised	(18,075)	24.79
Balance, December 31, 2002	82,840	24.79

The following table summarizes information about stock options outstanding and exercisable as of December 31, 2002:

	Options Outstanding			**Options Exercisable**		
Plan	**Number Outstanding**	**Weighted Average Remaining Contractual Life**	**Weighted Average Exercise Price (in euros)**	**Number Outstanding**	**Weighted Average Remaining Contractual Life**	**Weighted Average Exercise Price (in euros)**

1998	13,508	71 months	24.79	13,508	71 months	24.79
1999	69,332	83 months	24.79	69,332	83 months	24.79

The Company uses the intrinsic value method prescribed by APB Opinion No. 25, *Accounting for Stock Issued to Employees*, to account for its stock options. Accordingly, the excess of the grant date fair value of the Company's ordinary shares over the exercise price of the stock options is recognized as compensation expense over the vesting period of the options. In October 2001, all outstanding options were modified to grant the employees a put option to sell a portion of the shares obtained upon exercise to the principal shareholder of the Company at the time of the modification. As a result of this modification, the stock option plan has, since October 2001, been accounted for as a variable plan in accordance with the provisions of APB Opinion No. 25 and EITF Issue No. 00-23, *Issues Related to the Accounting for Stock Compensation under APB Opinion No. 25 and FASB Interpretation No. 44*. Consequently, the Company measures additional compensation expense at each subsequent balance sheet date for the changes, either increases or decreases, in the fair value of the shares covered by the grants. Total compensation expenses of €1,217, €1,184 and €380 were recorded in the consolidated statements of operations for the years ended December 31, 2002 and 2001 and for the period from January 1, 2001 to March 30, 2001, respectively.

The following table illustrates the effect on net bss if the Company had applied the fair value recognition provisions of SFAS No. 123. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions used for grants in 1998 and 1999 respectively: risk free interest rates of 4% and 3.75%, expected lives of 4 years, and a dividend yield and volatility of nil.

	Successor		**Predecessor**
	Year Ended December 31, 2002	**Year Ended December 31, 2001**	**January 1, 2001 to March 30, 2001**
Net loss, as reported	(864,444)	(283,338)	(44,422)
Add: Stock-based compensation, as reported, net of tax	1,217	1,184	380
Deduct: Total stock-based compensation determined under fair value based method for all awards, net of tax	(1,297)	(1,121)	(465)
Pro-forma net loss	(864,524)	(283,275)	(44,507)

Warrants

Deferral Conversion Warrants and Penny Warrants

In connection with the MixtICS Acquisition and the issuance of Deferrals A and B (see Note 7), the Company has also issued in August 2002 an additional 1.6 million detachable warrants that contingently vest upon the occurrence of certain future events ("Deferral Conversion Warrants"), namely a failure on the part of the Company to satisfy certain acquisition-related liabilities in a timely manner. Until the expiration date in August 2007, these warrants give the holders (the sellers of MixtICS) the right to purchase a number of the Company's ordinary shares between €50 or €33 per share, based on a formula. The number of shares is only known at the exercise date as it is ultimately based on a formula linked to the share price.

(in thousands of Euro, except per share amounts, unless otherwise stated)

12. SHAREHOLDERS' EQUITY

In addition, in conjunction with Deferral B (see Note 7), the Company also issued in August 2002 a total of 6 detachable warrants ("Penny Warrants"), which will vest as follows:

Warrant	Vesting date
Warrant 1	July 1, 2003
Warrant 2	January 1, 2004
Warrant 3	July 1, 2004
Warrant 4	January 1, 2005
Warrant 5	July 1, 2005
Warrant 6	January 1, 2006

Until the expiration date in August 2012, these warrants give the holders the right to purchase a number of the Company's ordinary shares for €0.01 per share. If Deferral B has been fully paid on or prior to a certain vesting date of a warrant, such warrant will automatically lapse unexercised. The number of shares is only known at each vesting date as it is ultimately based on the amount of the Deferral B that has not yet been fully paid at that date.

According to these agreements, the counterparties have also granted the Company a call option on the warrants and the shares issuable upon exercise thereof. This repurchase option mirrors the warrants described above and expires on the date that the warrants would have normally become exercisable.

The value of the warrants, €23,691, was recorded at inception as part of the purchase price with the offsetting entry recognized in shareholder's equity.

Mezzanine Warrants and GAP Warrants

In conjunction with the mezzanine subordinated bond issuance and the GAP filling bond issuance (see Note 7), the Company also issued in August 2002 a total of 2.06 million detachable warrants, which vested immediately upon issuance. Until the expiration date in August 2007, the mezzanine warrants and the GAP warrants give the holders the right to purchase a number of the Company's ordinary shares at between €50 or €33 per share and between €50 or €25 per share, respectively, based on formulas. The number of shares is only known at the exercise date as it is ultimately based on a formula linked to the share price.

Moreover the mezzanine warrants also give the holder the right to chose between two exercise prices: €50 or €0.01 per share. However, in the event of electing the latter, these warrants would entitle the holder to subscribe only to a reduced number of shares.

The value of these warrants at inception, €43,502, was recorded as a reduction of the carrying amount of the underlying debt with the offsetting entry recognized in shareholder's equity.

Bank Warrants

In conjunction with the €1,250,000 bank facility obtained in July 2002 (see Note 7), the Company issued in August 2002 a total of 100,000 detachable warrants, which vested immediately upon issuance. Until the expiration date in August 2007, these warrants give the holders the right to purchase a number of the Company's ordinary shares for €0.01 per share. The number of shares is only known at the exercise date as it is ultimately based on the number of outstanding shares at that August 9, 2002 adjusted by various factors, including additions for shares issued upon the exercise of other warrants.

The value of these warrants at inception, €46,290, was recorded as a reduction of the carrying amount of the underlying debt with the offsetting entry recognized in shareholder's equity.

Price Protection Warrants

In connection with the MixtICS Acquisition, the Company also issued an additional 240 detachable warrants that contingently vest upon the occurrence of certain future events (see Note 7), namely upon the sale of ordinary shares below a stated price. These warrants entitle the holder to have so-called full ratchet anti-dilution protection with respect to a total of 4,840,000 ordinary shares at a price between €50 and €25 per share in the event of a capital increase in cash by the Company consummated during the period starting as of (but not including) August 9, 2002 (the issuance date) and ending on (and including) June 30, 2003.

Until the expiration date on January 31, 2003, these warrants give the holders (sellers of MixtICS) the right to purchase a number of the Company's ordinary shares for €0.01 per share if the event described above occurred. The number of shares is only known at the exercise date as it is ultimately based on a formula linked to the share price.

Callahan Warrants

In connection with the Telenet Holding Acquisition, the Company granted detachable warrants to CAI Belgium to purchase 7,088,001 ordinary shares at an exercise price of €100 per share. The warrants were to expire no later than 2011, and on an accelerated basis if the Vendor Notes due to the Company's former shareholders were not repaid within five years of issuance. In connection with the MixtICS Acquisition, all of these warrants were cancelled in August of 2002. The value of the warrants was included in contributed capital.

Other Comprehensive Income

The Company's comprehensive income equals the net loss for the period, as it has no other comprehensive income component.

13. REVENUES

The Company's revenues are comprised of:

	Year ended December 31, 2002	Year ended December 31, 2001	January 1- March 30, 2001
	Successor		Predecessor
Cable television:			
- Subscribers	60,599	-	-
- Distributors	3,588	-	-
Residential:			
- Internet	101,104	50,991	14,677
- Telephony	112,414	65,462	17,018
Business	29,387	19,097	5,036
Total	307,092	135,550	36,731

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

The Company also has unearned revenues as follows:

	December 31, 2002	December 31, 2001
Cable television	71,290	-
Internet	3,170	1,202
Telephony	637	571
Business	226	130
Total	75,323	1,903
Current portion	72,564	1,903
Long-term portion	2,759	-

The long-term portion of unearned revenue is included in the Other Liabilities line of the Condensed Consolidated Balance Sheet. Unearned revenues are generally fees prepaid by the customers and, as discussed in Note 2, are recognized in the statement of operations on a straight-line basis over the related service period.

14. OTHER LIABILITIES, COMMITMENTS AND CONTINGENCIES

Service and Transfer Agreement with Electrabel

As part of the MitxICS Acquisition in August 2002, the Company also entered into a service and transfer agreement with Electrabel. Pursuant to this agreement, Electrabel agreed to provide certain operational services (such as installation, maintenance and call centre services) to the Company from August 9, 2002 through the later of (i) February 9, 2004 and (ii) the date on which the purchase price (see Note 3), including the deferrals (see Note 7), has been fully paid.

Upon expiration of the above service agreement, the Company agreed to employ Electrabel's personnel (other than the call centre services) that were directly involved in providing the services previously rendered by Electrabel pursuant to this agreement. It has also been agreed by both parties that the number of employees to be transferred is limited to a maximum of approximately 500 Electrabel personnel. The Company will at a minimum employ each of the transferred employees on the same terms and conditions as were applicable to them immediately prior to the transfer date. The agreement with Electrabel states that the Company will not be responsible for any liabilities, claims or demands related to the periods prior to the date of transfer, including pension rights not fully funded, bonus, holiday benefits and social security contributions. However, the parties to the agreement have not yet agreed on the method to compute the liabilities that will be transferred. As the Company can not estimate the potential liability that may result from the transfer of the personnel, no amounts have been allocated to this contingency in the MixtICS purchase price allocation.

Copyright Litigation

In 1993, the Belgian Radio and Television Distributors association (Beroepsvereniging voor Radio- en Televisiedistributie) (the "RTD"), on behalf of the Belgian cable television operators, signed a contract with the public broadcasters and the copyright collection agencies in Belgium that determined the copyright fees due by the cable operators. In September 1995, the Belgian Society of Authors, Composers and Publishers ("SABAM"), a copyright collection agency, terminated its contract, effective January 1, 1996, and claimed an increase of copyright fees. SABAM's actions were soon copied by other copyright agencies and broadcasters, mainly the Association of International Collective Management of Audiovisual Works (Association de Gestion Internationale Collective des Oeuvres Audiovisuelles, "AGICOA"), being the copyright collection agency for the film studios, and the group of Foreign Public Broadcasters. This has resulted in extensive litigations.

The disputes with AGICOA and SABAM have been settled in November 2002 and May 2003, respectively. Under such settlement agreements, the Company agreed to pay €20.5 million for additional past copyright fees and a copyright for going forward, which is calculated based on the numbers of subscribers and, in the case of AGICOA, a per program price. These settlements have been included in the financial statements.

In February 2003, with respect to the suit with the Foreign Public Broadcasters, the Commercial Court in Brussels ruled that for the period from 1996 through 2001 the Foreign Public Broadcasters are entitled to approximately €47.7 million, for which we have joint and several liability. The Company's additional liability subsequent to this ruling is estimated to be €21.6 million for the period from 1996 through 2001 (provided that the other members of RTD pay their proportionate share), together with interest since June 1, 2002 at a current rate of 7% per year, with an additional €3.8 million due for fiscal year 2002. RTD has appealed the court's decision.

The Company has come to an agreement with a Flemish Broadcaster on past and future copyright payments. The Company has also been in litigation with smaller copyright collection agencies and broadcasters.

The Company has accrued €46,250 in other liabilities for the amounts that the Company expects to pay as a result of the above settlements and these accruals were adjusted against the goodwill recognized as part of the MixtICS Acquisition.

Interconnection Litigation

The Company has been involved in legal proceedings with Belgacom related to the increased interconnection fees that have been charged since August 2002 to telephone operators to terminate calls made to end users on the Company's network.

Traditionally, interconnection fees for fixed line telephony have been charged on a reciprocal basis, meaning that Belgacom and Telenet charged to each other the same interconnection termination rates. The Company's unit costs however, as a result of lower benefits of scale and recent investments, are higher compared to Belgacom's. As a result of this different cost structure and because of a continued higher level of fees charged by Belgacom regarding the fixed-to-mobile interconnection, Telenet requested the Belgian Institute for Postal Services and Telecommunications (BIPT) to approve an increase of its domestic and international interconnection rates, which was obtained in June 2002. In August 2002 the BIPT amended its decision by ruling that the increase would not apply to inbound international calls. As a result the Company upwardly adjusted its interconnection termination rates for inbound domestic calls effective August 2002. Belgacom has increased the tariffs charged to its telephony customers calling Telenet numbers to reflect our increased termination rates.

Belgacom challenged the Company's increased interconnection termination rates before the Commercial Court of Mechelen (Rechtbank van Koophandel) alleging abusive pricing. The Commercial Court heard arguments in the case in September 2003, and a ruling is expected during the fourth quarter of 2003. The court may defer to the price determination made by the BIPT as the primary regulator of the telecommunications industry in Belgium, in which case we would be able to continue to charge our current interconnection termination rates. Alternatively, the court may decide to review the merits of the termination rate increase, in which case it may affirm the termination rate increase, determine that the termination rate is abnormally high and require that it be reduced or, less likely, decide that the old tariff be reinstated. Belgacom has further challenged the BIPT's June 2002 approval of Telenet's increased domestic interconnection termination rates before the Council of State (Raad van State), the highest administrative court in Belgium. The council may affirm the BIPT's decision or return the case to the BIPT for reconsideration. The Council of State rejected an emergency request from Belgacom to suspend the implementation of the increased interconnection termination rate.

A decision reducing the interconnection termination rates that we can charge could have a material adverse effect on our telephony business.

The Company does not think it is likely that either the commercial court or the BIPT would require Telenet to repay amounts that have been received under the higher interconnection termination rates prior to any ruling requiring a reduction of the rates because of the difficulty that Belgacom would have in demonstrating that it suffered any harm as it was able to pass the higher interconnection termination rates through to its customers in the form of a higher tariff structure.

15. RELATED PARTIES

Related Party Identification

The related parties of the Company mainly comprise its shareholders that own more than 10% of the voting rights of the Company, namely GIMV, the MICs and PICs and Cable Partners Europe L.L.C. ("CPE") (formerly known as Callahan Associates International L.L.C.).

Related Party Transactions

The transactions with Interkabel and the PICs mainly relate to the clientele fee and the annuity fee charged by the PICs. Before the MixtICS Acquisition, transactions with the MICs pertained to the clientele fee. In addition, the Company owned approximately 60% of the MICs HFC Upgrade. The MICs acted as an agent for the Company and recharged approximately 60% of related HFC Upgrade capital expenditure to the Company.

Transactions with CPE include payment of transaction expenses related to the acquisitions of Telenet Holding and MixtICS. In addition, Telenet Operaties and CPE entered into a Strategic Services Agreement dated March 31, 2001 (the "Management Agreement"). Under the Management Agreement, CPE provides strategic advice and assists with the expansion, development and growth of the Company.

Transaction costs related to the Telenet Holding Acquisition included payments to CPE (€32,447), Financial Consortium (€1,127), GIMV (€1,127), Interkabel (€685), and Electrabel (€1,722), all related parties. Transaction costs related to MixtICS Acquisition included payments to CPE (€1,497) and MICs (€3,440).

(in thousands of Euro, except per share amounts, unless otherwise stated)

15. RELATED PARTIES

The following table summarizes material related party balances:

Balance Sheet

	December 31, 2002	December 31, 2001
Purchases of property and equipment from Electrabel	15,550	-
Property and equipment, net		
Co-ownership - MICs	-	2,020
HFC upgrades - MICs	-	121,191
Intangible assets		
Network user rights - MICs	-	97,811
Network user rights - PICs	71,795	63,897
Accounts payable		
MICs	-	59,333
PICs	3,223	4,862
Others	(944)	2,099
Financial Consortium	-	414
Accrued expenses		
PICs	437	-
Current portion of long-term debt		
Annuity fee - PICs	2,093	1,475
Head end leases—PICs	206	-
Clientele fee - MICs	-	3,901
Clientele fee - PICs	2,573	1,961
Long-term debt		
Clientele fee - MICs	-	69,551
Clientele fee - PICs	27,502	23,838
Annuity fee - PICs	27,497	22,630

The following table summarizes material related party transactions for the period:

Statement of Operations

	December 31, 2002	December 31, 2001	March 30, 2001
	Successor		Predecessor
Operating			
Leases and other operating expenses - MICs	5,032	5,004	2,388
Leases and other operating expenses - PICs	3,904	3,881	(198)
Management fee - CPE	4,552	4,229	-
Legal fees - CPE	9,343	-	-
Other operating expense - Financial Consortium	-	414	-
Other operating expense - GIMV	-	414	-
Service Agreement - Electrabel	20,314	-	-

Interest expense			
MICs	7,911	26,895	2,091
PICs	5,980	14,050	983
CPE	144	-	-
Financial Consortium	1,560	18,128	-
GIMV	2,208	18,128	-

16. FAIR MARKET VALUE

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

	December 31, 2002		December 31, 2001	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt (including short-term maturities)	(1,354,628)	(1,354,628)	(1,528,502)	(1,528,502)
Interest rate swaps	(12,137)	(12,137)	(3,898)	(3,898)
Caps	(374)	(374)	(199)	(199)
Best swap of cap	(4,752)	(4,752)	-	-
Trigger foreign exchange forward	-	-	278	278
Foreign exchange options	-	-	(1)	(1)
Total	(1,371,891)	(1,371,891)	(1,532,322)	(1,532,322)

The fair value of derivative financial instruments are determined by commercial banks and reviewed internally.

The fair values of long-term debt are estimated at the lesser of either the call price or the market value as determined by quoted market prices, 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. As of December 31, 2001 and December 31, 2002 the carrying value of long-term debt approximated the fair value.

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.

Some judgment had been used in interpreting 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.

17. SUBSEQUENT EVENTS

Amendments to the Senior Credit Facility

In April 2003, the 2002 Facility obtained in July 2002 (see Note 7) was amended. Among other modifications, these amendments reduced the total credit facility to €1,185,000 (Tranche B was reduced from €125,000 to €50,000 and Tranche D was increased from €50,000 to € 60,000) and increased the interest margins as follows:

Tranche A	from 3.25% to 3.50%
Tranche B	from 3.25% to 3.50%
Tranche C1	from 2.625% to 3.50%
Tranche C2	from 4.00% to 4.25%

Tranche D..	from 3.25% to 3.50%

Also, commitment fees were increased from 0.75% to 1.25%.

Moreover, the financial covenants were also modified to extend the periods covered by the quarterly assessments (generally an additional year) and various ratios and measures were revised accordingly.

Finally, upon the modification of the original facility, 21,385 Bank Warrants (see Note 12) were cancelled.

Amounts Repaid and Drawn from the 2002 Facility

During the period from April 2003 to October 2003, the Company has drawn down and repaid various amounts resulting in a total outstanding balance for the 2002 Facility of €975,000.

Gap Filling Bonds

The bonds have not been repaid on the stated maturity date, namely October 31, 2003. As a result, the stated maturity date is gradually extended until such time as the full amount of debt has been repaid, not to extend beyond July 31, 2006.

Penny Warrants: Vesting Dates Modification

In connection with the MixtICS Acquisition and Deferral A and B, the Company issued 6 detachable warrants ("Penny Warrants") that vest consecutively every 6 months from July 1, 2003 through January 1, 2006. In September 2003, the parties agreed to modify the vesting dates for warrants 1 and 2 as follows:

Warrant	**OLD Vesting date**	**NEW Vesting date**
Warrant 1...	July 1, 2003	December 1, 2003
Warrant 2...	January 1, 2004	December 1, 2003

Canal+ Acquisition

The Company have entered into agreement to acquire all of the Flemish assets and subscribers of the Canal+ group (the "Canal+ Acquisition"), which will allow the Company to offer the premium television services currently provided by the Canal+ group directly to the Company's cable television subscribers as well as those of the PICs. The Belgian competition authority (*Raad voor de Mededinging*) has approved the acquisition, subject to certain conditions. These conditions require the Company, among other things, to:

- grant other premium television service providers access to the Company's network on commercially reasonable terms, taking into account, among other things, the available capacity on the Company's network;

- offer the Canal+ premium service to other television network operators who want access to its content, and charge end users on the Company's network and such other networks a uniform, nondiscriminatory price for all end users;

- not enter into contracts with broadcasters that make the Company the exclusive distributor of their signal and waive any exclusivity provisions that are currently in force within 30 days of the authority's decision;

- not invoice Canal+ subscribers served by other service providers under the "Telenet" name and not deliver any Telenet publicity with such invoices; the Company must list all service providers that provide Canal+ in any Telenet advertising for Canal+; and

- provide the Belgian competition authority an annual compliance report and obtain approval of the competition authority for any sale or assignment of the content rights that the Company acquire from Canal+.

The decision of the Belgian competition authority is subject to appeal within 30 days from publication of the decision in the Belgian Official Gazette. The Company's acquisition of the Canal+ Assets is also subject to a number of conditions to closing, including the sale to other parties of the Canal+ business in the French-speaking part of Belgium and the consent of the movie studios and other programming suppliers that provide content to Canal+. The acquisition is expected to close in December 2003.

Codenet Acquisition

The Company has entered into an agreement to acquire Codenet, a broadband Internet, data and voice provider operating primarily in the business market throughout Belgium. The completion of this acquisition is subject to certain conditions, including approval by the Belgian competition authorities (which was obtained on November 28, 2003). Upon completion, this acquisition will expand the Company's backbone network, across all of Belgium and parts of Luxembourg, allowing the Company to directly provide business services throughout Belgium. The acquisition is expected to close in December 2003.

In connection with the Canal+ Acquisition and the pending acquisition of Codenet, the Company has agreed to pay combined purchase prices of approximately €45 million in cash, including transaction expenses, and anticipates that the acquired businesses will have a negative cash impact in the short term.

Employee Stock Options Exercised

As discussed in Note 11, the Company granted stock options to its employees. In 2003, 38,450 options have been exercised. Consequently, new shares of Telenet Holding were issued to the former holders of those options. These shares were then exchanged for Telenet shares.

Goodwill

In connection with SFAS No. 142, *Goodwill and Other Intangible Assets* ("SFAS No. 142"), the Company performed its annual review for impairment during the third quarter of 2003. The earnings forecast for the Company was revised in 2003 mainly to reflect the Company's assessment of changes in the Belgian markets for the telephony and internet services. As a result, the Company recognized an impairment of €336,000 in the third quarter of 2003. The tax impact recorded on this impairment is nil as a full valuation allowance is applied against all net deferred tax assets.

High Yield Bond Offering

HoldCo intends to offer €400,000 of 10 year Senior Notes. The Company intends to use most of the proceeds to reduce existing indebtedness under its senior credit facility and deferrals.

TELENET GROUP HOLDING NV CONDENSED CONSOLIDATED BALANCE SHEETS As of September 30, 2003 and December 31, 2002

	September 30, 2003	December 31, 2002
	(Unaudited)(in thousands of Euro)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	53,737	18,298
Accounts receivable, net of allowance for doubtful accounts of €5,306 and €9,674 at September 30, 2003 and December 31, 2002, respectively	76,218	44,445
Other receivables (Note 3)	4,778	45,633
Total current assets	134,733	108,376
PROPERTY AND EQUIPMENT, Net (Note 4)	970,422	1,012,899
GOODWILL, Net (Note 5)	1,030,868	1,366,868
INTANGIBLE ASSETS, Net (Note 5)	268,719	242,390
DEFERRED FINANCE COSTS	66,003	71,842
OTHER ASSETS	846	965
TOTAL ASSETS	2,471,591	2,803,340
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt (Note 6)	15,414	23,089
Accounts payable	82,124	112,102
Accrued expenses and other current liabilities (Note 7)	84,678	66,080
Unearned revenue (Note 13)	93,126	72,564
Total current liabilities	275,342	273,835
LONG-TERM DEBT, LESS CURRENT PORTION (Note 6)	1,430,963	1,331,539
OTHER LIABILITIES	46,841	50,010
COMMITMENTS AND CONTINGENCIES (Note 11)	-	-
SHAREHOLDERS' EQUITY		
Contributed Capital - 28,438,598 and 28,400,163 ordinary shares issued and outstanding as at September 30, 2003 and December 31, 2002, respectively	2,296,659	2,295,738
Accumulated deficit	(1,578,214)	(1,147,782)
Total shareholders' equity	718,445	1,147,956
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,471,591	2,803,340

See notes to condensed consolidated financial statements.

TELENET GROUP HOLDING NV CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS For the nine months ended September 30, 2003 and 2002

	Nine Months Ended September 30, 2003	2002
	(Unaudited) (in thousands of Euro)	
REVENUES (Note 9)	359,059	199,548
COSTS AND EXPENSES:		
Operating (excluding depreciation and amortization)	(117,694)	(97,912)
Selling, general and administrative[(1)]	(74,137)	(65,093)
Depreciation	(106,266)	(76,697)
Amortization and impairment	(357,929)	(29,010)
Total cost and expenses	(656,026)	(268,712)
OPERATING INCOME (LOSS)	(296,967)	(69,164)
OTHER INCOME (EXPENSE):		
Interest expense	(135,401)	(95,456)
Interest income	1,917	1,472
Foreign exchange loss	(608)	(972)
Foreign exchange gain	653	1,008
Total other income (expense)	(133,439)	(93,948)
NET LOSS BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	(430,406)	(163,112)
INCOME TAX EXPENSE	(26)	-
NET LOSS BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	(430,432)	(163,112)
CUMULATIVE EFFECT OF ACCOUNTING CHANGE, NET OF TAXES	-	(667,628)
NET LOSS	(430,432)	(830,740)

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(1) Including €0 and €1,020 of amortization for deferred stock based compensation for the periods ended September 30, 2003 and 2002, respectively.

See notes to condensed consolidated financial statements.

TELENET GROUP HOLDING NV CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY For the nine months ended September 30, 2003 and 2002
and the three months ended December 31, 2002

	Contributed Capital				
	Shares	**Amount**	**Accumulated Deficit**	**Deferred Stock Based Compensation**	**Total**
		(in thousands of Euro, except share data)			
January 1, 2002	9,225,095	924,829	(283,338)	(1,217)	640,274
Telenet BidCo NV capital increases:					
- Contingent consideration	209,469	10,474	-	-	10,474
- Vendor Notes extinguishment	11,675,758	882,960	-	-	882,960
- Contribution of MixtICS NV shares to Telenet BidCo NV	4,029,296	201,465	-	-	201,465
- Capital increases	3,240,000	162,000	-	-	162,000
Telenet Group Holding NV restructuring:					
- Incorporation of Telenet HoldCo NV	1,240	62	-	-	62
- Incorporation of Telenet Group Holding NV	1,240	62	-	-	62
- Contribution of ESOP shares	18,065	903	-	-	903
Costs for Telenet Bidco NV capital increases and Telenet Group Holding NV restructuring	-	(500)	-	-	(500)
Warrants (Note 11)	-	113,483	-	-	113,483
Deferred stock based compensation	-	-	-	1,020	1,020
Net loss	-	-	(830,740)	-	(830,740)
September 30, 2002	28,400,163	2,295,738	(1,114,078)	(197)	1,181,463
Deferred stock based compensation	-	-	-	197	197
Net loss	-	-	(33,704)	-	(33,704)
December 31, 2002	28,400,163	2,295,738	(1,147,782)	-	1,147,956
Capital increase	38,435	921	-	-	921
Net loss	-	-	(430,432)	-	(430,432)
September 30, 2003	28,438,598	2,296,659	(1,578,214)	-	718,445

See notes to condensed consolidated financial statements.

TELENET GROUP HOLDING NV CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS For the nine months ended September 30, 2003 and 2002

	For the nine months ended September 30, 2003 (Unaudited) (in thousands of Euro)	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	(430,432)	(830,740)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, amortization and impairment	464,195	105,707
Provision for liabilities and charges	(3,169)	3,534
Increase (decrease) in the allowance for bad debts	(2,385)	6,484
Amortization of financing cost & debt discount	26,851	5,008
Deferred stock based compensation		1,020
Accrued interest expense	39,847	23,227
(Gain) Loss on derivative instruments, net	7,063	8,648
Cumulative effect of change in accounting principle	-	667,628
Changes in operating assets and liabilities net of effects from acquisitions:		
Accounts receivable	(29,388)	(424)
Other current assets	40,583	(18,623)
Unearned revenue	20,562	(7,312)
Accounts payable	(29,980)	(44,164)
Accrued expenses and other current liabilities	11,928	85,757
Net cash provided by (used in) operating activities	115,675	5,750
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(63,789)	(32,449)
Purchase of intangibles	(9,715)	(8,903)
Acquisitions of consolidated companies, net of cash	-	(390,194)
Other investments	-	(2,042)
Net cash provided by (used in) investing activities	(73,504)	(433,588)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of long-term borrowings	(52,210)	(7,637)
Proceeds from long-term borrowings	45,000	923,000
Net borrowings (payments) on line of credit and other short-term borrowing	-	(557,506)
Repayments of capital leases	(443)	(823)
Proceeds from the issuance of capital	921	162,527
Payments for debt issuance costs	-	(65,942)
Net cash provided by (used in) financing activities	(6,732)	453,619

See notes to condensed consolidated financial statements.

	For the nine months ended September 30, 2003 (Unaudited)	2002
	(in thousands of Euro)	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	35,439	25,781
CASH AND CASH EQUIVALENTS:		
Beginning of period	18,298	10,044
End of period	53,737	35,825
SUPPLEMENTAL DISCLOSURE OF CASH TRANSACTIONS:		
Interest Paid	65,924	29,408
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Acquisition of network user rights in exchange for debt	38,543	37,726
Acquisitions of property and equipment utilizing capital leases	-	6,886
Issuance of equity for contingent consideration in Telenet Holding Acquisition	-	10,474
Purchase of MixtICS with the issuance of:		
Ordinary shares	-	201,465
Deferred long-term debt	-	338,623
Finance of payables for HFC upgrade	-	81,000

See notes to condensed consolidated financial statements.

(in thousands of Euro, except per share amounts, unless otherwise stated)

1. ORGANIZATION AND BASIS OF PRESENTATION

The accompanying consolidated financial statements present the operations of Telenet Group Holding NV ("Telenet") and its subsidiaries (hereafter collectively referred to as the "Company"). Through its broadband network in Flanders, the Company offers cable television, broadband Internet and telephony services, primarily to residential subscribers.

The accompanying condensed consolidated interim financial statements are unaudited. In the opinion of management, these unaudited condensed consolidated interim financial statements include all adjustments which are necessary to present fairly the financial position, results of operations and cash flows for the interim periods. The interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements as of December 31, 2002 and 2001. Results for the nine months ended September 30, 2003 are not necessarily indicative of future results.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Accounting Principles Generally Accepted in the United States of America ("U.S. GAAP"). The Company's functional and reporting currency is euro ("€"), which is also the functional currency of each of the Company's subsidiaries. The interim financial statements are based on the accounting principles and practices applied in the preparation of the financial statements for the last fiscal year except as indicated below.

Management's Use of Estimates

The presentation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In May 2003 the FASB issued Statement of Financial Accounting Standards No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity* ("SFAS No. 150"). SFAS No. 150 establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. In accordance with SFAS No. 150, certain financial instruments that embody obligations for the issuer are required to be classified as liabilities. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company adopted SFAS No. 150 on July 1, 2003 and it had no material impact on its results of operations and financial position.

3. OTHER RECEIVABLES

Other receivables consisted of the following:

	September 30, 2003 (Unaudited)	December 31, 2002
Financial instruments	1,820	2,211
Prepaid taxes & VAT	137	601
Electrabel	2,555	42,237

Other	266	584
	4,778	45,633

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	September 30, 2003 (Unaudited)	**December 31, 2002**
Land	2,144	2,144
Buildings and leasehold improvements	30,938	30,724
Network: operational	1,179,644	1,117,781
Network: construction in progress	9,279	9,152
Furniture, equipment and vehicles	17,646	16,061
	1,239,651	1,175,862
Less: accumulated depreciation	(269,229)	(162,963)
	970,422	1,012,899

Included in the balances of buildings and leasehold improvements and network are assets under capital lease as follows:

	September 30, 2003 (Unaudited)	**December 31, 2002**
Buildings and leasehold improvements	23,888	23,888
Head-ends	6,886	6,886
	30,774	30,774
Less: accumulated depreciation	(2,574)	(1,718)
	28,200	29,056

5. GOODWILL AND INTANGIBLE ASSETS

In connection with the adoption of SFAS No. 142, *Goodwill and Other Intangible Assets* ("SFAS No. 142"), the Company completed a transitional impairment test of its goodwill in 2002 and performed its annual review for impairment during the third quarter of 2003. Goodwill was computed based on one reporting unit.

Fair value was determined based on discounted cash flows using reasonable and appropriate assumptions that are consistent with internal forecasts. Upon implementation of SFAS No. 142, the Company determined that goodwill was impaired and recorded the cumulative effect of this change in accounting principle by an impairment of €667,628 for the year ended December 31, 2002. The earnings forecast for the Company was revised in 2003 mainly to reflect the Company's assessment of changes in the Belgian markets for the telephony and Internet services. As a result, the Company recognized an impairment of €336,000 in the third quarter of 2003 as a component of amortization of intangible assets in the accompanying statement of operations. The tax impact recorded on these impairments is nil as a full valuation allowance is applied against all net deferred tax assets.

Summarized below are the carrying value and accumulated amortization of intangible assets that will continue to be amortized under SFAS No. 142, as well as the carrying amount of goodwill, which is not amortized.

	September 30, 2003 (Unaudited)			December 31, 2002		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Indefinite-lived intangible assets:						
Goodwill	1,107,743	(76,875)	1,030,868	1,443,743	(76,875)	1,366,868
Finite-lived intangible assets:						
Network user rights	120,302	(16,846)	103,456	81,759	(9,964)	71,795
Software	52,777	(34,351)	18,426	43,063	(26,168)	16,895
Customer list	53,000	(8,274)	44,726	53,000	(6,183)	46,817
Trade name	121,000	(18,889)	102,111	121,000	(14,117)	106,883
	347,079	(78,360)	268,719	298,822	(56,432)	242,390

Aggregate amortization expense for the nine months ended September 30, 2003 and 2002 was €21,929 and €29,010, respectively.

(in thousands of Euro, except per share amounts, unless otherwise stated)

6. DEBT AND OTHER FINANCING

Long-term debt consisted of the following:

	September 30, 2003 (Unaudited)	December 31, 2002
Bank facilities	955,000	910,000
Mezzanine subordinated bonds	54,937	51,700
Gap filling bonds	26,568	24,656
Deferral A	32,309	73,725
Deferral B	242,006	221,235
Deferred HFC upgrade amount	99,401	90,653
Clientele Fee	42,048	30,075
Annuity Fee	50,109	29,590
Capital lease obligations	27,418	27,424
	1,529,796	1,459,058
Less: unamortized discount on bank facilities, Deferral B and bonds (a)	(83,419)	(104,430)
	1,446,377	1,354,628
Less: current portion, short-term borrowings and the related unamortized discount	(15,414)	(23,089)
Total long-term debt	1,430,963	1,331,539

(a) Discounts are based on the following imputed interest rates:

Bank facilities	8.19%
Deferrals	18.72 %
Mezzanine subordinated bonds	39.50 %
Gap filling bonds	63.95 %

Bank Facilities

In April 2003, the senior secured facility obtained in July 2002 (the "2002 Facility") was amended. Among other modifications, these amendments reduced the total credit facility from €1,250,000 to €1,185,000 (Tranche B was reduced from €125,000 to €50,000 and Tranche D was increased from €50,000 to €60,000) and increased the interest margin as follows:

Tranche A	from 3.25% to 3.50%
Tranche B	from 3.25% to 3.50%
Tranche C1	from 2.625% to 3.50%
Tranche C2	from 4.00% to 4.25%
Tranche D	from 3.25% to 3.50%

Commitment fees were increased from 0.75% to 1.25%. Moreover, the financial covenants were also modified to extend the periods covered by the quarterly assessments (generally an additional year) and various ratios and measures were revised accordingly. Finally, upon the modification of the original facility, 21,385 bank warrants were cancelled. Throughout the term of this facility the Company has been in compliance with all of its covenants.

Outstanding borrowings and total undrawn balances under the 2002 Facility are as follows:

	September 30, 2003 (Unaudited)	December 31, 2002
Outstanding borrowings		
Tranche A	825,000	825,000
Tranche B	25,000	25,000
Tranche C	105,000	60,000
Tranche D	-	-
Undrawn balances		
Tranche A	-	-
Tranche B	25,000	100,000
Tranche C	100,000	190,000
Tranche D	60,000	50,000

7. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of the following:

	September 30, 2003 (Unaudited)	December 31, 2002
Financial instruments	27,790	21,118
Customer deposits	24,703	19,821
Compensation and employee benefits	10,970	8,371
Interest	7,572	4,133
VAT and withholding tax	5,863	3,477
Other accrued expenses	5,473	6,926
Other current liabilities	2,301	2,228
Other current tax	6	6
	84,678	66,080

8. SHAREHOLDERS' EQUITY

In connection with the MixtICS Acquisition in 2002 and the issuance of Deferrals A and B, the Company has issued 6 detachable warrants ("Penny Warrants") that vest consecutively every 6 months from July 1, 2003 through January 1, 2006. In September 2003, the parties agreed to modify the vesting dates for warrants 1 and 2 as follows:

Warrant	Old Vesting date	New Vesting date
Warrant 1	July 1, 2003	December 1, 2003
Warrant 2	January 1, 2004	December 1, 2003

In October 2003, the parties agreed to extend the new vesting date to December 8, 2003. All other vesting dates remain the same.

9. REVENUE

The Company's revenues are comprised of:

	Nine months ended September 30, 2003 (Unaudited)	Nine months ended September 30, 2002
Cable television:		
- Subscribers	129,841	24,128
- Distributors	7,154	1,230
Residential:		
- Internet	105,875	71,508
- Telephony	91,476	81,310
Business	24,713	21,372
Total	359,059	199,548

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

The Company also has unearned revenues as follows:

	September 30, 2003 (Unaudited)	December 31, 2002
Cable television	90,014	71,290
Internet	4,539	3,170
Telephony	711	637
Business	392	226
Total	95,656	75,323
Current portion	93,126	72,564
Long-term portion	2,530	2,759

The long-term portion of unearned revenue is included in the Other Liabilities line of the condensed consolidated balance sheet.

10. RELATED PARTIES

Related Party Identification

The related parties of the Company mainly comprise its shareholders that own more than 10% of the voting rights of the Company, namely GIMV, the MICs and PICs and Cable Partners Europe L.L.C. ("CPE") (formerly known as Callahan Associates International L.L.C.)

Related Party Transactions

The transactions with Interkabel and the PICs mainly relate to the clientele fee and the annuity fee charged by the PICs. Before the MixtICS Acquisition, transactions with the MICs pertained to the clientele fee. In addition, the Company owned approximately 60% of the MICs HFC Upgrade. The MICs acted as an agent for Telenet and recharged approximately 60% of related HFC Upgrade capital expenditure to the Company.

Transactions with CPE include payment of transaction expenses related to the acquisitions of Telenet Holding and MixtICS. In addition, Telenet Operaties and CPE entered into a Strategic Services Agreement dated March 31, 2001 (the "Strategic Services Agreement"). Under the Strategic Services Agreement, CPE provides strategic advice and assists with the expansion, development and growth of the Company.

The following table summarizes material related party balances:

Balance Sheet

	September 30, 2003 (Unaudited)	December 31, 2002
Purchases of property and equipment from Electrabel	26,320	15,550
Intangible assets		
Network user rights - PICs	103,455	71,795
Accounts payable		
PICs	2,605	3,223
Others	139	(944)
Accrued expenses		
PICs	317	437
Current portion of long-term debt		
Annuity fee - PICs	3,686	2,093
Head end leases - PICs	445	206
Clientele fee - PICs	1,102	2,573
Long-term debt		
Clientele fee - PICs	40,946	27,502
Annuity fee - PICs	45,267	27,497

The following table summarizes material related party transactions for the periods:

Statement of Operations

	September 30, 2003 (Unaudited)	**September 30, 2002 (Unaudited)**
Operating		
Leases and other operating expenses - MICs	-	5,032
Leases and other operating expenses - PICs	3,334	3,801
Management fee - CPE	2,212	3,474
Legal fees - CPE	-	9,343
Service Agreement - Electrabel	37,777	5,633
Interest expense		
MICs	-	7,911
PICs	5,321	4,388
CPE	105	108
Financial Consortium	316	1,452
GIMV	790	1,938

11. OTHER LIABILITIES, COMMITMENTS AND CONTINGENCIES

Service and Transfer Agreement with Electrabel

As part of the MitxICS Acquisition in August 2002, the Company also entered into a service and transfer agreement with Electrabel. Pursuant to this agreement, Electrabel agreed to provide certain operational services (such as installation, maintenance and call centre services) to the Company from August 9, 2002 through the later of (i) February 9, 2004 and (ii) the date on which the purchase price, including the deferrals, has been fully paid.

Upon expiration of the above agreement, the Company agreed to employ Electrabel's personnel (other than the call centre services) that were directly involved in providing the services previously rendered by Electrabel pursuant to this agreement. It has also been agreed by both parties that the number of employees to be transferred is limited to a maximum of approximately 500. The Company will at a minimum employ each of the transferred employees on the same terms and conditions as were applicable to them immediately prior to the transfer date. The agreement with Electrabel states that the Company will not be responsible for any liabilities, claims or demands related to the periods prior to the date of transfer, including pension rights not fully funded, bonuses, holiday benefits and social security contributions. However, the parties to the agreement have not yet agreed on the method to compute the liabilities that will be transferred. As the Company cannot estimate the potential liability that may result from the transfer of the personnel, no amounts have been allocated to this contingency in the MixtICS purchase price allocation, and no liability has been accounted for as of September 30, 2003.

Copyright Litigation

In 1993, the Belgian Radio and Television Distributors association (Beroepsvereniging voor Radio- en Televisiedistributie) (the "RTD"), on behalf of the Belgian cable television operators, signed a contract with the public broadcasters and the copyright collection agencies in Belgium that determined the copyright fees due by the cable operators. In September 1995, the Belgian Society of Authors, Composers and Publishers ("SABAM"), a copyright collection agency, terminated its contract, effective January 1, 1996, and claimed an increase of copyright fees. The key argument concerns the basis of the copyright charges, namely the actual, as initially negotiated through RTD, vs. the potential viewers. SABAM's actions were soon copied by other copyright agencies and broadcasters, the most important of which were the Association of International Collective Management of Audiovisual Works (Association de Gestion Internationale Collective des Oeuvres Audiovisuelles, "AGICOA"), being the copyright collection agency for the film studios, and the group of Foreign Public Broadcasters.

The disputes with AGICOA and SABAM were settled in November 2002 and May 2003, respectively. Under such settlement agreements, the Company agreed to pay €20.5 million for additional past copyright fees and a copyright fee for going forward, which is calculated based on the numbers of subscribers and, in the case of AGICOA, a per program price. These settlements have been included in the financial statements.

In February 2003, with respect to the suit by the Foreign Public Broadcasters, the Commercial Court in Brussels ruled that for the period from 1996 through 2001 the Foreign Public Broadcasters are entitled to approximately €47.7 million, for which we have joint and several liability. The Company's additional liability subsequent to this ruling is estimated to be approximate €21.6 million for the period from 1996 through 2001 (provided that the other members of RTD pay their proportional share), together with interest since June 1, 2002 at a current rate of 7% per year and with an additional €3.8 million due for the fiscal year 2002. RTD has appealed the court's decision.

The Company has come to an agreement with a Flemish Broadcaster on past and future copyright payments. We have also been in litigation with smaller copyright collection agencies and broadcasters.

The Company has accrued €43,310 in other liabilities as of September 30, 2003 for the amounts that the Company expects to pay as a result of the above settlements and outstanding litigations. These accruals were adjusted against the goodwill recognized as part of the MixtICS Acquisition.

Interconnection Litigation

The Company has been involved in legal proceedings with Belgacom related to the increased interconnection fees that have been charged since August 2002 to telephone operators to terminate calls made to end users on the Company's network.

Traditionally, interconnection fees for fixed line telephony have been charged on a reciprocal basis, meaning that Belgacom and Telenet charged to each other the same interconnection termination rates. The Company's unit costs however, as a result of lower benefits of scale, are higher compared to Belgacom's. As a result of this different cost structure and because of a continued higher level of fees charged by Belgacom regarding the fixed-to-mobile interconnection, Telenet requested the Belgian Institute for Postal Services and Telecommunications (BIPT) approval to increase its domestic and international interconnection rates, which was obtained in June 2002. In August 2002 the BIPT amended its decision by ruling that the increase would not apply to inbound international calls. As a result the Company increased its interconnection termination rates for inbound domestic calls effective August 2002. Belgacom has increased the tariffs charged to its telephony customers calling Telenet numbers to reflect the Company's increased interconnection termination rates.

Belgacom challenged the Company's increased interconnection termination rates before the Commercial Court of Mechelen (Rechtbank van Koophandel) alleging abusive pricing. The Commercial Court heard arguments in the case in September 2003, and a ruling is expected during the fourth quarter of 2003. The court may defer to the price determination made by the BIPT as the primary regulator of the telecommunications industry in Belgium, in which case we would be able to continue to charge our current interconnection termination rates. Alternatively, the court may decide to review the merits of the termination rate increase, in which case it may affirm the termination rate increase, determinate that the termination rate is abnormally high and require that it be reduced or, less likely, decide that the old tariff be reinstated. Belgacom has further challenged the BIPT's June 2002 approval of Telenet's increased domestic interconnection termination rates before the Council of State (Raad van State), the highest administrative court in Belgium. The council may affirm the BIPT's decision or return the case to the BIPT for reconsideration. The Council of State rejected an emergency request from Belgacom to suspend the implementation of the increased interconnection termination rates.

A decision reducing the interconnection termination rates that we can charge could have a material adverse effect on our telephony business.

The Company does not think it is likely that either the commercial court or the BIPT would require Telenet to repay amounts that have been received under the higher interconnection termination rates prior to any ruling requiring a reduction of the rates because of the difficulty that Belgacom would have in demonstrating that it suffered any harm as it was able to pass the higher interconnection termination rates through to its customers in the form of a higher tariff structure.

12. SUBSEQUENT EVENTS

Gap Filling Bonds

The bonds have not been repaid on the stated maturity date, namely October 31, 2003. As a result, the stated maturity date is gradually extended until such time the full amount of debt has been repaid, not to extend beyond July 31, 2006.

Canal+ Acquisition

The Company has entered into agreement to acquire all of the Flemish assets and subscribers of the Canal+ group (the "Canal+ Acquisition"), which will allow the Company to offer the premium television services currently provided by the Canal+ group directly to the Company's cable television subscribers as well as those of the PICs. The Belgian competition authority (*Raad voor de Mededinging*) has approved the acquisition, subject to certain conditions. These conditions require the Company, among other things, to:

- grant other premium television service providers access to the Company's network on commercially reasonable terms, taking into account, among other things, the available capacity on the Company's network;

- offer the Canal+ premium service to other television network operators who want access to its content, and charge end users on the Company's network and such other networks a uniform, nondiscriminatory price for all end users;

- not enter into contracts with broadcasters that make the Company the exclusive distributor of their signal and waive any exclusivity provisions that are currently in force within 30 days of the authority's decision;

- not invoice Canal+ subscribers served by other service providers under the "Telenet" name and not deliver any Telenet publicity with such invoices; the Company must list all service providers who provide Canal+ in any Telenet advertising for Canal+; and

- provide the Belgian competition authority an annual compliance report and obtain approval of the competition authority for any sale or assignment of the content rights that the Company acquire from Canal+.

The decision of the Belgian competition authority is subject to appeal within a month from publication in the Belgian Official Gazette (*Belgisch Staatsblad*). The Company's acquisition of the Canal+ Assets is also subject to a number of conditions to closing, including the sale to other parties of the Canal+ business in the French-speaking region of Belgium and the consent of the movie studios and other programming suppliers that provide content to Canal+. The acquisition is expected to close in December 2003.

Codenet Acquisition

On December 9, 2003 the Company acquired Codenet, a broadband Internet, data and voice provider operating primarily in the business market throughout Belgium. The completion of this acquisition was approved by the Belgian competition authorities on November 28, 2003. This acquisition expands the Company's backbone network across all of Belgium and parts of Luxembourg, allowing the Company to directly provide business services throughout Belgium.

In connection with the Canal+ Acquisition and our recent acquisition of Codenet, the Company has agreed to pay combined purchase prices of approximately €45 million in cash, including transaction expenses, and anticipates that the acquisitions will have a negative cash impact in the short term.

Stock Options Exercised

The Company granted stock options to its employees. In 2003, 38,450 options have been exercised.

Consequently, new shares of Telenet Holding were issued to the former holders of those options. These shares were then exchanged for Telenet shares.

High Yield Bond Offering

Telenet Communications NV intends to offer €500,000 of 10 year Senior Notes. The Company intends to use most of the proceeds to reduce existing indebtedness under its senior credit facility and deferrals.

Senior Discount Notes Offering

Telenet Group Holding NV intends to offer approximately €258,200 of Senior Discount Notes, the net cash proceeds of which will be used to repay all remaining deferred payment obligations and subordinated shareholder loans.

ANNEX A
SUMMARY OF CERTAIN SIGNIFICANT DIFFERENCES BETWEEN BELGIAN GAAP AND U.S. GAAP

Our compliance with the financial covenants contained in the senior credit facility, set out in Annex B, is measured by reference to financial statements that we prepare for Belgian legal and statutory purposes in accordance with generally accepted accounting principles in Belgium ("Belgian GAAP").

Belgian GAAP differ from generally accepted accounting principles in the United States of America ("U.S. GAAP"), under which our audited consolidated financial statements and unaudited condensed consolidated financial statements are prepared.

The differences may be material to the financial information included in this offering memorandum. In making an investment decision, investors must rely upon their own examination of us, the terms of the offering and the financial information included in this offering memorandum. Potential investors should consult their own professional advisors for an understanding of the differences between Belgian GAAP and U.S. GAAP and how those differences might affect the financial information included in this offering memorandum.

Certain significant differences between Belgian and U.S. GAAP relevant to our financial statements are summarized below. However, this summary does not purport to provide a comprehensive analysis, including quantification, of such differences but rather is a listing of potential differences in accounting principles related to our financial statements. We have not quantified these differences, nor undertaken a reconciliation of our financial statements prepared under Belgian GAAP to U.S. GAAP. Had we undertaken any such quantification or reconciliation, other potentially significant accounting and disclosure differences may have come to our attention which are not identified below. Accordingly, we can provide no assurance that the identified differences in the summary below represent all the principal differences relating to our financial statements. In addition, no attempt has been made to identify future differences between Belgian GAAP and U.S. GAAP resulting from prescribed changes in accounting standards.

Regulatory bodies that promulgate Belgian GAAP and U.S. GAAP have significant on-going projects that could affect a future comparison such as this. No attempt has been made to identify all future differences between Belgian GAAP and U.S. GAAP that may affect our financial statements as a result of transactions or events that may occur in the future.

Fixed Asset Depreciation

Prior to 2002, under Belgian GAAP, the Company depreciated its assets for a full twelve months in the year of acquisition. Under U.S. GAAP, depreciation is charged from the moment the assets are ready for their intended use. In 2002, the Company changed its accounting for fixed asset depreciation under Belgian GAAP to be the same as U.S. GAAP.

Revenue Recognition

Under U.S. GAAP, the Company accounts for the revenue, costs and expenses related to cable television, Internet and telephony services as the related services are performed in accordance with SFAS No. 51, *Financial Reporting by Cable Television Companies* ("SFAS No. 51").

Installation revenue for cable television, Internet and telephony services is recognized to the extent of direct selling costs incurred. The remainder is deferred and amortized over the estimated average period that subscribers are expected to remain connected to the system.

In compliance with SFAS No. 51, the Company capitalizes the initial subscriber installation costs. These installation costs are depreciated over a period no longer than the period used for the network. Installation costs relating to the Company's Internet and telephony business are depreciated over a period of five years. Installation costs relating to the cable television are depreciated over 20 years, which is in line with the depreciation of the cable television plant.

Under Belgian GAAP, only the excess of installation costs for Internet and telephony over installation revenue is capitalized and amortized over an average customer life of five years.

Capital Leases

The Company has entered into various lease transactions including the sale-leaseback of two buildings.

Under Belgian GAAP, the Company recorded the sale-lease back of the buildings as an operating lease. Under the terms of the sale-leaseback agreement, the Company has maintained involvement with one building through ownership of the land and has a bargain purchase option related to the second building. Consequently, these transactions are accounted for as finance leases under U.S. GAAP.

Deferred Taxes

In view of the Company's history of losses, all net deferred tax assets have been subject to a valuation allowance under U.S. GAAP. Deferred taxes are not accounted for under Belgian GAAP.

Stock Based Compensation

Under Belgian GAAP, the Company does not record any compensation expense with respect to the options granted to employees.

The Company accounts for its employee stock option plans in accordance with the provisions of Accounting Principles Board Opinion No. 25 ("APB 25"), *Accounting for Stock Issued to Employees*. As such, the Company recognizes deferred compensation expense for the difference between the fair value of the related shares and the exercise price of the options on the measurement date. All deferred compensation expense is amortized over the three-year vesting period of the options.

Financial Instruments

Under Belgian GAAP, the fair value of financial instruments is not recorded within the financial statements at inception or subsequent balance sheet dates. Gains and losses on financial instruments are only recognized upon settlement of the related contract.

Under U.S. GAAP, in accordance with the provisions of Statement of Financial Accounting Standards No. 133 ("SFAS 133"), *Accounting for Derivative Instruments and Hedging Activities* and its related interpretations and amendments, all financial instruments are recorded at their fair value on the balance sheet subsequent to the 2001 acquisition, the Company has determined that the financial instruments outstanding do not qualify for hedge accounting in accordance with the terms of SFAS 133, and therefore all subsequent changes in the fair value of these instruments are recognized through the Company's income statement.

Cost of Capital Increases

Under Belgian GAAP, costs of capital increases are capitalized and amortized over four years on a straight-line basis. Under U.S. GAAP, such costs are deducted from contributed capital.

Goodwill

Under Belgian GAAP, the Company allocates the actual purchase consideration paid in a business combination to the net assets that were acquired. Any purchase consideration in excess of the net assets is recognized as goodwill within the financial statements and amortized over five years. All costs related to the transaction are expensed as incurred.

Under U.S. GAAP, the actual purchase consideration plus related deal expenses are allocated to the net assets acquired, as required under Statement of Financial Accounting Standards No. 141 ("SFAS 141"), *Business Combinations* ("SFAS 142"), *Goodwill and Other Intangible Assets*. All consideration in excess of the net assets acquired is recognized as goodwill and was amortized over a period of 15 years until the year ended December 31, 2001.

Under U.S. GAAP, goodwill is no longer amortized and is subject to an annual impairment test, as required under Statement of Financial Accounting Standards No. 142 ("SFAS 142"), *Goodwill and Other Intangible Assets*.

Capitalization and Amortization of Debt Issuance Costs

Under Belgian GAAP, all capitalized debt issuance costs are amortized on a straight-line basis. Under U.S. GAAP, all capitalized debt issuance costs are amortized based on the effective interest method.

Gain on Extinguishment of Vendor Notes

Under Belgian GAAP, the Company has recognized the gain on extinguishment of the Vendor Notes as extraordinary income. Under U.S. GAAP, the extinguishment of the Vendor Notes was accounted for as a capital transaction as this was a transaction with a related party.

Allocation of Warrant Value to Debt

Under Belgian GAAP, warrants are accounted for when exercised. Under U.S. GAAP warrants are accounted for at the time of issuance. Warrants were valued based on the Black-Scholes model. Warrants issued in conjunction with the issuance of debt were accounted for in accordance with Accounting Principles Board Opinion No. 14 ("APB 14"), *Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants*. Accordingly, the proceeds of the debt issued were allocated to the debt and the warrants based upon the relative fair value of the warrants and the debt.

Clientele Agreements and Annuity Agreement

In 1996, we entered into the Clientele Agreements with the MICs and the PICs and into the Annuity Agreement. We pay clientele fees under the Clientele Agreements in return for access to the cable network customer database owned and controlled by the MICs and PICs. The clientele fee is payable as long as we maintain usage rights to the cable network. Such payments allow the MICs and the PICs to recover part of their historical HFC upgrade investment.

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 amortized over ten or 20 years depending on the useful life of the underlying assets that make up the HFC upgrade.

In connection with the MixtICS Acquisition, we acquired full control of the portion of the HFC upgrade previously owned by the MICs. Consequently, from the MixtICS Acquisition onwards, network user rights only relate to the access to the cable network of the PICs and the relating balance of the clientele fee payable reflects solely our outstanding obligation to the PICs.

In accordance with the terms of the Annuity Agreement, the PICs charge us an annuity fee, which in substance covers the remaining 60% of the cost of the HFC upgrade incurred by the PICs. Payments under the Annuity Agreement are due over a period of ten 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 has been capitalized as network user rights under intangible assets, and is amortized over ten or 20 years depending on the useful life of the underlying assets that make up the HFC upgrade.

ANNEX B
SUMMARY OF CERTAIN SENIOR CREDIT FACILITY COVENANTS

The following Annex sets forth certain financial covenants and certain related definitions in our Senior Credit Facility. This Annex B is not a complete recitation of the financial covenants in our Senior Credit Facility. While we have included definitions of financial terms in this summary, certain defined terms from our Senior Credit Facility are not set forth herein.

Importantly, our compliance with the financial covenants is measured by reference to financial statements that we prepare for Belgian legal and statutory purposes in accordance with Belgian GAAP. Belgian GAAP differs from U.S. GAAP, under which our audited consolidated financial statements and unaudited condensed consolidated financial statements included in this offering memorandum are prepared. The differences may be material to calculations under the financial covenants. For a summary of certain significant differences between Belgian GAAP and U.S. GAAP, see Annex A to this offering memorandum.

The financial covenants set forth below assume that the gross proceeds from this offering will equal €400 million and that the interest rate on the Notes will equal 10%. We and the lenders under the senior credit facility have agreed that, following the completion of this offering, we will reset the covenant levels to reflect the actual amount of gross proceeds from this offering and the actual interest rate for the Notes.

Financial Covenants

Our financial covenants require, among other things:

- Maintenance of a minimum amount of Annualized EBITDA for the six months ending on an Accounting Date ("Minimum Annualized EBITDA")
- Maintenance of a minimum ratio of Consolidated EBITDA to Total Interest Payable at the end of each Measurement Period ending on an Accounting Date ("Total Debt Interest Cover")
- Maintenance of a maximum ratio of Net Senior Debt to Annualized EBITDA at the end of each Measurement Period ending on an Accounting Date ("Net Senior Debt/Annualized EBITDA")
- Maintenance of a minimum ratio of Annualized EBITDA for the period ending on an Accounting Date to Estimated Total Debt Service for the period of 12 months commencing on such Accounting Date ("Pro-Forma Debt Service Cover Ratio")
- Maintenance of a maximum ratio of Net Total Debt to Annualized EBITDA at the end of each Measurement Period ending on an Accounting Date ("Net Total Debt to EBITDA")

Accounting Date	Minimum Annualized EBITDA	Total Debt Interest Cover	Net Senior Debt/Annualized EBITDA	Pro-Forma Debt Service Cover Ratio	Net Total Debt to Annualized EBITDA
30th September, 2002	€135,000,000	-	6.05:1	-	-
30th November, 2002	€155,000,000	-	5.95:1	-	-
31st December, 2002	€165,000,000	-	5.95:1	-	-
31st March, 2003	€190,000,000	-	5.80:1	-	-
30th June, 2003	€200,000,000	-	4.70:1	-	-
30th September, 2003	€210,000,000	-	4.65:1	1.40:1	-
31st December, 2003	€226,000,000	-	4.00:1	2.09:1	5.60:1
31st March, 2004	€230,000,000	1.90:1	3.75:1	1.90:1	5.55:1
30th June, 2004	€232,000,000	1.95:1	3.65:1	1.95:1	5.40:1
30th September, 2004	€240,000,000	2.00:1	3.55:1	2.00:1	5.30:1
31st December, 2004	€252,000,000	2.15:1	3.30:1	1.95:1	5.00:1
31st March, 2005	-	2.25:1	3.15:1	1.75:1	4.75:1

30th June, 2005	-	2.25:1	3.10:1	1.50:1	4.60:1
30th September, 2005	-	2.30:1	2.95:1	1.35:1	4.50:1
31st December, 2005...........	-	2.40:1	2.75:1	1.35:1	4.25:1
31st March, 2006.................	-	2.50:1	2.60:1	1.35:1	4.05:1
30th June, 2006	-	2.60:1	2.50:1	1.35:1	3.80:1
30th September, 2006	-	2.65:1	2.50:1	1.35:1	3.60:1
31st December, 2006...........	-	2.80:1	2.50:1	1.45:1	3.50:1
31st March, 2007.................	-	2.90:1	2.50:1	1.50:1	3.50:1
30th June, 2007	-	3.00:1	2.25:1	1.50:1	3.50:1
30th September, 2007	-	3.10:1	2.25:1	1.60:1	3.50:1
31st December, 2007...........	-	3.30:1	2.00:1	1.70:1	3.00:1
31st March, 2008.................	-	3.40:1	2.00:1	1.70:1	3.00:1
30th June, 2008	-	3.45:1	2.00:1	1.65:1	3.00:1
30th September, 2008	-	3.50:1	2.00:1	1.70:1	3.00:1
31st December, 2008...........	-	3.50:1	2.00:1	1.30:1	3.00:1
31st March, 2009.................	-	3.50:1	2.00:1	1.50:1	3.00:1
30th June, 2009	-	3.50:1	2.00:1	1.50:1	3.00:1
30th September, 2009	-	3.50:1	2.00:1	1.60:1	3.00:1
31st December, 2009...........	-	3.50:1	2.00:1	2.00:1	3.00:1
Each Accounting Date thereafter	-	3.50:1	2.00:1	2.00:1	3.00:1

Provided that in calculating Annualized EBITDA in respect of:

(a) Senior Debt/Annualized EBITDA, Annualized EBITDA shall be Consolidated EBITDA for the Measurement Period ending on that Accounting Date multiplied by four;

(b) Total Debt to EBITDA, Annualized EBITDA shall be Consolidated EBITDA for the Measurement Period ending on that Accounting Date multiplied by four;

(c) Minimum Annualized EBITDA, Annualized EBITDA shall be Consolidated EBITDA for the six months ending on the relevant Accounting Date, multiplied by two; and

(d) Pro-Forma Debt Service Cover Ratio, Annualized EBITDA shall be, up to and including the Accounting Date on 30th September, 2008, Consolidated EBITDA for the Measurement Period multiplied by four, and thereafter the aggregate of Consolidated EBITDA for the Measurement Period multiplied by four plus the Consolidated Cash and Cash Equivalents at that time.

Financial Definitions

"Accounting Date" means the last day of a financial quarter of Telenet Bidco.

"Acquired Business" means the cable business to be contributed by the MICs to Mixt under the terms of the Acquisition Documents.

"Acquisition" means the acquisition by Telenet Bidco of 100 per cent. of the issued share capital of Mixt, following the contribution of the Acquired Business from the MICs to Mixt pursuant to the Acquisition Documents.

"Acquisition Deferrals" means any cash element of the consideration payable in respect of the Acquisition (which includes, for the avoidance of doubt, the HFC Upgrade Invoice Deferral) subject to an aggregate maximum amount (including interest) of €165,000,000 payment of which is deferred under the Acquisition Document and 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 under the Acqusition Documents.

"Annual Clientele Fee" means, in any financial year of the Group, the aggregate of all Clientele Fees paid or to be paid by the Group in that financial year.

"Annuity Fees" means the amounts payable by Telenet Vlaanderen to Interkabel Vlaanderen CVBA pursuant to Sections 5, 6 and 7 of the contribution deed dated 23rd 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 28th May, 1998.

"Business Plan" means:

(e) the business plan of the Group delivered to the Facility Agent by Telenet Bidco dated on or about the date of this Agreement and initialed by Telenet Bidco and the Facility Agent for the purposes of identification on or before the date of this Agreement; or

(f) any revised business plan of the Group delivered to the Facility Agent by Telenet Bidco after the date of this Agreement.

"Clientele Fees" means the fees payable by Telenet Operaties to Interkabel Vlaanderen CVBA pursuant to a clientele fee agreement dated 23rd September, 1996 as amended on 28th May, 1998.

"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 recognized 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 by Standard & Poor's and P-1 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 by Standard & Poor's and Aa2 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 Standard & Poor's and A-2 or higher by Moody's or a comparable rating from a nationally recognized credit rating agency for its long-term debt obligations.

"Consolidated EBITDA" means the consolidated net pre-taxation profits (which shall include a deduction for any management fees payable under the Strategic Services Agreement) of the Group for a Measurement Period:

(a) including the net pre-taxation profit or loss of a member of the 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 Group and/or the business or assets were not owned by a member of the Group; but

(b) excluding the net pre-taxation profit or loss attributable to any member of the 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):

(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 Group in that period;

(ii) adding back or deducting any exceptional or extraordinary loss or gain including accruals for severance payments;

(iii) adding back the actual cost of severance payments relating to business restructuring, acquisitions and disposals of businesses and collective dismissals net of the amount of any accrual for such severance payments previously made;

(iv) adding back or deducting any loss or gain attributable to minority interests;

(v) adding back depreciation, amortization and any other non-cash charges;

(vi) adding back, in the case of the financial year of the Group ended 31st December, 2002, the Transaction Costs associated with the Acquisition; and

(vii) adding back all government subsidies that any member of the Group receives to cover one off, non-recurring expenses, including without limitation government subsidies to be used in connection with developing new products or new product trials, to the extent that such subsidies have reduced consolidated net pre-taxation profits and to the extent that such subsidies have not been accounted for so as to increase consolidated net pre-taxation profits (without double-counting).

"Consolidated Interest Payable" means:

(a) all interest and periodic financing charges including acceptance commission, commitment fee and the interest element of rental payments on finance or capital leases whether, in each case, paid, payable or accrued (in each case, if required to be paid in cash), incurred by the Group in effecting, servicing or maintaining Senior Debt during a Measurement Period; and

(b) for the purpose of calculating Total Interest Payable only, the Quarterly Clientele Fee for that Measurement Period.

"Consolidated Total Borrowings" means, in respect of the Group, at any time, the aggregate of the following:

(a) the outstanding principal amount of any moneys borrowed (including, without limitation, Subordinated 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 capitalized element of indebtedness under any Finance Lease entered into after the date of this Agreement;

(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; and

(i) 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)—(h) 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.

For the avoidance of doubt, Consolidated Total Borrowings shall not include the HFC Upgrade Invoices.

"Consolidated Total Debt Service" means, for any period ending on an Accounting Date (without double counting):

(a) Consolidated Interest Payable;

(b) all Consolidated Total Borrowings which fall due for repayment or prepayment during that period, other than:

   (i) any principal amount repaid or prepaid under a revolving credit or overdraft or similar facility and which is or may be available for redrawing; or

   (ii) any amount mandatorily prepaid under this Agreement;

(c) Subordinated Interest Payable; plus

(d) any Permitted Payment permitted to be paid under Clause 22.16(c) (Dividends) which is paid in that period.

"Credit" means a Loan, an EIB Guarantee or an EIB Guarantee Step-up.

"Deferral" means an Acquisition Deferral or an HFC Upgrade Invoice Deferral as repaid or prepaid from time to time, and any refinancing thereof.

"Estimated Total Debt Service" means, on any date Telenet Bidco's estimate (acting reasonably) of Consolidated Total Debt Service for the next 12 months provided to the Facility Agent with a certificate signed by an authorized officer of Telenet Bidco.

"Finance Lease" means any contract treated as a finance or capital lease in accordance with Belgian Accounting Principles.

"Financial Indebtedness" means any indebtedness for or in respect of:

(a) moneys borrowed;

(b) any acceptance credit;

(c) any bond, note, debenture, loan stock or other similar instrument;

(d) any Finance Lease;

(e) receivables sold or discounted (otherwise than 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 asset (other than in respect of HFC Upgrade Invoices);

(g) 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 paragraphs (a) to (i) above.

"Group" means Telenet Bidco and its Subsidiaries other than a Non Recourse Subsidiary.

"HFC Upgrade" means the upgrade of the hybrid fiber and coaxial networks of Telenet Vlaanderen by the MICs and PICs.

"HFC Upgrade Invoices" means invoices received by Telenet Vlaanderen payable to the MICs for payment to Electrabel in connection with the HFC Upgrade not paid prior to the date of this Agreement.

"HFC Upgrade Invoice Deferral" means any amount payable under the HFC Upgrade Invoices, payment of which is deferred under the Acquisition Documents and which is subordinated to the rights of the Lenders under the Finance Documents on terms satisfactory to the Facility Agent in a maximum principal amount of €81,000,000.

"Junior Proceeds Loan" means:

(a) in relation to the Original High Yield Indenture:

  (i) the Bidco Proceeds Loan;

  (ii) the Existing Intercompany Loan; or

  (iii) the Operaties Proceeds Loan;

  (iv) the Mixt Proceeds Loan; and

(b) in relation to the Original High Yield Indenture or any Additional High Yield Indenture, any loan to a member of the Group of any proceeds of issue of Original High Yield Notes or Additional High Yield Notes.

"Majority Lenders" means, at any time, Lenders:

(a) whose share in the outstanding Credits and whose undrawn Commitments then aggregate 66 $^{2}/_{3}$ per cent. or more of the aggregate of all the Credits and the undrawn Commitments of all the Lenders; or

(b) if there is no Credit then outstanding, whose undrawn Commitments then aggregate 66 $^{2}/_{3}$ per cent. or more of the Total Commitments; or

(c) if there is no Credit then outstanding and the Total Commitments have been reduced to zero, whose Commitments aggregated 66 $^{2}/_{3}$ per cent. or more of the Total Commitments immediately before the reduction.

"Material Subsidiary" means, at any time:

(a) each Obligor other than Telenet Bidco;

(b) any Subsidiary of Telenet Bidco other than a Non-Recourse Subsidiary whose gross assets, earnings before depreciation, amortization, interest and taxes or turnover (excluding intra-Group items) equal or exceed, respectively, 4 per cent. of the gross assets, earnings before depreciation, amortization, interest and taxes or turnover (as appropriate) of the Group (excluding intra-Group items); and

(c) any other Subsidiary of Telenet Bidco other than a Non-Recourse Subsidiary which, in the opinion of the Facility Agent (acting reasonably), has assets or performs a function fundamental to the business carried on by the Group.

For this purpose:

(i) the gross assets, earnings before depreciation, amortization, interest and taxes or turnover of a Subsidiary of Bidco will be determined from its financial statements (unconsolidated if it has Subsidiaries) upon which the latest audited financial statements of the Group are based;

(ii) if a Subsidiary of Telenet Bidco becomes a member of the Group after the date on which the latest audited financial statements of the Group have been prepared, the gross assets, earnings before depreciation, amortization, interest and taxes or turnover of that Subsidiary will be determined from its latest financial statements;

(iii) the gross assets, net assets, earnings before depreciation, amortization, interest and taxes or turnover of the Group will be determined from its latest audited financial statements, adjusted (where appropriate) to reflect the gross assets, earnings before depreciation, amortization, interest and taxes 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 the Group will be used to determine whether those Subsidiaries are Material Subsidiaries or not.

If there is a dispute as to whether or not a company is a Material Subsidiary, a certificate of the auditors of Telenet Bidco will be, in the absence of manifest error, conclusive.

"Measurement Period" means a period of three months ending on an Accounting Date.

"Net Senior Debt" means Senior Debt less Consolidated Cash and Cash Equivalents.

"Net Total Debt" means Total Debt less Consolidated Cash and Cash Equivalents.

"Non-Recourse Subsidiary" means a company or partnership:

(a) which is in the same business as the business of the Group or a related business;

(b) is a limited liability company or a limited liability partnership in which no member of the Group is the general partner;

(c) 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

(d) which has been designated as such by an Original Borrower by written notice to the Facility Agent on or prior to its becoming a Subsidiary of that Original Borrower which notice shall be accompanied by evidence satisfactory to the Facility Agent that the requirements of paragraph (c) above will be complied with at all times in respect of that Subsidiary,

provided that the relevant Original Borrower may, having obtained the prior consent of the Majority Lenders and having submitted a Business Plan referred to in paragraph (b) of that definition, 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 30.8(a) (Additional Guarantors).

"Original High Yield Indenture" means the indenture pursuant to which the Original High Yield Notes are issued, between the Issuer as issuer, Telenet Bidco, Telenet Operaties, Telenet Holding and Telenet Vlaanderen as guarantors, the Original Notes Trustee as paying agent, registrar and trustee, and any entities that from time to time are added as additional note guarantors.

"Original High Yield Notes" means the high yield notes issued by the Issuer pursuant to the Original High Yield Indenture.

"Permitted Notes Payment" has the meaning given to it in the Intercreditor Agreement.

"Permitted Payment" means any payment, lawful distribution, lawful dividend, return on capital or other lawful distribution (in cash or in kind), loan or payment of interest by a member of the Group (as the case may be):

(a) in an amount equal to any Permitted Notes Payment to the extent such payment is permitted under the Intercreditor Agreement; and

(b) in an amount sufficient to pay:

(i) the administrative costs and expenses to any Holding Company of Bidco, up to a maximum aggregate amount of €250,000 (or its equivalent) in any financial year; or

(ii) management fees in any financial year and any other amounts payable under the Strategic Services Agreement up to a maximum aggregate amount of US$5,000,000 in any financial year;

(iii) taxes incurred and payable as a result of any inter-company loans made between any Telenet Holding Company subject to an aggregate maximum amount of €750,000 in any financial year;

(iv) loans to or guarantees of loans to directors, officers or employees of Holdco or any Holding Company of Holdco up to a maximum aggregate amount of €5,000,000.

"Quarterly Clientele Fee" means, in respect of any Measurement Period in any financial year, one quarter of the Annual Clientele Fee.

"Senior Debt" means Consolidated Total Borrowings but excluding the Deferrals, any other indebtedness subordinated (on terms satisfactory to the Facility Agent) to and having a longer tenor than the indebtedness incurred under the Finance Documents and excluding the capitalized element of indebtedness under the Clientele Fees and the Annuity Fees.

"Subordinated Borrowings" means, at any time, the aggregate outstanding Financial Indebtedness of the Group to the extent that any amount payable in respect of that Financial Indebtedness will become or is capable of becoming payable in cash prior to the Tranche C2 Final Maturity Date in respect of which the relevant creditor has entered into a Subordination Agreement or Intercreditor Agreement and includes each Junior Proceeds Loan.

"Subordinated Interest Payable" means, for a period ending on an Accounting Date, all periodic financing charges (whether paid, payable or accrued but excluding any charges which are not payable in cash), including interest, acceptance commission, commitment fees or the interest element of rental payments or finance on capital leases incurred by the Group in servicing or maintaining Subordinated Borrowings during that period.

"Subsidiary" means an entity of which a person has direct or indirect control or owns directly or indirectly more than 50% 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, contract or otherwise.

"Total Debt" means, at any time, without double counting the aggregate of Senior Debt and any indebtedness of an Obligor in respect of the High Yield Notes or any Additional High Yield Notes, but excluding any indebtedness of an Obligor that is subject to a Subordination Agreement.

"Total Interest Payable" means, for any period, Consolidated Total Debt Service excluding any amount falling within paragraph (b) of that definition.

"Tranche C2 Final Maturity Date" means 31st December, 2010.

"Transaction Costs" means any financing fees, costs and expenses incurred by the Group relating directly to the Acquisition.

ANNEX C
SUMMARY GUARANTOR FINANCIAL INFORMATION

The following unaudited condensed consolidated financial information presents the financial information of Telenet Group Holding, the Issuer, the Subsidiary Guarantors (consisting of Telenet Bidco, Telenet Holding, Telenet Operaties and Telenet Vlaanderen) and the non-guarantor subsidiaries in the Telenet group (consisting of MixtICS and Merrion Communications) on a non-consolidated basis, accounting for the investments in subsidiaries under the equity method. The financial information may not necessarily be indicative of the financial position or the results of operations had Telenet Group Holding, the Issuer, the Subsidiary Guarantors or non-guarantor subsidiaries operated as independent entities as of and for the nine months ended September 30, 2003. Certain debt instruments are guaranteed by subsidiaries that are not so categorized:

- The obligations of Telenet Operaties under the senior credit facility included within the "Unconsolidated Subsidiary Guarantors" column have been guaranteed by MixtICS and certain Subsidiary Guarantors; and

- Certain deferred payment obligations (other than the HFC Deferrals) included within the "Telenet Group Holding" column and the HFC Deferrals included within the "Unconsolidated Non-Guarantor Subsidiaries" column have been guaranteed by MixtICS, Telenet Bidco, Telenet Holding, Telenet Operaties and Telenet Vlaanderen.

			As of and for the nine months ended September 30, 2003 (unaudited)			
(Euro in millions)	Telenet Group Holding	Issuer	Unconsolidated Subsidiary Guarantors	Unconsolidated Non-Guarantor Subsidiaries	Eliminations	Consolidated
Statement of Operations Information						
Revenues						
Total revenues	-	-	222.1	137.0	-	359.1
Expenses						
Operating costs and expenses (excluding depreciation and amortization)	-	-	(71.2)	(46.5)	-	(117.7)
Selling, general and administrative [(1)]	(0.3)	-	(65.9)	(7.9)	-	(74.1)
Depreciation	-	-	(76.4)	(29.9)	-	(106.3)
Amortization and impairment	-	-	(219.8)	(138.1)	-	(357.9)
Total cost and expenses [(1)]	(0.3)	-	(433.4)	(222.3)	-	(656.0)
Operating loss [(1)]	(0.3)	-	(211.4)	(85.3)	-	(297.0)
Interest expense, net	(46.0)	-	(78.5)	(9.0)	-	(133.5)
Interest, net - intercompany [(2)]	31.7	-	(6.5)	(25.2)	-	-
Foreign exchange gain (loss), net [(3)]	-	-	-	-	-	-
Equity in subsidiaries	(415.8)	(415.8)	(119.5)	-	951.1	-
Total other income (expense)	(430.1)	(415.8)	(204.5)	(34.2)	951.1	(133.4)
Net income (loss) before income taxes	(430.4)	(415.8)	(415.8)	(119.5)	951.1	(430.4)
Income tax expense	-	-	-	-	-	-

(4)						
Net loss	(430.4)	(415.8)	(415.8)	(119.5)	951.1	(430.4)
Balance Sheet Information						
Assets						
Cash and cash equivalents(5)	-	-	21.4	32.3	-	53.7
Accounts receivable	-	-	44.6	31.6	-	76.2
Other receivables	-	-	2.2	2.6	-	4.8
Intercompany receivables and short term loans	303.0	302.6	432.0	137.4	(1,175.0)	-
Total current assets	303.1	302.7	500.1	203.9	(1,175.0)	134.7
Property and equipment, net	-	-	569.2	401.2	-	970.4
Goodwill, net	-	-	607.5	423.4	-	1,030.9
Intangible assets, net(6)	-	-	268.6	-	-	268.7
Deferred costs(7)	-	-	66.0	-	-	66.0
Other assets(8)	-	-	0.8	-	-	0.8
Investments in subsidiaries	670.2	670.4	614.0	-	(1,954.7)	-
Total assets	973.3	973.1	2,626.2	1,028.6	(3,129.7)	2,471.6
Liabilities and Shareholders' Equity						
Current portion of long term debt	-	-	15.4	-	-	15.4
Accounts payable (9)	-	-	80.6	1.5	-	82.1
Accrued expenses and other current liabilities (10)	-	-	71.8	12.8	-	84.7
Intercompany payables and short term debt	0.2	302.9	438.0	433.9	(1,175.0)	-
Unearned revenue	-	-	5.6	87.5	-	93.1
Total current liabilities	0.3	302.9	611.5	535.7	(1,175.0)	275.3
Long-term debt, less current portion	311.4	-	1,020.2	99.4	-	1,431.0
Other noncurrent liabilities	-	-	1.0	45.8	-	46.8
Intercompany loans, net (11)	(56.8)	-	323.1	(266.3)	-	-
Shareholders' equity	718.4	670.2	670.4	614.0	(1,954.7)	718.4
Total liabilities and shareholders' equity	973.3	973.1	2,626.2	1,028.6	(3,129.7)	2,471.6

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(1) Selling, general and administrative expenses, total cost and expenses and operating loss for the Issuer on a non-

consolidated basis were €2,000 for the nine months ended September 30, 2003. No eliminations were recorded.

(2) Interest, net—intercompany was €34,000 for the Issuer for the nine months ended September 30, 2003. No eliminations were recorded.

(3) Foreign exchange gain (loss), net for the unconsolidated Subsidiary Guarantors and under the "Consolidated" column was €45,000 for the nine months ended September 30, 2003. Foreign exchange gain (loss), net was nil for Telenet Group Holding, the Issuer and the unconsolidated non-guarantor subsidiaries during that same period. No eliminations were recorded.

(4) Income tax expense for unconsolidated non-guarantor subsidiaries and under the "Consolidated" column was €26,000 for the nine months ended September 30, 2003. Income tax expense was nil for Telenet Group Holding, the Issuer, the unconsolidated Subsidiary Guarantors and under the "Consolidated" column during that same period. No eliminations were recorded.

(5) Cash and cash equivalents for Telenet Group Holding and the Issuer were €13,000 and €55,000, respectively, as of September 30, 2003. No eliminations were recorded.

(6) Intangible assets, net for unconsolidated Subsidiary Guarantors was €70,000 as of September 30, 2003. Intangible assets, net was nil for Telenet Group Holding and the Issuer as of that same date. No eliminations were recorded.

(7) Deferred costs for Telenet Group Holding were €35,000 as of September 30, 2003. Deferred costs were nil for the Issuer and unconsolidated non-guarantor subsidiaries as of that same date. No eliminations were recorded.

(8) Other assets for unconsolidated non-guarantor subsidiaries were €54,000 as of September 30, 2003. Other assets were nil for Telenet Group Holding and the Issuer as of that same date. No eliminations were recorded.

(9) Accounts payable for Telenet Group Holding were €7,000 as of September 30, 2003. Accounts payable for the Issuer were nil as of that same date. No eliminations were recorded.

(10) Accrued expenses and other current liabilities for Telenet Group Holding and the Issuer were €64,000 and €4,000, respectively, as of September 30, 2003. No eliminations were recorded.

(11) Intercompany loans, net for the Issuer were €7,000 as of September 30, 2003. No eliminations were recorded and no amounts were included under the "Consolidated" column.

Telenet Group Holding NV
and Subsidiaries

Report for the
Three months ended December 31, 2003

$558,000,000 11.5% Senior Discount Notes due 2014

€500,000,000 9% Senior Notes due 2013
(issued by Telenet Communications NV)

Telenet Group Holding NV (the "Company") is a company organized under the laws of Belgium. References to the "Senior Discount Notes" are to the $558,000,000 11.5% Notes due 2014 issued by Telenet Group Holding NV and references to the "Senior Notes" are to the €500,000,000 9.0% Notes due 2013 issued by Telenet Communications NV. Both the Senior Discount Notes and Senior Notes were issued on December 22, 2003.

Unless otherwise stated herein:

- "United States" or the "U.S." refers to the United States of America;
- "Belgian GAAP" refers to generally accepted accounting principles in Belgium;
- "U.S. GAAP" refers to generally accepted accounting principles in the United States;
- "$," "U.S.$" or "U.S. dollars" refers to the lawful currency of the United States;
- "€" or "Euro" refers to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time; and
- "we," "us," "our" and "Telenet" refer to Telenet Group Holding NV, together with its consolidated subsidiaries, except where the context otherwise requires.

In addition "Telenet Communications" refers to Telenet Communications NV, "Telenet Bidco" refers to Telenet Bidco NV, "Telenet Holding" refers to Telenet Holding NV, "Telenet Operaties" refers to Telenet Operaties NV, "Telenet Vlaanderen" refers to Telenet Vlaanderen NV, "MixtICS" refers to MixtICS NV, "Codenet" refers to Codenet SA and its subsidiaries and "PayTVCo" refers to PayTVCo NV.

Financial Information

The unaudited condensed consolidated interim financial statements of Telenet Group Holding as of and for the quarters ended December 31, 2002 and December 31, 2003 have been prepared in accordance with U.S. GAAP.

The financial information included in this report is not intended to comply with SEC reporting requirements. Compliance with such requirements would require the modification or exclusion of certain financial measures, including EBITDA, EBITDA margin, average revenue per subscriber and our annualized and pro forma data. Except for the impact of presenting as equity certain detachable warrants issued by Telenet Group Holding, the financial position and results of operations of Telenet Group Holding are substantially similar to the financial position and operations of Telenet Communications for the relevant periods.

EBITDA, EBITDA margin, average revenue per subscriber, cash interest expense, net cash pay debt and certain other items included herein are non-GAAP measures and you should not consider such items as an alternative to the applicable GAAP measures.

Subscriber Data

Each subscriber is counted as a revenue generating unit, or "RGU," for each service subscribed, regardless of the number of services that customer receives from us. Thus, a subscriber who receives from us basic cable television, broadband Internet and telephony services (regardless of their number of telephony access lines) would be counted as three RGUs. The subscriber data included herein, including penetration rates, average revenue per subscriber, market shares and churn rates, are derived from management estimates, are not part of our financial statements and have not been audited or otherwise reviewed by an outside auditor, consultant or expert.

Other Data

Certain numerical figures included in this report have been subject to rounding adjustments; accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Information Regarding Forward-Looking Statements

This document includes forward-looking statements. These forward-looking statements include all matters that are not historical facts, statements regarding Telenet's intentions, beliefs or current expectations concerning, among other things, Telenet's results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which Telenet operates. By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Specific factors that might cause these uncertainties include, but are not limited to: Telenet's business plan, which may undergo changes in the future; Telenet's history of losses; Telenet's substantial leverage and restrictions contained in the agreements governing its debt; the potential fluctuations in Telenet's operating results; Telenet's competition; Telenet's potential inability to attract and retain subscribers; rapid technological change and evolving industry standards in the markets for Telenet's services and Telenet's ability to introduce new technologies or services; Telenet's ability to maintain and upgrade its network and obtain adequate equipment; Telenet's integration of its recent acquisitions; adverse regulatory, legislative, tax or other judicial developments; and factors that are not known at this time.

Telenet cautions you that forward-looking statements are not guarantees of future performance and that its actual results of operations, financial condition and liquidity and the development of the industry in which Telenet operates may differ materially from those made in or suggested by the forward-looking statements contained in this document. In addition, even if Telenet's results of operations, financial condition and liquidity and the development of the industry in which Telenet operates are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in future periods. Telenet does not undertake any obligation to review or confirm expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise after the date of this document.

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PART I – FINANCIAL INFORMATION

PART II – OTHER INFORMATION

PART I – FINANCIAL INFORMATION

ITEM 1 UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF TELENET GROUP HOLDING NV AS OF DECEMBER 31, 2003 AND 2002 AND FOR THE THREE MONTHS ENDED DECEMBER 31, 2003 AND 2002

TELENET GROUP HOLDING NV
CONDENSED CONSOLIDATED BALANCE SHEETS
As of December 31, 2003 and 2002
(in thousands of Euro)

	2003 (Unaudited)	2002
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	171,02	18,2
Accounts receivable, net of allowance for doubtful accounts of 6,272 and 9,674 at December 31, 2003 and 2002, respectively	84,78	44,4
Other current assets (Note 4)	24,18	45,6
Total current assets	279,99	108,3
PROPERTY AND EQUIPMENT, Net (Note 5)	998,80	1,012,8
GOODWILL, Net (Note 6)	1,031,90	1,366,8
INTANGIBLE ASSETS, Net (Note 6)	280,67	242,3
DEFERRED FINANCE COSTS	78,95	71,8
OTHER ASSETS	1,07	9
TOTAL ASSETS	2,671,40	2,803,3
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt (Note 7)	5,81	23,0
Accounts payable	141,31	112,1
Accrued expenses and other current liabilities (Note 8)	97,50	66,0
Unearned revenue (Note 11)	99,35	72,5
Total current liabilities	343,99	273,8
LONG-TERM DEBT, LESS CURRENT PORTION (Note 7)	1,710,02	1,331,5
OTHER LIABILITIES (Notes 11, 12)	47,22	50,01
COMMITMENTS AND CONTINGENCIES (Note 12)		
SHAREHOLDERS' EQUITY		
Contributed Capital - 28,842,419 and 28,400,163 ordinary shares issued and outstanding as at December 31, 2003 and 2002, respectively (Note 10)	2,307,39	2,295,7
Other comprehensive income	(1,76	
Accumulated deficit	(1,735,47	(1,147,7
Total shareholders' equity	570,16	1,147,9
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,671,40	2,803,3

See notes to the condensed consolidated financial statements.

TELENET GROUP HOLDING NV
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
For the three months ended December 31, 2003 and 2002
(in thousands of Euro)

	Three months ended	
	December 31, 2003	December 31, 2002
	(Unaudited)	
REVENUES (Note 11)	143,246	107,544
COSTS AND EXPENSES		
Operating (excluding depreciation and amortization)	(46,443)	(35,116)
Selling, general and administrative[(1)]	(34,005)	(26,399)
Depreciation	(38,108)	(32,744)
Amortization	(10,536)	(7,445)
Total costs and expenses	(129,092)	(101,704)
OPERATING INCOME	14,154	5,840
OTHER INCOME (EXPENSE)		
Interest expense	(43,441)	(42,222)
Interest income	4,608	1,998
Net foreign exchange gain (loss)	(3,330)	686
Other financial expenses (Notes 9, 10)	(20,732)	-
Loss on extinguishment of debt (Note 7)	(108,544)	-
Total other income (expense)	(171,439)	(39,538)
NET LOSS BEFORE INCOME TAXES	(157,285)	(33,698)
INCOME TAX BENEFIT (EXPENSE)	26	(6)
NET LOSS	(157,259)	(33,704)

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(1) Including €0 and €197 of amortization for deferred stock based compensation for the quarters ended December 31, 2003 and 2002.

See notes to the condensed consolidated financial statements.

1. BASIS OF PRESENTATION

The accompanying condensed consolidated interim financial statements present the operations of Telenet Group Holding NV ("Telenet") and its subsidiaries (hereafter collectively referred to as the "Company"). Through its broadband network, the Company offers cable television, including premium television services, broadband Internet and telephony services to residential subscribers in Flanders as well as broadband Internet, data and voice services in the business market throughout Belgium. Telenet and its principal subsidiaries are limited liability companies organized under Belgian law.

The accompanying condensed consolidated interim financial statements are unaudited (the “Interim Financial Statements”). In the opinion of management, these Interim Financial Statements include all adjustments which are necessary to present fairly the financial position and the results of operations for the interim periods. The Interim Financial Statements should be read in conjunction with the audited consolidated financial statements as of December 31, 2002 and 2001. Results for the three months ended December 31, 2003 are not necessarily indicative of future results.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Interim Financial Statements have been prepared in accordance with Accounting Principles Generally Accepted in the United States of America ("U.S. GAAP"). The Company's functional and reporting currency is Euros ("€"), which is also the functional currency of each of the Company's subsidiaries.

Management's Use of Estimates

The presentation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Instruments

The Company accounts for its derivative instruments in accordance with the provisions of Statement of Financial Accounting Standard ("SFAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS No. 133") and related interpretations and amendments. SFAS No. 133 requires the recognition of derivatives as assets or liabilities on a company's balance sheet and the measurement of those instruments at fair value. Changes in the fair value of derivatives are recorded in earnings, unless (i) the normal purchase or sale exception or (ii) hedge, other than fair value hedges, accounting is elected.

Upon issuing the USD-denominated Senior Discount Notes, the Company entered into foreign exchange forward contracts to hedge the variability of the Euro-equivalent cash flows related to the fully accreted amount of the Senior Discount Notes (i.e. USD 558 million) as of the first redemption date December 15, 2008. These foreign exchange forward contracts are recognized on the balance sheet at their fair value, which is the estimated amount at which they could be settled based on forward market exchange rates, and all contracts mature as of December 15, 2008. On the date the contracts were entered into, they were designated as a foreign currency cash flow hedge. Subsequent changes in the fair value of the contracts that are highly effective and qualify as a foreign currency cash flow hedge are recorded in other comprehensive income. The Senior Discount Notes are periodically re-measured at spot exchange rates and the resulting foreign exchange gain or loss will offset with a corresponding amount of gain or loss on the foreign exchange forward contracts that will be reclassified periodically from other comprehensive income to earnings.

The Company has formally documented the above hedge relationship between the Senior Discount Notes (the hedged item) and the foreign exchange forward contracts (the hedging instruments), as well as its risk management objective and strategy for undertaking such hedge transactions. The Company formally assesses, both at the hedge's inception and on an ongoing basis, whether the foreign exchange forward contracts that are used are highly effective in offsetting changes in cash flows of the hedged item. When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, the Company discontinues hedge accounting prospectively.

The Company has determined that all other outstanding derivative instruments do not qualify for normal purchase and sale exception or hedge accounting; therefore all changes in the fair value of these instruments are recognized as a gain or loss within the statement of operations.

Moreover, SFAS No. 133 also requires certain embedded derivatives to be separated from the host contracts and recorded as either an asset or a liability on a company's balance sheet, measured at fair value. Specifically, if the economic characteristics of an embedded derivative instrument and its host contract are not clearly and closely related, SFAS No. 133 requires that the embedded derivative instrument be separated (bifurcated) and accounted for as a stand-alone derivative instrument. The Company has determined that it has no embedded derivative instruments that are required to be bifurcated and measured at fair value.

Deferred Finance Costs

Costs associated with the refinancing and issuance of debt as well as debt discounts, if any, are deferred and expensed as interest over the term of the related debt agreement using the effective interest rate method. As a result of the December 2003 amendment of the Senior Credit Facility which resulted in a partial extinguishment as defined by Accounting Principles Board ("APB") Opinion No. 26, *Early Extinguishment of Debt* ("APB 26") and a significant modification as defined by Emerging Issues Task Force ("EITF") Issue No. 96-19, *Debtor's Accounting for a Modification or Exchange of Debt Instruments* ("EITF 96-19"), the Company expensed approximately €18,600 of unamortized debt issuance costs. Accordingly, the unamortized debt discount on the Senior Credit Facility amounting to €37,395 was written off. In addition, on December 22, 2003, the Company wrote off the unamortized balance of debt issuance costs related to the Mezzanine subordinated bonds and the debt discounts on the Mezzanine subordinated bonds and deferrals. These amounts were presented as Loss on Extinguishment of Debt in the Condensed Consolidated Statement of Operations. See Note 7 for more information on the modification to the Senior Credit Facility.

Recent Accounting Pronouncements

In December 2003, the FASB issued a revised SFAS No. 132, *Employers' Disclosures about Pensions and Other Postretirement Benefits - an amendment of FASB Statements No. 87, 88, and 106.* This Statement revises employers' disclosures about pension plans and other postretirement benefit plans. It does not change the measurement or recognition of those plans required by SFAS No. 87, SFAS No. 88, and SFAS No. 106. This Statement retains the disclosure requirements contained in SFAS No. 132, which it replaces. It requires additional disclosures to those in the original SFAS No. 132 about the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. The revised SFAS No. 132 does not have a material impact on the Company's results of operation or financial position.

3. ACQUISITIONS

During the fourth quarter of 2003, the Company purchased Codenet SA and its subsidiaries and certain assets and liabilities of Canal+ NV and Sinfilo NV, all companies organized under the laws of Belgium. Codenet is a Belgian broadband internet, data and voice provider serving business customers throughout Belgium and parts of Luxembourg. Codenet was purchased from a subsidiary of Suez Lyonnaise des Eaux SA ("Suez"), an indirect shareholder in Electrabel which is a shareholder in the Company. The Company purchased substantially all of the assets and liabilities of Canal+ related to the conduct of the premium pay business in Flanders as well as with respect to the Flemish speaking subscribers in Brussels. The Company also purchased substantially all of the assets and liabilities of Sinfilo related to installed and operational WiFi hotspots throughout Belgium. The aggregate net purchase price of these acquisitions was approximately €30,006 and included approximately €26,705 in cash (including the purchase of a receivable held by Suez against Codenet), 120,000 shares of Company common stock with an aggregate value of €2,700 and

(in thousands of Euro, except per share amounts, unless otherwise stated)

€601 in transaction costs. With respect to the Canal+ transaction, the Company has established an accrual of €7,178 in Other Current Assets for the expected value of purchase price adjustments and indemnities received from the seller for certain liabilities assumed by the Company.

The excess of the purchase price over the allocated fair value of net tangible assets acquired was approximately €18,037. Of this amount, approximately €14,473 was assigned to customer lists and €2,051 was assigned to supply contracts and are amortized over their useful lives of 5 years. The remaining €477 of acquired intangible assets relates primarily to software and has a weighted-average useful life of approximately 3 years. The remaining excess purchase price of approximately €1,036 represents acquired goodwill.

4. OTHER CURRENT ASSETS

Other current assets consisted of the following:

	December 31, 2003	December 31, 2002
	(Unaudited)	
Inventory of broadcast licenses	4,277	-
Financial instruments	-	2,211
Prepaid taxes & VAT	6,065	601
Electrabel	2,771	42,237
Canal+ receivable	7,178	-
Prepayments	3,726	-
Other	171	584
	24,188	45,633

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	December 31, 2003	December 31, 2002
	(Unaudited)	
Land	2,157	2,144
Buildings and leasehold improvements	33,342	30,724
Network: operational	1,236,516	1,117,781
Network: construction in progress	12,748	9,152
Furniture, equipment and vehicles	21,099	16,061
	1,305,862	1,175,862
Less: accumulated depreciation	(307,061)	(162,963)
	998,801	1,012,899

(in thousands of Euro, except per share amounts, unless otherwise stated)

Included in the balances of buildings and leasehold improvements and network are assets under capital lease as follows:

	December 31, 2003	**December 31, 2002**
	(Unaudited)	
Buildings and leasehold improvements	23,851	23,888
Head-ends	7,470	6,886
	31,321	30,774
Less: accumulated depreciation	(2,923)	(1,718)
	28,398	29,056

6. GOODWILL AND INTANGIBLE ASSETS

In connection with the adoption of SFAS No. 142, Goodwill and Other Intangible Assets ("SFAS No. 142"), the Company completed a transitional impairment test of its goodwill in 2002 and performed its annual review for impairment during the third quarter of 2003. Goodwill was computed based on one reporting unit.

Fair value was determined based on discounted cash flows using reasonable and appropriate assumptions that are consistent with internal forecasts. Upon implementation of SFAS No. 142, the Company determined that goodwill was impaired and recorded the cumulative effect of this change in accounting principle by an impairment of €667,628 for the year ended December 31, 2002. The earnings forecast for the Company was revised in 2003 mainly to reflect the Company's assessment of changes in the Belgian markets for the telephony and Internet services. As a result, the Company recognized an impairment charge of €336,000 in the third quarter of 2003. The tax impact recorded on these impairments is nil as a full valuation allowance is applied against all net deferred tax assets.

The Company’s intangible assets other than goodwill each have a finite life and are comprised primarily of network user rights, software development and acquisition costs, customer lists, contracts with suppliers and trade name. These intangible assets are amortized 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. In connection with various acquisitions made by the Company, certain identifiable intangible assets, including customer lists, supply contracts and the “Telenet” trade name, were recorded separate from goodwill. The identified intangible assets are amortized on a straight line basis over 3 to 20 years.

Summarized below are the carrying value and accumulated amortization of intangible assets that will continue to be amortized under SFAS No. 142, as well as the carrying amount of goodwill, which is not amortized.

(in thousands of Euro, except per share amounts, unless otherwise stated)

	December 31, 2003	(Unaudited)		December 31, 2002		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Goodwill	1,108,779	(76,875)	1,031,904	1,443,743	(76,875)	1,366,868
Finite-lived intangible assets:						
Network user rights	120,334	(19,000)	101,334	81,759	(9,964)	71,795
Software	58,657	(37,661)	20,996	43,063	(26,168)	16,895
Customer list	67,473	(9,958)	57,515	53,000	(6,183)	46,817
Supply contracts	2,051	(34)	2,017	-	-	-
Trade name	121,000	(22,183)	98,817	121,000	(14,117)	106,883
	369,515	(88,836)	280,679	298,822	(56,432)	242,390

Aggregate amortization expense for the three months ended December 31, 2003 and 2002 was €10,536 and €7,445, respectively.

7. DEBT AND OTHER FINANCING

Debt and other financing consisted of the following:

	December 31, 2003	December 31, 2002
	(Unaudited)	
Bank facilities	840,000	910,000
Senior Notes	500,000	-
Senior Discount Notes (1)	256,499	-
Mezzanine subordinated bonds	-	51,700
Gap filling bonds	-	24,656
Deferral A	-	73,725
Deferral B	-	221,235
Deferred HFC upgrade amount	-	90,653
Clientele Fee	42,047	30,075
Annuity Fee	48,978	29,590
Capital lease obligations	28,317	27,424
	1,715,841	1,459,058
Less: unamortized discount on bank facilities, Deferral B and bonds (a)	-	(104,430)
	1,715,841	1,354,628
Less: current portion and the related unamortized discount	(5,814)	(23,089)
Total long-term debt	1,710,027	1,331,539

(in thousands of Euro, except per share amounts, unless otherwise stated)

(1) Accreted balance converted at an exchange rate of $1.2496 to €1.00

Senior Notes

On December 22, 2003, Telenet Communications issued Senior Notes with a principal amount of €500,000, receiving net proceeds of €482,310. Interest on the notes is payable semi-annually at an annual rate of 9%. The notes do not have required principal repayments prior to maturity on December 15, 2013. The utilization of the net proceeds from the notes issued is described below.

Senior Discount Notes

On December 22, 2003, the Company issued Senior Discount Notes at 57.298% of par value with a principal amount at maturity of $558,000 (or €450,654 using the exchange rate obtained upon the Refinancing of $1.2382 per €1.00), receiving net proceeds of €242,527. Interest on the notes started accreting from December 22, 2003 at an annual rate of 11.5%, compounded semi-annually. Commencing on June 15, 2009 until maturity on June 15, 2014, interest is payable semi-annually at an annual rate of 11.5%. There are no required principal repayments prior to maturity. The utilization of the net proceeds from the notes issued is described below.

Senior Credit Facility

In connection with the MixtICS Acquisition, the Company obtained in July 2002 a senior secured facility for a total of up to €1,250,000 of financing from a syndicate of lenders in various tranches (the "Senior Credit Facility"). In April 2003, the Senior Credit Facility was amended. Among other modifications, these amendments reduced the total credit facility from €1,250,000 to €1,185,000, increased the interest margin and commitment fees and revised the financial covenants.

Upon issuance of the Senior Notes and the Senior Discount Notes on December 22, 2003, the Company further modified the Senior Credit Facility. Among other modifications, the amount available under Tranche D was increased to €100,000 and a new non-amortizing Tranche E was created while a portion of the amounts outstanding on other tranches were paid down. Tranche E provides a €300,000 term loan facility expiring in 2009 which bears interest at EURIBOR plus a margin of 3.5%.

Outstanding borrowings and total undrawn balances under the Senior Credit Facility are as follows:

	December 31, 2003	**December 31, 2002**
	(Unaudited)	
Outstanding borrowings		
Tranche A	409,000	825,000
Tranche B	21,000	25,000
Tranche C1 and C2	110,000	60,000
Tranche D	-	-
Tranche E	300,000	-
Undrawn balances		
Tranche A	-	-
Tranche B	-	100,000
Tranche C1 and C2	40,000	190,000
Tranche D	100,000	50,000
Tranche E	-	-

As of December 31, 2003, the Company was in compliance with all of its financial covenants.

(in thousands of Euro, except per share amounts, unless otherwise stated)

Refinancing

A refinancing plan was completed by the Company in December 2003 whereby the Company issued Senior Notes and Senior Discount Notes, modified its Senior Credit Facility and repaid outstanding deferred payment obligations and subordinated shareholder loans (the "Refinancing"). The main purpose of the Refinancing was to simplify the capital structure by reducing the number of debt instruments outstanding while extending the average duration and reducing the cost of funding of the outstanding debt.

The Company has used €455,000 of the proceeds to reduce existing indebtedness under Tranches A, B and C1 of the Senior Credit Facility, €262,679 to repay outstanding deferred payment obligations to the mixed intercommunales in connection with the MixtICS Acquisition, €102,425 to repay the HFC upgrade deferrals and €90,100 to repay subordinated shareholder loans owed to certain shareholders of Telenet.

As a result of the Refinancing, the Company wrote off on December 22, 2003, €20,270 of debt issuance costs related to the Senior Credit Facility and Mezzanine subordinated bonds and €79,066 of debt discounts on the Senior Credit Facility, Mezzanine subordinated bonds and deferrals. Additionally, the Company incurred a redemption premium of approximately €9,208 upon repayment of certain of the subordinated shareholder loans and deferred payment obligations. These expenses were presented as Loss on Extinguishment of Debt in the Condensed Consolidated Statement of Operations. The Company also incurred debt issuance costs of approximately €37,155 for the Senior Notes and the Senior Discount Notes and the amendments to the Senior Credit Facility which have been capitalized in Deferred Finance Costs and are amortized to interest expense using the effective interest method.

8. ACCRUED EXPENSES AND OTHER CURRENT LIABILTIES

Accrued expenses and other current liabilities consisted of the following:

	December 31, 2003	December 31, 2002
	(Unaudited)	
Financial instruments	38,234	21,118
Customer deposits	28,987	19,821
Compensation and employee benefits	13,542	8,371
Interest	3,401	4,133
VAT and withholding taxes	2,989	3,477
Other accrued expenses	6,458	6,926
Other current liabilities	3,893	2,234
	97,504	66,080

9. FINANCIAL INSTRUMENTS

The Company seeks to reduce its foreign currency exposure through a policy of matching, to the extent possible, assets and liabilities denominated in foreign currencies. In addition, the Company uses certain derivative financial instruments in order to manage its exposure to exchange rate and interest rate fluctuations arising from its operations. The Company has identified certain foreign exchange forward contracts as cash flow hedges under SFAS 133. The Company is also exposed to credit risks.

Foreign Currency Cash Flow Hedges

In order to hedge the foreign exchange exposure resulting from the issuance of U.S. dollar-denominated Senior

(in thousands of Euro, except per share amounts, unless otherwise stated)

Discount Notes, the Company purchased a series of foreign exchange forward contracts for a total nominal amount of $558,000, which is the fully accreted value of the Senior Discount Notes as of December 15, 2008 (the "Full Accretion Date"). The strategy is to hedge the maximum accreted amount, assuming, based on the redemption penalties that would be incurred upon redemption prior to the Full Accretion Date, that there will be no optional redemption before the Full Accretion Date.

The hedging instrument in this hedging relationship is the spot value of the foreign exchange forward contracts, as defined by the difference between the spot rate at inception and the closing spot rate. The risk being hedged is the variability of the Euro-equivalent cash flows related to the fully accreted amount of the Senior Discount Notes as of the Full Accretion Date.

The hedge effectiveness test will be performed periodically, based on the U.S. dollar spot rate, comparing the change in spot value of the foreign exchange forward contracts with the change in anticipated Euro-equivalent cash flows upon the future repayment of the fully accreted value of the Senior Discount Notes. This implies that the impact of ineffectiveness, together with changes in the fair value of the forward points on the foreign exchange forward contracts, will be recorded directly through earnings.

As of December 31, 2003 and 2002 outstanding foreign exchange forward contracts that qualified as cash flow hedges were as follows:

	December 31, 2003	**December 31, 2002**
	(Unaudited)	
Forward purchase contracts		
Notional amount in U.S. dollars	558,000	-
Weighted average strike price (US dollars per Euro)	1.1968	-
Maturity	December 15, 2008	-

The split of the mark-to-market value of our foreign exchange forward contracts to the underlying spot value evolved as follows between December 31, 2002 and December 31, 2003:

	Mark to Market	**Spot Value**	**Fair Value of Forward Points on Foreign Exchange Forward Contracts**
December 31, 2002	0	0	0
Inception date of foreign exchange forward contracts	(12,691)	0	(12,691)
December 31, 2003	(17,819)	(4,160)	(13,659)

The impact of the foreign exchange forward contracts has been allocated between Other Comprehensive Income ("OCI") and earnings as follows:

	Mark to Market	Other Comprehensive Income	Earnings
Inception date of foreign exchange forward	(12,691)	-	(12,691)
Change in fair value of forward points on foreign exchange forward contracts	(968)	-	(968)
Change in spot value through December 31, 2003	(4,160)	(4,160)	-
Reclassified into earnings to offset foreign exchange impact on accreted value of the U.S. dollar-denominated Senior Discount Notes as of December 31, 2003	-	2,395	(2,395)
December 31, 2003	(17,819)	(1,765)	(16,054)

Foreign Exchange Risk Related to Operations

The Company has used forward and option contracts in order to limit its exposure to the US dollar fluctuations against the Euro for transactions that are part of daily operations.

Derivative financial instruments covering operational foreign exchange risk exposure as of December 31, 2003 and 2002 were as follows:

	December 31, 2003	December 31, 2002
	(Unaudited)	
Option contracts		
Notional amount (in thousands)	12,960	-
Strike price (US dollars per Euro)	1.16	-
Maturity	From January to March 2004	-

Interest Rate Risk

The Company has incurred various floating rate debts. In order to manage its floating interest rate exposure, the Company entered into interest rate swap agreements and cap options. As of December 31, 2003 and 2002, the outstanding contracts were as follows:

	December 31, 2003	December 31, 2002
	(Unaudited)	
Interest rate swaps		
Notional amount	471,680	279,142
Average pay interest rate	4.0%	4.7%
Average receive interest rate	2.1%	3.4%
Maturity	From 2005 to 2010	From 2005 to 2010
Caps		
Notional amount	784,235	417,757
Average cap interest rate	4.0%	4.2%
Maturity	From 2005 to 2017	From 2002 to 2017

	December 31, 2003	December 31, 2002
	(Unaudited)	
Best of swap and cap		
Notional amount (in thousands)	284,179	284,179
Range of pay interest rate	Between 4.5% and 6.1%	Between 4.5% and 6.1%
Maturity	In 2009	In 2009

Credit Risk

Credit risk relates to the risk of loss that the Company would incur as a result of non-performance by counterparties. 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 largest share of the gross assets subject to credit risk is accounts receivable from residential and small commercial customers. The risk of material loss from nonperformance from these customers is not considered likely. Reserves for uncollectible accounts receivable are provided for the potential loss from nonpayment by these customers based on historical experience.

In regards to credit risk on financial instruments, the Company maintains a policy of entering into such transactions only with highly rated European and U.S. financial institutions.

(in thousands of Euro, except per share amounts, unless otherwise stated)

Fair market value

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

	December 31, 2003 (Unaudited)		December 31, 2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt (including short-term maturities)	(1,715,841)	(1,744,412)	(1,354,628)	(1,354,628)
Interest rate swaps	(14,826)	(14,826)	(12,137)	(12,137)
Caps	2,185	2,185	(374)	(374)
Best of swap and cap	(7,544)	(7,544)	(4,752)	(4,752)
Foreign exchange forward	(17,819)	(17,819)	-	-
Foreign exchange options	(230)	(230)	-	-
Total	(1,754,075)	(1,782,646)	(1,371,891)	(1,371,891)

The fair value of our derivative financial instruments has been determined by commercial banks and validated by our management. As regards to foreign exchange forward contracts qualifying for hedge accounting, their value will be based on swap curves flat, without extra credit spreads. In practice, the fair values provided by our counterparties in financial derivative instruments, which are commercial banks, will be used.

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 realize in a current market exchange.

(in thousands of Euro, except per share amounts, unless otherwise stated)

10. SHAREHOLDERS' EQUITY

Telenet was incorporated on December 1, 2000 and following the acquisitions of Telenet Holding, MixtICS, Canal+ and Codenet (see Note 3), the capital structure as at December 31, 2003 and 2002 is as follows:

	December 31, 2003 (Unaudited)		December 31, 2002	
Shareholders	Number of Shares	Percentage	Number of Shares	Percentage
CAI Belgium	6,161,943	22%	6,123,837	22%
Telenet Group Sellers Investment NV	13,925,227	49%	13,925,227	49%
Mixed Intercommunales – Electrabel [(a)]	5,594,760	19%	5,310,939	19%
GIMV	1,126,712	4%	1,126,712	4%
Financial Consortium	1,126,712	4%	1,126,712	4%
Interkabel	690,028	2%	690,028	2%
Suez [(b)]	120,000	-	-	-
Banks	96,000	-	96,000	-
Employees	1,037	-	708	-
Total	28,842,419		28,400,163	

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(a) Each party to the Mixed Intercommunales has one golden share of Telenet which allows them to monitor the Public Interest Guarantees by participation in Telenet's regulatory board. Public Interest Guarantees include guarantees on price and content of the basic package, roll-out obligations for the digital platform and provision of public services which utilize new technologies.

(b) On December 9, 2003, pursuant to the acquisition of Codenet, 120,000 shares of Telenet were issued to a subsidiary of Suez Lyonnaise des Eaux.

Warrants

The 100,000 warrants previously issued to the lenders under the Senior Credit Facility are no longer held by the lenders and all but 15,714 have been cancelled. The remaining 15,714 warrants were transferred as part of the settlement of the subordinated shareholder debts that were repaid on December 22, 2003. Concurrent with the issuance of the Senior Notes and the Senior Discounts Notes, and the modification of the Senior Credit Facility, all other previously vested warrants except for two vested Penny Warrants that were issued in August of 2002 were exchanged for 3,426,000 newly issued Subordinated Debt Warrants. The two vested Penny Warrants were exercised, resulting in the issuance of 283,821 shares of Telenet. All previously issued warrants that remained unvested as of December 22, 2003 were cancelled as of that date.

In connection with the exchange of vested warrants, the Company recorded a charge of €8,040, which is included in Other Financial Expenses in the Condensed Consolidated Statement of Operations. The amount of the charge is based upon the difference between the fair value (as determined under the Black-Scholes pricing model) of the newly issued Subordinated Debt Warrants compared to the fair value of the old warrants that were given up by the holders in exchange for the newly issued Subordinated Debt Warrants.

Each Subordinated Debt Warrant was fully vested upon issuance and is exchangeable into one share of Telenet at an exercise price of €40.00 at any time up to August 9, 2009.

(in thousands of Euro, except per share amounts, unless otherwise stated)

11. REVENUES

The Company's revenues are comprised of:

	Three months ended December 31 (unaudited)	
	2003	**2002**
Cable television:		
- Basic Subscribers	48,109	36,471
- Premium Subscribers	5,032	-
- Distributors	2,668	2,358
Residential:		
- Internet	42,007	29,596
- Telephony	33,567	31,104
Business	11,863	8,015
Total	143,246	107,544

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

The Company also has unearned revenues as follows:

	December 31, 2003	**December 31, 2002**
	(unaudited)	
Cable television:		
- Basic Subscribers	88,765	71,290
- Premium Subscribers	7,054	-
Internet	4,737	3,170
Telephony	955	637
Business	2,636	226
Total	104,147	75,323
Current portion	99,358	72,564
Long-term portion	4,789	2,759

The long-term portion of unearned revenue is included in Other Liabilities in the Condensed Consolidated Balance Sheets.

12. OTHER LIABILITIES, COMMITMENTS AND CONTINGENCIES

Service and Transfer Agreement with Electrabel

As part of the MixtICS Acquisition in August 2002, the Company entered into a service and transfer agreement with Electrabel. Pursuant to this agreement, Electrabel agreed to provide certain operational services (such as installation, maintenance and call centre services) to the Company from August 9, 2002 through the later of (i) February 9, 2004 and (ii) the date on which the purchase price, including the deferrals (see Note 7), has been fully paid.

Pursuant to the Refinancing, the remainder of the purchase price, including all deferrals has been paid. However, notwithstanding the terms of the service and transfer agreement regarding the expiration of Electrabel's obligation to provide certain operational services, MixtICS and Electrabel have agreed in principle to postpone the date upon which Electrabel's responsibilities transfer to MixtICS from February 9, 2004 until April 1, 2004. However, the parties to the agreement have not yet agreed on the method to compute the liabilities that will be transferred. As the Company can not estimate the potential liability that may result from the transfer of the personnel, no amounts have been allocated to this contingency in the MixtICS purchase price allocation and no liability has been accounted for as of December 31, 2003.

Copyright Litigation

The Company, together with other Belgian cable operators, continued negotiations with certain of the broadcasters and copyright collection agencies in Belgium that determined the copyright fees due by cable operators. The Belgian Radio and Television Distributors association (Beroepsvereniging voor Radio- en Televisiedistributie) ("RTD") has been assisting us and other cable operators in this process.

In January 2004, the Company received formal notification of the ruling of February 2003, with respect to the suit with the Foreign Public Broadcasters, the Commercial Court in Brussels, which ruled that for the period from 1996 through 2001 the Foreign Public Broadcasters are entitled to approximately €47.7 million, for which we have joint and several liability. The Company's additional liability subsequent to this ruling was estimated to be €21.6 million for the period from 1996 through 2001 (provided that the other members of RTD pay their proportionate share), together with interest since June 1, 2002 at a current rate of 7% per year, with an additional €8.0 million due for fiscal years 2002 and 2003. RTD appealed the court's decision and pending the outcome of ongoing negotiations at the time of the formal notification, no payment was enforced on us.

The dispute with the Foreign Broadcasters was subsequently settled in March 2004. Pursuant to the terms of the settlement agreement, we and Interkabel (representing the five pure intercommunales in Flanders) agreed to make total payments over a four year period of approximately €45.0 million. Telenet has provided for its share of this amount.

The Company remains in litigation with smaller copyright collection agencies and broadcasters and has reached an agreement in principle on some of the outstanding terms.

As of December 31, 2003, the Company retained an accrual of €40,490 in other liabilities for the amounts that the Company expects to pay as a result of the above settlements.

Interconnection Litigation

The Company has been involved in legal proceedings with Belgacom related to the increased interconnection fees that have been charged since August 2002 to telephone operators to terminate calls made to end users on the Company's network.

Telenet obtained approval from the Belgian Institute for Postal Services and Telecommunications (BIPT) to increase its interconnection rates for inbound domestic calls in August 2002. Belgacom increased the tariffs charged to its telephony customers calling Telenet numbers to reflect our increased termination rates.

Belgacom challenged the Company's increased interconnection termination rates before the Commercial Court of Mechelen (Rechtbank van Koophandel) alleging abusive pricing. Belgacom has further challenged the BIPT's approval of Telenet's increased domestic interconnection termination rates before the Council of State (Raad van State), the highest administrative court in Belgium. The council may affirm the BIPT's decision or return the case to the BIPT for reconsideration. The Council of State rejected an emergency request from Belgacom to suspend the implementation of the increased interconnection termination rate.

On January 20, 2004, the President of the Commercial Court in Mechelen rendered a judgement in the case where Belgacom contested the validity of Telenet's interconnection tariffs which was heard on September 23, 2003. The judgement stated that there is no indication that Telenet's interconnection tariffs constitute a breach of the unfair trade practices law, competition law or pricing regulations as invoked by Belgacom. As a result, the judge determined that Belgacom's potential claim is limited to a contractual matter upon which the judge who heard the case was not competent to rule, considering the nature of the procedure initiated by Belgacom. The judge therefore dismissed the claim.

Belgacom can appeal this judgement. Belgacom can also decide to lodge a new case based on contractual grounds only. The judgement does not require Telenet to change the interconnection rates it currently charges to Belgacom and which were approved in 2002 by the BIPT.

Introduction

The following discussion and analysis is based on the unaudited condensed consolidated interim financial statements of Telenet Group Holding as of and for the three months ended December 31, 2003 and December 31, 2002, with selected analysis based on the three months ended September 30, 2003 as compared to the three months ended December 31, 2003, in all cases prepared in accordance with U.S. GAAP. We have included selected financial information on Telenet Group Holding as of and for the relevant periods. You should read the unaudited condensed consolidated financial statements attached hereto, including the notes thereto, together with the following discussion and analysis.

Telenet Group Holding is a holding company that does not conduct any business operations of its own. Substantially all the assets of Telenet Group Holding consist of shares of its subsidiary Telenet Communications and intercompany loans made to Telenet Communications in connection with the acquisition of our network from the mixed intercommunales ("MICs") in August 2002 (the "MixtICS Acquisition") and with the refinancing that took place on December 22, 2003 (the "Refinancing"). These intercompany loans bear interest at a rate that is substantially similar to the rate at which debt incurred by Telenet Group Holding bears interest. Except for the impact of presenting as equity detachable warrants issued by Telenet Group Holding, the financial position and results of operations of Telenet Group Holding is substantially the same as the financial position and results of operations of Telenet Communications for the relevant periods.

The following discussion and analysis of our financial condition and results of operations contains forward-looking statements. Our actual results could differ materially from those that we discuss in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this report, particularly under "Information Regarding Forward-Looking Statements."

Annualized Information Based on Fourth Quarter 2003 Results	**Euro millions**
Net cash pay debt[(1)]	1,288.3
Annualized EBITDA[(2)]	251.2
Pro forma annualized cash interest expense[(1)]	101.7
Ratio of net cash pay debt to Annualized EBITDA	5.1x
Ratio of net debt to Annualized EBITDA	6.1x
Ratio of Annualized EBITDA to *pro forma* annualized cash interest expense	2.5x

(1) Cash interest expense excludes non-cash items such as amortization of debt discounts and debt issuance costs and excludes expenses such as currency hedging costs and other borrowing expenses, such as withholding tax and commitment fees. Cash pay debt includes third party debt on which cash interest is payable from the date of issuance, and excludes the Senior Discount Notes on which interest is accruing on a discounted basis and for which cash interest is not payable until June 15, 2009. *Pro forma* cash interest expense is calculated assuming that actual cash pay debt balances were outstanding for an annual period at rates in effect or assumed to be in effect at December 31, 2003.

(2) Annualized EBITDA is calculated by multiplying our EBITDA of €62.8 million for the three months ended December 31, 2003 by four. We believe this is a more useful measure of performance than our last twelve month or annual EBITDA because it reflects the benefit of cable price increases implemented during the past year, growth in our Internet and telephony businesses and the initial impact of the acquisitions made in December 2003.

Balance Sheet Information

(Euro in millions)	As of September 30, 2003 (Unaudited)	As of December 31, 2003 (Unaudited)
Cash and cash equivalents	53.7	171.0
Current assets, excluding cash and cash equivalents	81.0	109.0
Property and equipment, net	970.4	998.8
Total assets	2,471.6	2,671.4
Trade payables	82.1	141.3
Total cash pay debt	1,074.6	1,459.3
Deferred payment obligations and subordinated shareholder loans	455.2	-
Shareholders' equity	718.4	570.2

Recent Developments

Canal+ Acquisition

We closed the acquisition of the Flemish assets of Canal+ (the "Canal+ Acquisition") on December 31, 2003 with financial effect from December 1, 2003. Pursuant to the Canal+ Acquisition, we provide a range of analog and digital premium movie, sports and other programming through a proprietary set top box connected to subscribers' televisions. As of December 31, 2003, we had approximately 145,900 subscribers on both our network as well as on the network of the pure intercommunales (the "PICs"). Through our subsidiary PayTVCo NV, we directly bill the cable users who subscribe to these premium programming services and pay the PICs a carriage fee for the distribution of content to our premium subscribers on their network.

As our core business is distribution, in the longer term we may transfer to a third party the programming contracts we acquired from Canal+. Pursuant to the closing of the Canal+ Acquisition, we are now subject to the programming contracts to which Canal+ was previously subject, obligating us to pay certain studios and others suppliers of programming for content rights on a minimum guaranteed subscriber basis irrespective of the actual numbers of subscribers purchasing content.

Our cable television revenue base has expanded with sales of Canal+ premium movie, sports and other content to our subscribers and those of the PICs. These revenues are partially offset by the loss of the carriage fees we previously received from Canal+. We are also incurring significant additional cable programming costs associated with the acquired content rights. The Canal+ Acquisition has a negative impact on our margins.

The successful completion of the Canal+ Acquisition resolved previous litigation with Canal+ concerning our termination of our contractual arrangements.

Codenet Acquisition

On December 9, 2003, we acquired Codenet, a broadband Internet, data and voice provider operating primarily in the business market throughout Belgium (the "Codenet Acquisition"). The Codenet Acquisition has expanded our backbone network across all of Belgium and parts of Luxembourg, allowing us to directly provide business services throughout Belgium. We expect that the transaction will further increase our ability to offer our business customers comprehensive product sets, including leased lines and voice and data packages. Codenet's ATM network capabilities, for example, permit the offering of frame relay technology, which businesses commonly use as a secure means of data transport. The Codenet Acquisition is therefore expected to allow us to more efficiently market to a broader base of small and medium sized enterprises ("SMEs") and to companies operating on a national level, with the benefit of an enhanced product set and geographic coverage.

The Codenet Acquisition contributed to our consolidated revenue with financial effect from December 1, 2003.

However, Codenet has lower operating margins than Telenet because of, among other things, Codenet's use of leased lines provided by Belgacom. Over time, we expect to replace Belgacom as Codenet's provider of leased lines in Flanders, to the extent possible.

In connection with the recent Canal+ Acquisition and Codenet Acquisition, we paid combined purchase prices of approximately €25 million in cash, net of cash acquired, and we expect that our available liquidity will be adversely affected during the next two years. See "Liquidity and Capital Resources."

MixtICS Integration

A services and transfer agreement (the "Services and Transfer Agreement") was entered into by Electrabel and MixtICS upon the acquisition of our network from the mixed intercommunales in August 2002 (the “MixtICS Acquisition”), pursuant to which Electrabel agreed to provide MixtICS with operational services following the acquisition. The Services and Transfer Agreement was amended as of the closing of the Refinancing. We subsequently have integrated many of these services into our business (including network maintenance, billing and repair) and are in the process of integrating the remaining services (including network installation, payroll, financial control and logistics). We plan to complete this integration by the middle of 2004. As we continue to migrate the cable television functions from Electrabel, we expect some increases in expenses for certain services as compared with fees charged by Electrabel for the relevant services under the Services and Transfer Agreement. We also expect increased education and training costs associated with the transfer of approximately 400 employees from Electrabel. See note 12 to our financial statements. Management expects, over time, to offset the additional costs, in part, by improved efficiencies in network maintenance and employee utilization rates.

Concurrently with the continuing integration of MixtICS, we plan to migrate all of our businesses, including MixtICS, to an integrated data management and reporting platform using an Oracle enterprise resource planning ("ERP") system, for which we expect to incur limited capital expenditure and which could initially result in difficulties in our data collection, reporting and customer service.

Results of Operation

The following table sets forth certain summary operating information as of and for the periods indicated:

For the three months ended	September 30, 2003	December 31, 2003	% change
	(unaudited)		
RGUs[(1)] (in thousands)			
Basic cable television	1,575	1,587	1%
Premium cable television [(2)]	-	146	-
Residential broadband Internet[(3)]	368	399	8%
Residential telephony[(3)(4)]	241	254	5%
Business services[(5)]	21	22	6%
Total excluding premium cable television	2,205	2,262	3%
Total including premium cable television	2,205	2,408	9%

For the three months ended	September 30, 2003	December 31, 2003
	(unaudited)	
Average monthly revenue per subscriber (in Euro)[(6)]		
Basic cable television[(7)]	10.6	10.7
Premium cable television [(2)]	-	33.7
Residential broadband Internet[(8)]	34.7	35.8
Residential telephony[(9)]	33.9	34.7
Penetration		
Basic cable television[(10)]	93.6%	94.3%
Premium cable television[(10)]	-	5.9%
Residential broadband Internet[(10)]	15.5%	16.8%
Residential telephony[(10)(11)]	9.8%	10.4%

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(1) Each subscriber is counted as a revenue generating unit, or "RGU," for each service subscribed. Thus, a subscriber or customer who receives from us basic cable television, premium cable television, broadband Internet and residential telephony services (regardless of its number of telephony access lines) would be counted as four RGUs. RGUs are presented as of the relevant period end date.

(2) Premium cable television services were introduced by Telenet with effect from December 1, 2003 following the Canal+ Acquisition. The ARPU for premium cable television service is based on the revenues and average subscribers for the period December 1 to December 31, 2003.

(3) Includes households and small businesses with up to four employees (“SoHos”) that receive our broadband Internet and telephony services through a coaxial connection.

(4) These statistics also include approximately 29,000 and 23,000 RGUs who used our carrier preselection services at September 30, 2003 and December 31, 2003, respectively. Subscribers of Phone Plus, the residential business acquired with the Codenet Acquisition, are not included in these statistics.

(5) Consists of small and medium enterprise (“SME”) RGUs that receive our broadband Internet and telephony services through a coaxial connection. We had approximately 17,000 and 18,000 SME broadband Internet customers at September 30, 2003 and December 31, 2003, respectively, and 4,000 SME telephony customers at September 30, 2003 and December 31, 2003. We also provide business services to SME and corporate RGUs that receive our services using a fiber connection and to business customers we acquired with the Codenet Acquisition, which RGUs are not included in the above RGU calculations.

(6) Revenue earned for the period divided by three (with the exception of premium cable television services – see footnote 2) and divided by the average number of RGUs for the period (which average number of RGUs may vary from the number of RGUs presented above at the period end date).

(7) Average monthly revenue per subscriber includes copyright fees and other revenue earned from carriage fees.

(8) Average monthly revenue per subscriber excludes installation fees.

(9) Average monthly revenue per subscriber excludes interconnection revenue and installation fees but includes revenue generated by RGUs who use our carrier preselection services. See footnote 4. Average monthly revenue per subscriber excluding RGUs who use our

carrier preselection services was €35.9 and €36.3 for the three months ended September 30, 2003 and December 31, 2003, respectively.

(10) Number of RGUs at the end of the relevant period as a percentage of the number of homes and businesses, as applicable, passed by our network at the end of the relevant period (in the case of basic cable television) or by our network and the PICs network as of December 31, 2003 (in the case of residential broadband Internet, telephony and premium cable television).

(11) Includes SMEs that receive our broadband Internet and telephony services through a coaxial connection.

The following table sets forth certain summary financial information for the periods indicated:

	Euro millions		As a percentage of total revenues	
	(unaudited)			
For the three months ended	September 30, 2003	December 31, 2003	September 30, 2003	December 31, 2003
Revenues				
Basic cable television	50.0	50.7	39.5%	35.4%
Premium cable television [(1)]	-	5.0	-	3.5%
Residential broadband Internet	37.9	42.0	29.9%	29.3%
Residential telephony [(2)]	30.6	33.6	24.1%	23.4%
Business services [(3)]	8.2	11.9	6.5%	8.3%
Total	126.7	143.2	100.0%	100.0%
Expenses				
Operating expenses (excluding depreciation and amortization)	(38.3)	(46.4)	(30.2%)	(32.4%)
Selling general and administrative expenses	(25.3)	(34.0)	(19.9%)	(23.7%)
Depreciation	(35.4)	(38.1)	(28.0%)	(26.6%)
Amortization and impairment	(343.3)	(10.5)	(270.8%)	(7.4%)
Operating profit (loss)	(315.5)	14.2	(248.9%)	9.9%
Interest expense, net	(40.1)	(38.8)	(31.6%)	(27.1%)
Foreign exchange gain (loss), net	(0.2)	(3.3)	(0.2%)	(2.3%)
Other financial expenses	-	(20.7)	-	(14.5%)
Loss on extinguishment of debt	-	(108.6)	-	(75.9%)
Income tax expense	-	-	-	-
Net loss	(355.8)	(157.3)	(280.7%)	(109.8%)
EBITDA, EBITDA margin	63.2	62.8	49.8%	43.8%

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(1) Premium cable television revenues consist of subscription and other revenues earned from the assets purchased pursuant to the Canal+ Acquisition with financial effect from December 1, 2003.

(2) Residential telephony revenues include a one month contribution from the carrier pre-select residential service Phone Plus, which was acquired together with Codenet, pursuant to the latter's acquisition, with financial effect from December 1, 2003.

(3) Business services revenue includes revenues from business customers acquired pursuant to the Codenet Acquisition, with financial effect from December 1, 2003.

Three Months Ended December 31, 2003 Compared to Three Months Ended September 30, 2003

The financial information for the three months ended September 30, 2003 and December 31, 2003 included in the discussion set forth below is derived from a combination of Telenet Group Holding's unaudited condensed consolidated financial statements for the three months ended December 31, 2003 and 2002 and the selected additional information provided for the three months ended September 30, 2003.

Revenues

Revenues increased by €16.5 million, or 13.0%, from €126.7 million for the three months ended September 30, 2003 to €143.2 million for the three months ended December 31, 2003. Our basic and premium cable television business generated €55.8 million, or 39.0%, of our consolidated revenues for the three months ended December 31, 2003, while our residential broadband Internet and telephony businesses generated €42.0 million and €33.6 million, or 29.3% and 23.4%, of our consolidated revenues respectively for the three months ended December 31, 2003. Sales of business services were €11.9 million, or 8.3% of our consolidated revenues, for the three months ended December 31, 2003.

The Canal+ Acquisition introduced a new revenue stream as from December 1, 2003, which accounted for 3.5% of our consolidated revenues for the three months ended December 31, 2003. Business services, which are now marketed under the "Telenet Solutions" brand name, also included one month of revenues from the Codenet Acquisition, which accounted for 1.8% of our consolidated revenues for the three months ended December 31, 2003. Excluding the impacts of the Codenet Acquisition and Canal+ Acquisition, our consolidated revenues increased by 6.2% from the three months ended September 30, 2003 to the three months ended December 31, 2003.

Cable Television

We generated €55.8 million of cable television revenues for the three months ended December 31, 2003, compared with €50.0 million for the three months ended September 30, 2003. The increase was principally a result of the Canal+ Acquisition, which resulted in one month of new revenues from premium pay television customers, which more than offset the cessation of revenue we previously received for distribution of the Canal+ content on our network.

Revenues from our basic cable television service were positively impacted to a limited extent during the three months ended December 31, 2003 by a combination of a full quarter of the second increase in cable television subscription fees during the year (originally raised by an average of 15% in January 2003 and a further 10% of the original amount in July 2003), increased copyright fees (raised from an average of €1.08 to €1.81 per subscriber per month in August 2003) and a 1% increase in the number of basic cable subscribers. The increase in basic cable subscribers was primarily the result of management focus on the billing records for this service, a process which remains ongoing following the migration of the basic cable billing system to Telenet's billing system and which is anticipated to result in potential fluctuations in basic cable subscriber numbers until the process is completed in the coming months. We anticipate that the recent price increases and recent introduction of basic cable television billing under the "Mixt-ICS" letterhead following the billing migration will result in higher call center activity while customers familiarize themselves with these changes.

Residential Broadband Internet

Revenues generated by our residential broadband Internet business continued to grow, by 10.9%, from €37.9 million for the three months ended September 30, 2003 to €42.0 million for the three months ended December 31, 2003. Increased residential broadband Internet revenues were primarily the result of net growth, at 8.4%, of residential broadband Internet subscribers for the three months ended December 31, 2003. ARPU increased by €1.1 per month as a result of increased sales of value-added services and increased revenues from ancillary fees. Churn in our residential broadband Internet business was 7.0% for the three months ended December 31, 2003, an improvement on the churn rate of 7.6% for the three months ended September 30, 2003.

Residential Telephony

Residential telephony revenue (including interconnection revenue for both residential subscribers and business customers) increased for the three months ended December 31, 2003, by 9.7%, from €30.6 million for the three months ended September 30, 2003 to €33.6 million for the three months ended December 31, 2003. This increase was primarily due to net subscriber growth of 5.5% between September 30, 2003 and December 31, 2003 following the introduction of a new tariff scheme on September 1, 2003 and, to a lesser extent, the addition of revenues from the residential carrier pre-select business Phone Plus, which was acquired as part of the Codenet Acquisition in December 2003. Excluding the impact of the Phone Plus revenues, residential telephony revenue grew 6.7% during the three months ended December 31, 2003 as compared to the three months ended September 30, 2003.

The new tariff scheme introduced in September 2003 provides for reduced rates on certain types of calls and is available to both new as well as existing subscribers, should existing subscribers choose to switch to the new plan. Notwithstanding this impact, our ARPU increased by €0.8 for the three months ended December 31, 2003 compared to the three months ended September 30, 2003. This was the result of the positive impact of seasonality, since the summer months of the third quarter typically exhibit lower usage revenues compared the fourth quarter, partly offset by the impact of our new tariff scheme. Our ARPU was also positively influenced by the continuing migration of our carrier pre-select customers (who pay us usage fees only) to directly connected customers (paying both subscription and usage fees to us). Churn in our residential telephony business remained low at 7.8% for the three months ended December 31, 2003, an improvement on the churn rate of 9.4% for the three months ended September 30, 2003.

Business Services

Business services revenues increased by 44.3%, from €8.2 million for the three months ended September 30, 2003 to €11.9 million for the three months ended December 31, 2003. This increase was primarily the result of approximately one month of revenues contributed by Codenet following the Codenet Acquisition and a year end revenue accrual reconciliation of €0.5 million. Excluding these two items, business services revenues grew 5.9% in the three months ended December 31, 2003 compared to the three months ended September 30, 2003.

Expenses

Operating Expenses

Operating expenses increased by €8.1 million, or 21.2%, from €38.3 million for the three months ended September 30, 2003 to €46.4 million for the three months ended December 31, 2003. For the three months ended December 31, 2003, operating expenses increased primarily as a result of anticipated operating expenses incurred following the Codenet and Canal+ Acquisitions. In addition, we incurred increased customer care costs in the fourth quarter of 2003 following the migration of basic cable television billing to our system and the rollout of our Sinfilo WiFi operation.

As a percentage of revenues, operating expenses were 30.2% for the three months ended September 30, 2003 and 32.4% for the three months ended December 31, 2003.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by €8.8 million, or 34.7%, from €25.3 million for the three months ended September 30, 2003 to €34.0 million for the three months ended December 31, 2003, as a result of a combination of non-recurring costs we incurred in relation to the integration of our acquisitions, higher selling and marketing costs as a result of our 26% increase in net broadband Internet and telephony RGU additions and in response to the increased competitive environment, increased expenses resulting from the Refinancing and the higher cost base of the businesses acquired pursuant to the Codenet and Canal+ Acquisitions. We believe it is possible that certain aspects of the integration process, such as data migration, may result in limited additional short term costs.

Our EBITDA for the three months ended December 31, 2003 was €62.8 million compared to €63.2 million in the three months ended September 30, 2003, for the reasons described above. We believe that our EBITDA for the three months ended December 31, 2003 was adversely impacted by €1.5 million of net non-recurring items. Our EBITDA margin decreased from 49.8% for the three months ended September 30, 2003 to 43.8% for the three months ended December 31, 2003 as a result of the anticipated deterioration in margin caused by the Codenet and Canal+ Acquisitions and of the other factors described above. Since the Codenet and Canal+ Acquisitions impacted only one out of the three months ended December 31, 2003, we anticipate that the these acquisitions will have a further adverse impact on our EBITDA margin in the first quarter of 2004.

Depreciation and Amortization Expense

Depreciation expense increased by €2.7 million, from €35.4 million for the three months ended September 30, 2003 to €38.1 million for the three months ended December 31, 2003. As a percentage of revenues, depreciation expenses were 28.1% for the three months ended September 30, 2003 and 26.6% for the three months ended December 31, 2003. The three months ended December 31, 2003 included €0.8 million of depreciation expense from operations acquired pursuant to the Codenet and Canal+ Acquisitions.

Amortization expense decreased by €332.7 million, from €343.3 million for the three months ended September 30, 2003 to €10.5 million for the three months ended December 31, 2003. The decrease was substantially the result of a €336 million impairment of our goodwill relating to an impairment analysis under SFAS No. 142 performed in the third quarter of 2003.

Operating Profit

Our operating loss of €315.5 million for the three months ended September 30, 2003 was followed by an increase in operating profit of €329.7 million to an operating profit of €14.2 million for the three months ended December 31, 2003, as a result of the factors described above.

Other Income (Expense)

Interest Income (Expense)

Net interest expense decreased by €1.3 million, from €40.1 million for the three months ended September 30, 2003 to €38.8 million for the three months ended December 31, 2003, primarily as a result of the favorable unwinding of an interest rate hedge and the higher interest income we earned on our cash balances in the fourth quarter of 2003. See note 7 to our Condensed Consolidated Interim Financial Statements for additional information on our financing facilities. As a percentage of revenues, net interest expense was 31.6% for the three months ended September 30, 2003 and 27.1% for the three months ended December 31, 2003.

Net Foreign Exchange Gain (Loss)

Our net foreign exchange loss of €203,000 for the three months ended September 30, 2003 increased to €3.3 million in the three months ended December 31, 2003, as a result of change in the market value of our currency hedges.

Other Financial Expenses

In connection with the exchange of vested warrants, the Company recorded a charge of €8.0 million, which is included in Other Financial Expenses in the Condensed Consolidated Statement of Operations. The amount of the charge is based upon the difference between the fair value (as determined under the Black-Scholes pricing model) of the newly issued Subordinated Debt Warrants compared to the fair value of the old warrants that were given up by the holders in exchange for the newly issued Subordinated Debt Warrants. In addition, the Company recorded a loss of €12.7 million on the mark to market value of its foreign exchange forward contracts which is described also in note 9 to our Condensed Consolidated Interim Financial statements.

Loss on Extinguishment of Debt

As a result of the Refinancing, the Company wrote off on December 22, 2003, €20.3 million of debt issuance costs related to the Senior Credit Facility and Mezzanine subordinated bonds and €79.1 million of debt discounts on the Senior Credit Facility, Mezzanine subordinated bonds and deferrals. Additionally, the Company incurred a redemption premium of approximately €9.2 million upon repayment of certain of the subordinated shareholder loans and deferred payment obligations. These expenses were presented as Loss on Extinguishment of Debt in the Condensed Consolidated Statement of Operations.

Net Loss

Net loss decreased by €198.5 million, from €355.8 million for the three months ended September 30, 2003 to €157.3 million for the three months ended December 31, 2003, as a result of the factors described above.

Liquidity and Capital Resources

We have not presented cash flow statements, but provide below some indications of the key trends affecting our liquidity.

Capital Expenditure

Our business is highly capital intensive. Capital expenditure on fixed assets was €25.8 million for the three months ended September 30, 2003 and €32.7 million for the three months ended December 31, 2003. During both quarters, a significant portion of our purchases of fixed assets (excluding those acquired through the Canal+ and Codenet Acquisitions) was related to capital expenditures for customer premise equipment and related installation costs for new subscribers and to capital expenditures on network capacity which was also related to subscriber growth.

In the three months ended December 31, 2003, we incurred an initial €1.7 million in capital expenditures for the installation of our voice over Internet protocol (VoIP) platform. During the same period, we incurred net capital expenditure on interactive digital television development (after taking into account our government subsidy) of approximately €5 million.

Available Liquidity

We maintain cash and cash equivalents to fund the day-to-day cash requirements of our business. We hold cash primarily in euros. We held €171.0 million of cash and cash equivalents as of December 31, 2003, as compared with €53.7 million as of September 30, 2003. Following the Refinancing, our cash and cash equivalents included €100 million of cash which we intend to apply to reduce our cash pay debt.

Our cash and cash equivalents as of December 31, 2003 reflects payment of the cash consideration of the Canal+ and Codenet Acquisitions. We paid combined purchase prices, including transaction expenses and net of cash acquired, of approximately €26 million. As was previously anticipated, we estimate that we will incur an additional €10 million to €15 million negative cash impact as a result of these acquisitions within the next two years.

Following the Refinancing, tranche D of the senior credit facility, which is a €100 million undrawn revolving credit facility, is available to us subject to our being in compliance with certain financial covenants and other conditions. In addition, giving effect to the Refinancing and the €40 million drawing under tranche C2 of the senior credit facility on November 3, 2003, an additional €40 million remains available under tranche C2 of the senior credit facility for general corporate purposes, subject to certain covenants and conditions. The senior credit facility is discussed in greater detail in note 7 to our Condensed Consolidated Interim Financial Statements.

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 our shortage of Motorola telephony modems and roll-out of VoIP. Our ability to service our debt (including payments on the Notes) and to fund our ongoing operations will depend on our ability to generate cash. We have not made a profit since the Telenet group was formed in 1996 and have a history of negative net cash flows after deducting interest and taxes. Although we expect to continue to report losses in the foreseeable future, we anticipate generating positive cash flow after deducting interest and taxes, but cannot assure you that this will be the case.

Telenet Group Holding is a holding company with no source of operating income. It is therefore dependent on capital raising abilities and dividend payments from subsidiaries to generate funds. The terms of the senior credit facility, our other outstanding debt and the indenture governing the Senior Discount Notes and the Senior Notes issued by Telenet Communications 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 and incur additional debt and grant guarantees. Furthermore, the ability of our subsidiaries to pay dividends and make other payments to us may be restricted by, among other things, other agreements and legal prohibitions on such payments.

Although the cash portion of our interest expense has increased substantially following the Refinancing, we believe that our cash flow from operations and our existing cash resources, the amended and extended amortisation schedule of our senior credit facility, together with available borrowings under the senior credit facility, will be sufficient to fund our currently anticipated working capital needs, capital expenditures and debt service requirements, although we cannot assure you that this will be the case.

Contingent Liabilities and Commitments

For a discussion of our contingent liabilities and commitments, some of which are significant, see note 12 to our financial statements. In connection with litigation concerning the basis for our computation of copyright fees, as of December 31, 2003 we had accrued a liability of approximately €40.5 million.

Off-Balance Sheet Arrangements

Historically, we have not used special-purposes vehicles or similar financing arrangements. In addition, we do not have any off-balance sheet financing arrangements with any of our affiliates or with any unconsolidated entities.

Lack of Tax Consolidation

To the extent mismatches between taxable income and deductible expenses occur within the Telenet group, our ability to generate cash flow could be adversely affected (because Belgian tax law does not provide for group-wide consolidation).

We are exposed to market risks relating to fluctuations in interest rates and foreign exchange rates, primarily as between the U.S. dollar and euro, and use financial instruments to manage our exposure to interest rate and foreign exchange rate fluctuations.

Interest Rate and Related Risk

We are exposed to changes in interest rates because a large portion of our borrowings are variable rate debts. Accordingly, our debt service obligations under such indebtedness fluctuate as interest rates change. In order to mitigate this exposure, we have entered into interest rate swap agreements, caps and best of swap and cap combination agreements. Pursuant to interest rate swap agreements, at specified intervals, we pay a fixed interest rate and receive a variable interest rate calculated by reference to an agreed-upon notional principal amount. Our hedging strategy was based on a close to 100% coverage of the anticipated outstanding senior bank debt in the period 2002-2005. As result of lower than anticipated cash flow needs, the restructuring of the senior credit facility in April 2003 and finally a net reduction of the senior debt in December 2003, the total notional amount of interest derivative instruments effective December 31, 2003 exceeded the amount of variable rate debt by €247 million. Telenet is currently examining the restructuring of its interest rate hedging portfolio to reflect the newly anticipated debt structure.

As of December 31, 2003, we had entered into interest rate swap agreements for a notional principal amount of €471.7 million, and we paid fixed interest on the senior credit facility at a blended rate of 4.0% (plus the appropriate margin for each tranche), 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 our exposure to, and to derive benefits from, interest rate fluctuations on variable rate debt within a certain range of rates. As of December 31, 2003, we had entered into cap agreements for a notional principal amount of €784.2 million and an average cap interest rate of 4.0%. As of December 31, 2003, these cap agreements did not impact our cash interest expense. As of December 31, 2003 we had also entered into best of swap and cap combination agreements for a notional principal amount of € 284.2 million and pay interest rates ranging from 4.5% to 6.1%. The respective best of swap and cap combination agreements have not impacted our cash interest expense as of December 31, 2003 since their effective date is in August 2005. Interest rate risk management agreements are not held or issued for speculative or trading purposes. None of these derivative instruments is a qualifying hedge for purposes of SFAS No. 133.

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. We have entered into transactions to hedge our interest rate risk for the principal amount of all such debt.

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. At December 31, 2003, we had outstanding fixed rate debt of €756.5 million(1).

Under the terms of our senior credit facility, we are required, among other things, to make gross up payments to nonresident lenders for interest payments made under the facility that are subject to Belgian withholding tax. Withholding taxation rates vary between 0 and 15% (the highest withholding rate currently applicable under Belgian law) depending upon the tax country of residence of the relevant lender and whether that country is party to a double taxation treaty with Belgium. For the three months ended December 31, 2003, we paid approximately €0.9 million in such gross up payments. The percentage of the aggregate interest payable under the terms of our senior credit facility, held by nonresident lenders, has increased from only 32.2% at the end of the period ending September 30, 2003 to 51% at the end of the period ending December 31, 2003. If we had been required to make gross up payments on interest paid to all of the lenders under our senior credit facility (which does not restrict transfers of interests in the facility to nonresidents of Belgium) at the 15% withholding taxation rate, we would have had to make payments of approximately €2.5 million for the three months ended December 31, 2003. On a *pro forma* basis to reflect the Refinancing and such payments at the 15% withholding taxation rate, we would have had to make payments of approximately €2.2 million for

(1) Consists of the face value of the Senior Notes and the accreted value of the Senior Discount Notes converted at an exchange rate of $1.2496 to €1.00.

the three months ended December 31, 2003.

Foreign Currency Risk

Our reporting currency is the euro. However, we conduct, and will continue to conduct, transactions in currencies other than the euro, particularly the U.S. dollar. Approximately 8.7% of our costs of operations (primarily the costs of network hardware and software equipment, management expenses under our strategic services agreement with Cable Partners and advisory fees incurred in the high yield issuing process) for the three months ended December 31, 2003 were denominated in U.S. dollars, while all of our revenues were generated in Euros. Decreases in the value of the Euro relative to the U.S. dollar would increase the cost in Euro of our 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 December 31, 2003, the Euro had appreciated approximately 19.9% against the U.S. dollar since December 31, 2002.

We have historically hedged a portion of our U.S. dollar cash outflows arising on anticipated and committed purchases through the use of foreign exchange derivative instruments. 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 our financial condition and results of operations.

In order to hedge the foreign exchange exposure resulting from the issuance of the $558 million Senior Discount Notes by Telenet Group Holding, we entered into a series of foreign exchange forward contracts (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 foreign exchange forward contracts 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. This also assumes that there will be no optional redemption before the Full Accretion Date. See note 9 to our condensed consolidated financial statements for further details of our hedging strategy.

Beginning in 2009, Telenet Group Holding will be required to make cash interest payments in U.S. dollars on the Senior Discount Notes. We intend to enter into hedging arrangements as necessary to mitigate our exposure to fluctuations in the U.S. dollar/Euro exchange rate with respect to interest payments and repayments of principal upon maturity or earlier upon a redemption. Our current strategy is to hedge our exposure in respect of the accreted principal amount of the Senior Discount Notes up to the Full Accretion Date and to review at a later stage our hedging strategy with respect to cash interest and principal payments payable under the Senior Discount Notes after such date.

PART II – OTHER INFORMATION

ITEM 1 LEGAL PROCEEDINGS

See note 12 to our condensed consolidated financial statements for an update on interconnection and copyright litigation in which we have been involved.

ANNEX E
RECENT EXCHANGE RATE INFORMATION

Fluctuations in the exchange rate between the euro and other currencies may affect our business. The following chart shows for the period from January 1, 1999 through April 16, 2004, the period end, average, high and low noon buying rates in The City of New York for cable transfers of euro as certified for customs purposes by the Federal Reserve Bank of New York expressed as U.S. dollars per €1.00. The euro did not exist as a currency prior to January 1, 1999. The rates below may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this offering memorandum. Our inclusion of these exchange rates does not mean that the euro amounts actually represent such U.S. dollar amounts or that such amounts could have been converted into U.S. dollars at any particular rate, if at all. The noon buying rate of the euro on April 16, 2004 was U.S.$1.2025= €1.00.

The exchange rates between the euro and the U.S. dollar for 1998 is derived from the exchange rate between the Belgian Franc and the U.S. dollar, based on the noon buying rate in The City of New York for cable transfers of Belgian Franc as certified for customs purposes by the Federal Reserve Bank of New York for the applicable period, translated into euro at the fixed conversion rate of BEF40.3399 = €1.00.

	U.S. dollars per €1.00			
	High	**Low**	**Period average[1]**	**Period end**
Year				
1998	1.2154	1.0478	1.1056	1.1740
1999	1.1812	1.0016	1.0588	1.0070
2000	1.0335	0.8270	0.9207	0.9388
2001	0.9535	0.8370	0.8909	0.8901
2002	1.0485	0.8594	0.9495	1.0485
2003	1.2597	1.0361	1.1317	1.2597

	U.S. dollars per €1.00			
	High	**Low**	**Period average**	**Period end**
Month				
October 2003	1.1833	1.1596	1.1714	1.1609
November 2003	1.1995	1.1417	1.1710	1.1995
December 2003	1.2290	1.1956	1.2161	1.2290
January 2004	1.2853	1.2389	1.2638	1.2452
February 2004	1.2849	1.2425	1.2631	1.2441
March 2004	1.2432	1.2088	1.2255	1.2292
April 2004 (through April 16, 2004)	1.2358	1.1914	1.2073	1.2025

(1) The average of the noon buying rates on the last day of each month during the relevant period.

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